

TEXAS TECH UNIVERSITY
TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER
LUBBOCK, TEXAS

MINUTES OF THE BOARD OF REGENTS
OF
TEXAS TECH UNIVERSITY

SEPTEMBER 1, 1998 THROUGH AUGUST 31, 1999

VOLUME I

TEXAS TECH UNIVERSITY
TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER
MINUTES OF THE BOARD OF REGENTS
OF
TEXAS TECH UNIVERSITY

OCTOBER 26, 1998

TEXAS TECH UNIVERSITY
TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER
Lubbock, Texas

Minutes

Board of Regents Retreat
October 26, 1998

- CW 1 The Board of Regents of Texas Tech University met in informal open workshop sessions on Monday, October 26, 1998, with the Chancellor, the Deputy Chancellor and the presidents of Texas Tech University and Texas Tech University Health Sciences Center to discuss the overall governance structure of Texas Tech University and the further development of strategic plans; and to deliberate on issues related to enrollment management, funding (both public and private), staff development, academic and research programs and plans; and to discuss the development of operating efficiencies. Chairman Whitacre called the meeting to order at approximately 9:15 a.m.
- CW 2 The meeting was relatively unstructured other than the structure provided by the inclusion in the agenda of written excerpts (primarily from publications of the Association of Governing Boards) and a few tone-setting presentations. The complete agenda is attached hereto as Attachment No. 1. In order to move through the agenda outline and to document consensus where it occurred, Dr. Bryce Jordan, whose career includes having been interim president of the University of Texas at Austin, president of the University of Texas at Dallas in its formative years, executive vice chancellor for academic affairs of The University of Texas System, and president of Penn State University, facilitated all sessions.
- CW 3 Participants included board members Edward E. Whitacre, Jr. (chair), Dr. Bernard A. Harris, Jr. (vice chair), J. Robert Brown, John W. Jones, Dr. Nancy E. Jones, Dr. Carl E. Noe, James E. Sowell, J. Michael Weiss, and Alan B. White; John T. Montford, chancellor; James L. Crowson, deputy chancellor; Donald R. Haragan, president of Texas Tech University; David Smith, president of Texas Tech University Health Sciences Center; Dr. Bryce Jordan, facilitator; and Marcie Johnston, executive director for the Board of Regents.
- CW 4 During the opening session, the first agenda item discussed was workshop goals. Regent Nancy Jones and Dr. Bryce Jordan made comments. Dr. Jordan expressed his opinion that a primary goal for the meeting should be to establish a method for achieving a strategic plan.
- CW 5 The second agenda item discussed during the opening session was governance. A consensus was reached that the Board of Regents at a subsequent meeting would consider scheduling five regular meetings during the fiscal year with three being on the Texas Tech campus in Lubbock, one at a health sciences center campus outside Lubbock, and one in a major metropolitan area with development and student recruitment potential. The board also reached consensus that it probably would continue the same committee structure (i.e. Executive Committee [consisting of chair, vice chair and committee chairs]; Academic Clinical and Student Affairs Committee [consisting of three regents appointed by the chair]; Finance and Administration Committee [consisting of three regents appointed by the chair]; Facilities Committee [consisting of three regents appointed by the chair]; and Investment Advisory Committee [consisting of two regents appointed by the chair and five alumni appointed by the Chancellor]); but that regular committee meetings of the Academic Clinical and Student Affairs Committee, the Finance and Administration Committee,

and the Facilities Committee probably will take place serially (as opposed to simultaneously) beginning the day before regularly scheduled board meetings.

There was considerable discussion about the possibility of scheduling more frequent committee meetings during the interim between regularly scheduled Board meetings. There was substantial sentiment that routine items could be handled with a "consent agenda" and that more time could be spent on policy discussions. There also was discussion to the effect that executive summaries would be helpful.

- CW 6 During the second session, the board focused on strategic planning. Speaking from the materials attached hereto as Attachment No. 2, Chancellor Montford presented a report outlining the university's strategic goals. The consensus from this session was that there probably should be established a very short set of strategies with clearly established benchmarks leading to the achievement of each strategy.
- CW 7 During the third session, speaking from the materials attached hereto as Attachment No. 3, Dr. Haragan presented a report suggesting a possible academic profile of Texas Tech University in January, 2004 and how that profile might be achieved.
- CW 8 Speaking from the materials attached hereto as Attachment No. 4, Dr. Smith presented a report suggesting a possible academic and health care profile of Texas Tech University Health Sciences Center in January, 2004 and how that profile might be achieved.
- CW 9 After the reports of the presidents, the board discussed the development of academic plans and how such plans could be a part of the strategic plan to move the university forward.
- CW 10 During the fourth session, the board addressed the development of fiscal plans. Following comments by Deputy Chancellor Crowson, Regent Weiss, speaking from the materials attached hereto as Attachment No. 5, discussed a possible method of financial forecasting. The board felt that the schedule presented by Regent Weiss had considerable merit as a method of assessing the financial health of the institutions.
- CW 11 The next item discussed was the development of facilities plans including funding strategies and the issue of outsourcing certain activities related to the physical plant.
- CW 12 During the final wrap-up session, Chancellor Montford presented summary remarks. Dr. Jordan presented a summary of his thoughts on important matters discussed in the workshop substantially as follows:
- Dr. Jordan expressed his opinion that the Board appeared to be very concerned about the reputation of Texas Tech. The discussion explored the need to be sensitive to the national rankings. Dr. Jordan noted that, while media surveys are terribly inaccurate, it is necessary to pay attention to them because readers do.
 - Dr. Jordan reviewed the board's discussion with regard to its committee structure and frequency of meetings substantially as set out in Item CW5 above.
 - Dr. Jordan noted that the Board appears to have a strong interest in improving Texas Tech's marketing and public relations efforts.
 - Dr. Jordan concurred with the Board that it is necessary to focus on funding initiatives at all levels: state, federal, and private.
 - Dr. Jordan noted his concern that if a strategic plan is developed at the Chancellor's level that time must be spent in securing the buy-in of the university staff and faculty.

- Dr. Jordan expressed his opinion that Texas should rationalize its educational system in a manner similar to California in the 1960's. He said that Texas eventually must put politics aside and develop a state-wide plan for higher education. Dr. Jordan said that he concurred heartily with Chancellor Montford's view that Texas Tech should solidify its position as a flagship university.
- Dr. Jordan reiterated the position that outsourcing of certain activities is an attractive option, but that there are social and political consequences.

CW13 Chairman Whitacre adjourned the meeting at approximately 2:45 p.m.

I, James L. Crowson, the duly appointed and qualified Assistant Secretary of the Board of Regents, hereby certify that the above and foregoing is a true and correct copy of the Minutes of Texas Tech University Board of Regents workshop/retreat on October 26, 1998.

James L. Crowson
Assistant Secretary

SEAL

Attachments

- 1 Agenda; Item CW2
- 2 Chancellor John Montford's Report; Item CW6
- 3 President Donald Haragan's Report; Item CW7
- 4 President David Smith's Report; Item CW8
- 5 Fund Group Definitions; Item CW10

BOARD OF REGENTS
TEXAS TECH UNIVERSITY

October 26, 1998

BOARD OF REGENTS

Mr. Edward E. Whitacre, Jr., Chair

Dr. Bernard A. Harris, Jr., Vice Chair

Mr. J. Robert Brown

Mr. John W. Jones

Dr. Nancy E. Jones

Dr. Carl E. Noe

Mr. James E. Sowell

Mr. J. Michael Weiss

Mr. Alan B. White

Committee Membership:

Academic, Clinical and Student Affairs:

J. Robert Brown, Nancy E. Jones, Carl E. Noe (Chair)

Finance and Administration:

J. Michael Weiss, Edward E. Whitacre, Jr., Alan B. White (Chair)

Facilities:

Bernard A. Harris, Jr., John W. Jones, James E. Sowell (Chair)

**Board of Regents
Texas Tech University**

**Workshop/Retreat
Taft Room, Doubletree Hotel
5410 LBJ Freeway, Lincoln Centre
Dallas, Texas
October 26, 1998**

Summary Agenda

8:30 a.m.	–	9:15 a.m.	Pastries, coffee, fruit, and juice will be available in the meeting room.
9:15 a.m.	–	10:45 a.m.	Discussion of governance issues.
11:00 a.m.	–	12:15 p.m.	Discussion of strategic planning.
12:15 p.m.	–	1:15 p.m.	Discussion of academic planning
1:15 p.m.	–	2:15 p.m.	Lunch will be served
2:15 p.m.		2:45 p.m.	Continue discussion of academic planning
3:00 p.m.	–	4:20 p.m.	Discussion of financial and facilities planning.
4:30 p.m.	–	5:15 p.m.	Wrap-up session..

**Board of Regents
Texas Tech University**

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Taft Room, Doubletree Hotel
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October 26, 1998

Presider: Edward E. Whitacre, Jr.
Chair, Board of Regents
Texas Tech University

Facilitator: Bryce Jordan, Ph.D.

Participants: Texas Tech University Board of Regents
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Nancy Jones, Ph.D.

John Jones

Carl E. Noe, M.D.

James Sowell

Michael Weiss

Edward E. Whitacre, Jr.

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On October 26, 1998, the Board of Regents of Texas Tech University will meet in informal workshop sessions with the Chancellor, the Deputy Chancellor, the President of Texas Tech University, and the President of Texas Tech University Health Sciences Center to review the overall governance structure of Texas Tech; to discuss the further development of strategic plans; to deliberate on issues related to enrollment management, funding (both public and private), staff development, academic and research programs and plans; and to discuss the development of operating efficiencies. Since there will be dialogue among board members, the meeting will be posted and open to the public. However, it is not anticipated that any formal decisions will be made.

Other than the structure provided by an agenda outline, a few tone-setting presentations, and the inclusion in the agenda of written excerpts (primarily from publications of the Association of Governing Boards) intended to provoke discussion, the meeting is designed to be relatively unstructured so that there is a free flow of ideas. However, in order to move through the agenda outline and to document consensus where it occurs, all sessions will be facilitated by Dr. Bryce Jordan (born in Clovis, New Mexico; raised in Abilene, Texas) whose career includes having been interim president of The University of Texas at Austin, president of The University of Texas at Dallas in its formative years, executive vice chancellor for academic affairs of The University of Texas System, and president of Penn State University.

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Workshop Agenda

I. First Session: 9:15 a.m. until 10:45 a.m.

- A. Call to order; opening comments by Chairman Whitacre.
- B. Discussion of workshop goals [approximately one-half hour].
 - 1. Comments by Regent Nancy Jones.
 - 2. Comments by the Facilitator. See Exhibit A.
 - 3. Facilitated discussion among all persons present.
- C. Discussion of governance issues [approximately one hour].
 - 1. See Exhibits B1, B2.
 - 2. Facilitated discussion among all persons present.
- D. Break at approximately 10:45 a.m.

II. Second Session: 11:00 a.m. until 12:15 p.m.

- A. Discussion of the development of an ongoing and iterative strategic planning process involving the administration and the board [approximately one and one-quarter hours].
 - 1. See Exhibit C.
 - 2. Comments by Chancellor Montford.
 - 3. Facilitated discussion among all persons present.

III. Third Session: 12:15 p.m. until 1:15 p.m.

B. Drs. Haragan and Smith will join the meeting. Presentations by Presidents Haragan and Smith.

1. "A possible academic profile of Texas Tech in January, 2004: How will we get there?" President Haragan [approximately 20 minutes].
2. "A possible academic and health care profile of Texas Tech University Health Sciences Center in January, 2004: How will we get there?" President Smith [approximately 20 minutes].
3. Facilitated discussion among all present [approximately 20 minutes].

C. Break at approximately 1:15 p.m. for lunch.

III. Continuation of Third Session: 2:15 p.m. until 2:45 p.m.

A. Development of academic plans [approximately one-half hour].

1. See Exhibit D.
2. Comments from members of the Academic, Clinical and Student Affairs Committee: Regents Brown, Nancy Jones, and Noe.
3. Facilitated discussion among all persons present.

C. Break at approximately 2:45 p.m.

IV. Fourth Session: 3:00 p.m. until 4:20 p.m.

- A. Development fiscal plans [approximately 40 minutes].
 - 1. See Exhibit E1.
 - 2. Comments by Deputy Chancellor Crowson.
 - 3. Comments from members of the Finance Committee: Regents Weiss (see Exhibit E2), Whitacre, and White.
 - 4. Facilitated discussion among all persons present.
- B. Development of Facilities Plans [approximately 40 minutes].
 - 1. See Exhibit F.
 - 2. Comments from members of the Facilities Committee: Regents Harris, John Jones, and Sowell.
 - 3. Facilitated discussion among all persons present.
- C. Break at approximately 4:20 p.m.

V. Wrap-up Session: 4:30 p.m. until 5:15 p.m.

- A. Comments by any or all participants [approximately one-quarter hour].
- B. Remarks by Chancellor Montford [approximately one-quarter hour].
- C. Facilitator's comments [approximately one-quarter hour].
- D. Adjournment; Chairman Whitacre.

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 - 3. Facilitated discussion among all persons present.
 - C. Discussion of governance issues [approximately one hour].
 - 1. See Exhibits B1, B2.
 - 2. Facilitated discussion among all persons present.
 - D. Break at approximately 10:45 a.m.

- II. Second Session: 11:00 a.m. until 12:15 p.m.
 - A. Discussion of the development of an ongoing and iterative strategic planning process involving the administration and the board [approximately one and one-quarter hours].
 - 1. See Exhibit C.
 - 2. Comments by Chancellor Montford.
 - 3. Facilitated discussion among all persons present.

- B. Break at approximately 12:15 p.m. for lunch; Presidents Haragan and Smith will join the meeting at this time.

III. Third Session: 1:15 p.m. until 2:45 p.m.

- A. Presentations by Presidents Haragan and Smith.
 - 1. "A possible academic profile of Texas Tech in January, 2004: How will we get there?" President Haragan [approximately 20 minutes].
 - 2. "A possible academic and health care profile of Texas Tech University Health Sciences Center in January, 2004: How will we get there?" President Smith [approximately 20 minutes].
 - 3. Facilitated discussion among all present [approximately 20 minutes].
- B. Development of academic plans [approximately one-half hour].
 - 1. See Exhibit D.
 - 2. Comments from members of the Academic, Clinical and Student Affairs Committee: Regents Brown, Nancy Jones, and Noe.
 - 3. Facilitated discussion among all persons present.
- C. Break at approximately 2:45 p.m.

IV. Fourth Session: 3:00 p.m. until 4:20 p.m.

- A. Development of fiscal plans [approximately 40 minutes].
 - 1. See Exhibit E1.
 - 2. Comments by Deputy Chancellor Crowson.

3. Comments from members of the Finance Committee: Regents Weiss (see Exhibit E2), Whitacre, and White.
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 1. See Exhibit F.
 2. Comments from members of the Facilities Committee: Regents Harris, John Jones, and Sowell.
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- C. Break at approximately 4:20 p.m.
- V. **Wrap-up Session: 4:30 p.m. until 5:15 p.m.**
 - A. Comments by any or all participants [approximately one-quarter hour].
 - B. Remarks by Chancellor Montford [approximately one-quarter hour].
 - C. Facilitator's comments [approximately one-quarter hour].
 - D. Adjournment; Chairman Whitacre.

Bryce Jordan
3403 Ledgestone Drive
Austin, TX 78731-5124

Phones: 512-451-6716, 512-451-4365
FAX: 512-453-4716
E-Mail: Bigbendboy@aol.com

BORN: Clovis, New Mexico, 9/22/24

GREW UP: In Abilene, Texas. Graduated from Abilene High School, 1941

MILITARY SERVICE: U.S. Air Force, World War II

UNIVERSITY EDUCATION: B.Mus., (1948), M.Mus., (1949) UT Austin; Ph.D., University of North Carolina at Chapel Hill (1956) in History of Music and Comparative Literature.

FACULTY EXPERIENCE: Hardin-Simmons University (1949-51); University of Maryland (1954-63); University of Kentucky (Department Chairman, 1963-65); University of Texas at Austin (Department Chairman, 1965-68); Faculty, Salzburg Seminar in American Studies (1960-62).

ADMINISTRATIVE EXPERIENCE: Vice President for Student Affairs, UT Austin (1968-70), Interim President, UT Austin (1970-71); President, UT Dallas (1971-81); Executive Vice Chancellor for Academic Affairs, UT System (1981-83; President [of both the 19-campus system and the main campus]), Penn State University (1983-90).

CONSULTING: Major studies of The University of North Carolina, The University of South Carolina, The University of Nebraska, University of Houston, and Arizona State University since 1990. Also consultancies with various foundations.

OTHER PROFESSIONAL ACTIVITIES: Special advisor to the Presiding Federal Judge in the matter of *Knight v Alabama*, a landmark desegregation case concerned with the distribution of federal and state funds to the historically black public universities in Alabama, 1993-95. Since the judge rendered his opinion in the case, now a member of a four-person Oversight Committee, appointed by the Federal Court to implement the \$140 million settlement, 1995-present.

BUSINESS ACTIVITIES: Director, Mellon Bank Corporation (to 1997); Director, Harleysville Group [a holding company that owns insurance companies] (to 1997); Director and Chairman, Executive Committee, Quaker State Corporation (to 1995).

RECENT CIVIC & VOLUNTEER ACTIVITIES: Chairman, Austin Lyric Opera (1992-94); Chairman, Fine Arts Advisory Council, UT Austin (1994-96); Chairman, Advisory Council, UT Press (1997-present).

Exhibit B1

**Discussion Guide on
Board and Board Committee Structures**

1. Structure of Board
 - (i) Role of Board of Regents in a state-funded institution of higher education.
 - (ii) Role of individual board members in a state-funded institution of higher education.
 - (iii) Overall board organization.
 - (iv) Committee structure (e.g., fewer, more, or different committees).
2. Structure of Board Meetings.
 - (i) Frequency of full board meetings.
 - (ii) Committee meetings.
 - at board meetings
 - simultaneous
 - serially, with each board member sitting on each committee
 - serially, with non-committee members being invited to sit in on each committee
 - in the interim between board meetings
 - membership
 - authority to take final action.
 - (ii) Development of board agendas.
 - legally- or rule-required items to be approved.
 - policy issues discussions by the board.

JLC: 10/10/98

Exhibit B1
Page 1 of 13

Board Basics: Effective Trusteeship, Association
of Governing Boards, Washington, D.C., 1997.

The work of boards should be accomplished in committee. An effective committee system will enhance the productivity of full board meetings.

The committee structure of any board should mirror the full range of its responsibilities as a legal, corporate entity. That is, the committee organization should cover the oversight roles expected of trustees.

Although there is no optimum committee system, certain principles and procedures should prevail: The board's bylaws or other operating policy should include a clear, comprehensive statement of responsibility for each standing committee. Each committee should be staffed by an appropriate administrative officer; a trustee or regent should serve as chair. No trustee should serve on more than two active committees, preferably one—excluding the executive committee.

Before scheduled meetings, each committee member should receive a concise, well-conceived meeting agenda and relevant background information prepared by the committee chair and staff. Committees are responsible for recommending decisions and actions to the full board.

As committee members seek additional information to fulfill their responsibilities, it is important to strike a balance between "too much" and "too little." Committee members must guard against requesting overly detailed information to avoid the appearance of becoming embroiled in administration or overburdening it. Before members make information requests, perhaps they would be well-served by asking if all such requests contribute to the committee's and the board's responsibilities for reviewing, setting, or approving institutional policies.

Wood, Richard J., "Academic Affairs Committee," *Board Basics: Effective Trusteeship*, Association of Governing Boards, Washington, D.C., 1997.

THE ACADEMIC AFFAIRS COMMITTEE

How should governing boards exercise their ultimate responsibility for the delivery of their institution's principal purposes—teaching and learning? On behalf of the governing board, the academic affairs committee bears the primary responsibility for defining, overseeing, and modifying the policies that fulfill an institution's academic mission, including what students learn and how they learn it; the effectiveness of teaching and learning; faculty selection, recognition, and development; how to assess and reward teaching excellence; efficient and sensible organization of departments, divisions, and colleges within larger institutions; academic standards and requirements; and the appropriate balance among teaching, scholarship, and service, among many other elements.

Further, committee members must do so in a higher education environment largely defined by three dominant characteristics: (1) constricting resources that must be allocated to a growing number of initiatives; (2) increasing demands for excellence, accountability, and productivity; and (3) a tradition of diffused governance that makes meeting these demands difficult.

In this changed environment, members of academic affairs committees find themselves participating in matters that once were the exclusive domain of faculty members and senior administrators. At the same time, they are not expected to be academic professionals. For this reason, many committees are reluctant to exercise heightened oversight, even though such involvement is necessary for institutions to flourish. Committee members must be cognizant of their sensitive position by tempering their obligation to exercise due oversight with a respect (and even deference on

some issues) for the judgment of faculty and administrators who are more knowledgeable about the specific curricular content and the coherence or substance of new degree programs, for example.

Committee members should seek the commitment and collaboration of faculty and administrators in ensuring that (1) the institution's educational programs are consistent with its mission; (2) academic priorities are clearly stated, widely understood, and appropriately funded; and (3) policies support program development. They should be knowledgeable about which major academic programs are especially effective, which are not, and why.

To oversee the institution's academic mission appropriately, the academic affairs committee should press administrators and faculty to respond to the following range of questions and concerns:

1. Are the institution's educational programs consistent with its mission? If not, why, and how can they be modified? If they are, how can they be further strengthened?
2. Is the institution's strategic plan built upon a comprehensive academic plan?
3. Does the institution's overall budget reflect and support academic priorities? Are resource-allocation decisions consistent with those academic priorities?
4. Are faculty personnel policies—including reward systems and tenure, if appropriate—equitable? Do they support institutional objectives and initiatives? Are they periodically reviewed and compared with comparable policies at peer institutions? (This is particularly important as institutions revise tenure and post-tenure review policies.)

5. What is the relationship between enrollment policies and practices and academic standards and requirements? Are academic programs appropriate for the quality profile, learning needs, and career and life interests of the institution's students?
6. How does the institution evaluate the quality of academic programs? Are the standards clear, communicated to members of the campus community, and reviewed regularly?
7. How is information technology being applied to innovations in teaching and learning?

As committee members consider these questions and use them to guide their policy making, they should be mindful that excessive involvement can be as harmful as neglect.

Flinn, Ronald T., "The Building and Grounds Committee," *Board Basics: Effective Trusteeship*, Association of Governing Boards, Washington, D.C., 1997.

THE BUILDINGS AND GROUNDS COMMITTEE

An effective buildings and grounds committee must operate in the broad context of institutional stewardship to ensure that its policies, practices, and recommendations serve the institution's mission and purpose. Additionally, committee members must be mindful of many external influences on higher education, including the economy, government financial support, demographics, and social attitudes.

The fiscal needs of colleges and universities are great, and the broad requirements of the building and grounds committee are clear: (1) to maintain facilities to stem the tide of deferral, (2) to modernize instruction and research technology, and (3) to respond to the national interests of greater energy efficiencies, more access for a wide variety of students (some of whom are disabled), and improved environmental quality and occupational safety.

For a buildings and grounds committee to be most effective, members should be aware of the social and economic factors that have created the current circumstances in which many institutions must operate. A brief summary follows:

Today's capital crisis began in the 1960s, when colleges and universities rapidly expanded to accommodate students of the so-called baby-boom generation. By the early 1970s, most campuses had doubled from their pre-World War II size. Many were built without regard for energy conservation or the needs of handicapped individuals. Often, design standards allowed buildings to be constructed with systems that had relatively short life expectations. With time, university leaders began to realize that with the need to save energy, reduce costs, and accommodate the physically handicapped, campus buildings could be liabilities as well as assets. They also discovered that simply maintaining campuses cost more than expected. Consequently, older buildings received minimal attention, and major repairs and renovations were deferred.

Several factors aggravate the situation: society's demand that tuition not rise faster than inflation, a proliferation of government regulations and unfunded mandates, accelerating health-care costs, tighter governmental appropriations, and the escalating demands of rapidly advancing information technology. Consequently, many colleges and university leaders have chosen not to renovate classrooms and dormitories, choosing instead to improve salaries and benefits and to focus on teaching, research, and community service. Others have postponed purchasing or replacing equipment, expanding library collections, and improving energy-related systems.

Rapidly changing technology may prove to be the most formidable challenge for most institutions. Technology enhancements are more far reaching and expensive than anyone initially predicted. By the mid-1990s, institutions were figuring out how to connect campus buildings with fiber-optic cable, link dorm rooms to the Internet, create "smart" classrooms (some with computer connections at each student station), and provide distance learning via satellite—and how to pay for all this. At the same time, such equipment as overhead projectors, slide projectors, and VCRs still need to be maintained and updated.

Ostrom, John S., "The Audit Committee," *Board Basics: Effective Trusteeship*, Association of Governing Boards, Washington, D.C., 1997.

THE AUDIT COMMITTEE

For many reasons, college and universities have become subject to intensive scrutiny not only by the public, the press, governmental agencies, and financial institutions but also by alumni, donors, faculty, and students. These constituents are demanding greater access to more detailed information. Consequently, trustees and senior administrators need timely, reliable financial information to help them better understand the fiscal condition of the institution.

Among its many responsibilities, boards of trustees must ensure the institution does the following:

- arranges and oversees regular audits of financial activities,
- complies with donor restrictions on gifts,
- adheres to laws and regulations, and
- conforms with established board policies.

For many colleges and universities, these roles are the responsibility of the audit committee. Long established as part of a corporate board structure, the concept of an audit committee for nonprofit organizations is relatively new, and in some cases the committee's responsibilities may be subsumed by another board committee. Regardless of whether the audit committee exists or the board is establishing a new one, institutional bylaws should provide a clear definition of the audit committee's authority and responsibilities.

Evans, Gary, "The Development Committee,"
Board Basics: Effective Trusteeship, Association
of Governing Boards, Washington, D.C., 1997.

THE DEVELOPMENT COMMITTEE

The development committee of a college or university has both oversight of and broad responsibility for the fund-raising activities of the institution. In this regard—oversight and responsibility—the development committee is like other committees of the board. However, members of the development committee have an additional role their colleagues on other committees do not: They must actively participate in the area for which their committee is responsible. That is, they must become involved in the fund-raising process when called upon to do so.

Members of the development committee are engaged at both ends of the fund-raising continuum. At the front end they set goals, establish policies, and ensure proper attention to institutional priorities. They then delegate to professional staff the responsibility for preparing the strategies and tactics required to meet those goals and priorities. Committee members—along with other board members—return at the end of the process as participants in fulfilling those strategies and tactics designed by professional staff.

At public institutions, oversight and responsibility for fund-raising often rest with a foundation board or with a development committee of such a board. Among its responsibilities, a foundation board—or its development committee—engages in fund-raising in much the same way as the development committee of an independent institution's governing board.

Biggs, John L., "The Investment Committee,"
Board Basics: Effective Trusteeship, Association
of Governing Boards, Washington, D.C., 1997.

THE INVESTMENT COMMITTEE

In the process of seeking philanthropic gifts, colleges and universities frequently accumulate large sums of money they must wisely invest. Usually, institutions hold various funds over long periods of time—in some cases, effectively into perpetuity. As a consequence, trustees play an especially useful and significant role in determining, overseeing, and assessing the policies and processes by which such funds are invested.

Trustees have a special fiduciary duty to ensure that all funds donors give to the institution are invested in a manner that meets the terms of the donor's instructions. At the same time, the goal is to maximize the returns to the institution within an appropriate amount of risk. Different kinds of funds require different kinds of investment policies, and an investment committee may employ various strategies for each investment category.

Trustees with financial backgrounds in investments, banking, or corporate management can help the governing board determine its investment policies and practices, but all trustees share equal responsibility for them.

Ingram, Richard T., "The Executive Committee," *Board Basics: Effective Trusteeship*, Association of Governing Boards, Washington, D.C., 1997.

THE EXECUTIVE COMMITTEE

The executive committee is pivotal to the board's effective functioning and to the support of the board chair and the chief executive in their leadership roles.

No other standing committee has greater potential for good or harm than the executive committee. It is, after all, the only committee vested with broad authority or "power" held by the board itself. In contrast to other board committees, where issues are studied and courses of action are usually and appropriately recommended to the full board, this committee enjoys the board's sanction (and the sanction of law) to act on its own, provided it does not assume powers specifically reserved in bylaws for the board itself.

A fresh look at the purposes and functions of the executive committee is needed, especially where it may have had a long history of dominance over board affairs. Bad habits, like good traditions, do not change easily, however.

On the subject of standing committees, many students of trusteeship conclude that the fewer there are, the better. John W. Oswald, former president of the Pennsylvania State University, expressed his concerns about the executive committee this way:

Many boards have run into great problems over executive committees that essentially have taken over authority in such a way as to make the rest of the trustees either angry or uninterested. It is my judgment...that an executive committee is a minus, rather than a plus. I do recognize that for a private institution having 50-60 trustees, an executive committee is necessary; but in those cases I have often wondered why the institutions didn't call the executive committee the governing board and identify the rest as a board of visitors or some other name.

The executive committee can undermine trustee morale by abusing its authority, as Oswald suggests, or it can significantly aid initiatives to strengthen the board's development and effectiveness. The purpose of this publication is to suggest what for many boards may be a new, or at least redefined, role for the executive committee. With proper constraints on its powers, those that are defined and those that are principally voluntary, the committee can live up to its potential to accomplish good things.

THE FINANCE COMMITTEE

The traditional role of a college or university finance committee is to oversee an institution's financial operations, ensure that a viable long-range fiscal plan is in place, and recommend financial policies to the board. But the environment in which every institution—large and small, public and independent—currently operates demands that finance committees assume additional responsibilities that are broader in both scope and impact than these three traditional duties. This environment stems from new expectations various constituents are placing upon colleges and universities and is characterized by the following trends:

- Students and families increasingly demand that colleges and universities make a cultural shift from a focus on the producer (faculty) to a stronger emphasis on the customer (students and the general public).
- The measures by which we gauge institutional performance and excellence are shifting from a traditional emphasis on inputs (the number of books in the library or Ph.D.s on the faculty, for example) to a new focus on outcomes (how well students are educated, as evidenced by employment or postgraduate education, for example).
- The number of nontraditional students is growing, thus prompting change in two significant areas: First, their educational needs vary greatly from the four-year, campus-based experience colleges and universities are designed to deliver. And second, they require multiple, flexible delivery systems that often depend upon up-to-date information technology, including distance learning.
- Virtually all higher education institutions face growing fiscal constraints that create the need for more effective planning, resource-allocation, and budget-implementation strategies.
- Traditional colleges and universities are competing to enroll the same pool of students. This competition is further intensified by proprietary institutions and organizations that are expanding their market share of students and from foreign institutions whose strengthened programs are attracting their citizens away from U.S. campuses and recruiting U.S. students to their institutions.

As a result of these and other challenges, the finance committee often finds itself in a leadership role on the governing board and at the center of the institution's most critical decisions. Committee members are required to integrate their traditional responsibilities with their institution's mission and to understand the broad elements of change and its accompanying resource implications. To prepare for this leadership role, all finance committee members must have a firm grasp of their institution's mission, goals, and priorities and insist that expenditures be connected directly with them.

The role of the finance committee may differ somewhat among categories of colleges and universities, and committee members need to carry out their duties in the context of their institution's unique circumstances. For example, at research institutions, finance committee members must understand the complexity of research funding and indirect cost recovery; at comprehensive four-year institutions, committee members must understand their institution's academic focus; and at community colleges, committee members must understand the importance their college places on cost-effective delivery of credit hours. Armed with such mission-specific knowledge, finance committees can do more than prevent bad financial decisions—they can be the guiding force for strategically sound decisions.

At most institutions, the charter or bylaws specify that the finance committee approves operating budgets and capital expenditures above a certain dollar limit. However, such documents also should specify that the finance committee should provide guidance to those who handle the institution's day-to-day operations and prepare financial information in keeping with the institution's mission. The finance committee also may be responsible for reviewing staff-recommended changes in fringe benefits, health care, and retirement packages.

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The continuing challenge for members of governing boards is to more effectively meet the purposes and expectations so ambiguously held for them by a demanding and troubled society. The thesis of this chapter, indeed of this book, is simply that the citizen board of trustees is our best hope for sustaining the one institution among precious few that has maintained a strong competitive edge. The citizen board has emerged as the best alternative to governmental or exclusive faculty control of higher education. But citizen trusteeship needs to be much better understood and nourished than it is currently—by the trustees themselves and by those who criticize its shortcomings without offering a viable alternative.

Ironically, the general public, including many of the nation's elected political leaders and some corporate executives, do not fully understand or appreciate what trustees and governing boards do and do not—indeed should not—do. The existence of trustees and governing boards has contributed to spirited competition between institutions that has kept U.S. higher education the envy of the world.

Some opinion makers do not seem to understand that the majority of volunteer trustees devote very significant time to their responsibilities but cannot and need not know the institution's or system's every nuance, nook, and cranny. Some people are not aware of how different and fragile the culture of the academy is compared with that of virtually all other types of organizations. Misunderstanding of this point may have inconsequential outcomes or outcomes that are very harmful to the essential role that academic institutions have in a free society. Of course, faculty members, administrators, or trustees should not be above criticism. Indeed they all make mistakes—some of them big ones. And the university is slow to respond to the needs of the society that supports it financially. It always has been, for many complex reasons.

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Kerr and Gade's history of governing boards (1989) should be read by all trustees, as should a superb chapter on the same subject in Cowley (1980). The concept and practice of citizen trusteeship in higher education preceded corporate boards by many, many years. Indeed, the corporate board of directors was more likely influenced by the college and university experience than the other way around. Undoubtedly, many lessons are still to be learned and shared between the academy and the business community, but there is no evidence that the corporate sector ever dominated higher education in the powerful ways alleged by social critics such as Upton Sinclair and Thorstein Veblen.

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One of trustees and board members' most pressing concerns is the increased politicization of public higher education in the name of strengthening accountability and improving academic quality. Greater effort by board members to improve communication with political leaders, vigilance, and resistance to intrusion are necessary.

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The boardrooms of many public colleges, universities, and multi-campus and state systems seem to have more than their fair share of tensions—tensions that often reflect these typical circumstances: single-issue board members who push their own agenda or who see themselves as representing a particular constituency, campus, or cause; open meeting laws whose provisions are so strict that reflective thinking and honest discourse are discouraged; factions within the board that are based on politics or personality rather than honest differences on issues; overreaction by trustees to criticism or to political pressure; changing student demographics that produce campus tensions that spill into the boardroom; and so forth. The boards of private institutions face some of these tensions, too, but the small size of public boards and the political nature of trustee selection often exacerbate the problem.

Why are people willing to serve on boards of public higher education in the midst of such tension and conflict, especially in this period of declining resources (which often adds yet another layer of stress)? There are as many reasons as there are board members, but the following are some of the best:

- *They were asked to serve (or to run for the position).* People are flattered to be asked to serve on a board by someone they respect or admire, and they instinctively want to please that person by saying yes. The reality of the commitment comes later; rarely are trustees honestly told what serving on a board requires of them.
- *They have a deep and abiding conviction that a college or university or public system of higher education is more consequential to future generations than virtually any other type of institution.* They feel they can make a difference and contribute something to an enterprise that will outlive them.
- *They want to give something back to society.* People often attribute their personal success to the education they received and find tremendous satisfaction in working with others who share the same values.

- *They feel that board membership is a great honor and promises to be intellectually stimulating.* Interpreting a complex social institution to those who often misunderstand it, addressing very perplexing social issues of the day with other thoughtful people, and conveying society's needs to the academic community are challenges that bring their own rewards. Higher education trusteeship is considered by most Americans to be the crown jewel of volunteerism because of the people and issues connected with the enterprise. For every five thousand citizens, only one is a current member of a board of trustees or regents in public or private higher education.

There are other good motivations for serving on a board, to be sure, but there are also some inappropriate and even dangerous motivations. Unfortunately, some trustees mistakenly believe that they as individuals possess special authority and are entitled to certain prerogatives. In fact only the board as a corporate body has legal power. Some trustees bring personal causes or agendas to boardrooms before they fully understand the university or their responsibilities. Some people misuse their trusteeship to strive for higher political office, encourage their boards to micromanage, insist on the use of friends' law firms, encourage factions and cliques within their boards, criticize their chief executives in public meetings (sometimes followed by private apology), and fail to listen to and learn from others—a particularly ironic shortcoming in academic institutions.

The best trustees are those who are open-minded, understand the vital importance of helping to build consensus, and are willing to learn how to be effective team members. Trusteeship is hard work that requires tempered egos, a good measure of humility, and a willingness to help keep the board's house in order.

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Trustees of public institutions and systems easily accept their responsibility to ensure good fiscal management. They understand their responsibility to do the best they can to secure adequate state appropriations and are aware of the increasingly important role of the college or university foundation in soliciting private financial support. They also understand that decreasing state support for higher education may remain the norm and tuition pricing is likely to become even more political as governors and legislators insist on low tuition while cutting funding. Tuition pricing will be a major public policy issue for the next several years. In addition, for many public colleges and universities, state tax revenues are not the largest source of financial support. The distinction between public and private institutions of higher education is increasingly arbitrary.

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Trustees are often criticized for their inability to think and act strategically. Their meeting agendas do not focus on long-term issues but rather on short-term managerial and governance issues. It is probably a fair criticism, one that also applies to presidents and chancellors, who generally shape board agendas and the information to support them.

If trustees and governing boards are to be helpful in reshaping their institutions and management structures, they and their chief executives will need information and strategic options that are not available to them now. They will need encouragement to think more strategically and the kind of useful data and analytical information that suggest viable courses of action.

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There is need for further study, but many people believe—rightly or wrongly—that this decline in average tenure, as compared with past decades, surely results from increasing tensions in the public sector coupled with the failure of boards to actively and visibly support their chancellors and presidents when difficult decisions must be made. Presidents and chancellors are surely no more perfect than their boards, but the only place they can look for support is their boards.

Now is the time to reassess how trustees stand up under pressure in full partnership with the president or chancellor. Chief executives must not have doubts about whether their trustees and boards will stand behind them (better yet, in front of them) when faced with criticism—often as a consequence of decisions that the boards ultimately make. All boards must be concerned about the integrity of the presidency. The job is difficult enough without the board being perceived as adding to the tension with which the president or chancellor contends. The relationship between a board and chief executive will affect the public's perceptions of the board's integrity as well as the reputation of the system or institution and their ability to attract and keep strong executive leaders.

Many trustees and regents bring significant personal influence with elected public officials to their trusteeship, and many institutions and systems use this resource selectively and to good advantage. Chief executives are usually very astute in reading the tea leaves of state politics, especially when their institution or system is directly involved. This type of influence by board members is a simple extension of their advocacy role. But the prospects for more governmental regulation and inappropriate intrusion are likely to require a more proactive networking of trustees within the public sector and within states or even nationally. This networking may extend to the private sector as well, depending on the issues that emerge within the next few years.

A former governor who is currently president of a private university makes the point: "Many of the very people whom higher education should rely upon to press its cause are already on their boards of regents and trustees. Given the resources that are available to them in terms of the trustees, faculty members, alumni and others, the higher education community has never really unified. As a result, higher education is frequently the first thing cut and the last thing restored" (Cage, 1992, p. A23).

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It remains ambiguous how governing boards should exercise or delegate their authority and otherwise meet their responsibilities. Mason (1972) says that the board is supreme and sovereign in a legal sense only, that in reality its primary and most legitimate functions are twofold: to represent the public interest and to ensure basic fiscal integrity. He concludes that the board's responsibilities are to remind the university that it is part of "ordinary" human society, to shield the university from dysfunctional public pressure, to tell the university what extremes of academic freedom cannot be tolerated, and to champion the university, especially when it is threatened by ignorance or ill will.

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Trustees and regents are under scrutiny and will be for many years to come—kept there by the law and a litigious society, elected political leaders, a demanding public that expects quality at the lowest possible price, and a society that expects help from its academic institutions with very pressing social and economic problems. Board members must realize that they are a vitally important part of institutional governance and remember that real change within an academic institution comes from building consensus.

Institutions cannot afford to have passive trustees or ones who feel that they are so much window dressing. People who volunteer their time to serve on governing boards expect it to be used well. Their ultimate commitment to their institutions or systems, in good and bad times, will depend on whether they are being taken seriously by their administrations, especially by their chief executives, and by their faculty members. But trustees and boards should seek to stand neither too close nor too far from the institution. Rather, they should constantly seek to find the balance between the exercise of authority and the exercise of restraint.

Academic governance in the United States is built on the principle that governing boards exercise their functions *with and through the chief executive*. This principle distinguishes our system from those of most other nations, where either faculty or government ministries or both dominate university decision making. Without citizen boards who reserve the ultimate right to select their own chief executives, presidents and chancellors would be controlled either by faculty members or the government. Thus chief executives and boards must understand that their effectiveness is interdependent—one can be little better than the other.

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One role board members must assume is that of being advocates for higher education, that is, helping other important stakeholders better appreciate the value of higher education. The precipitous decline in the share of public resources devoted to higher education over the past decade suggests that past boards have not made a convincing case for investing public funds in higher education. And as the 1990s begin, relatively few states can boast of strong, demonstrated state financial support for public higher education.

Without doubt, board members will find this advocacy role difficult, and the worn rhetoric of the past clearly is not enough. Simple cheerleading will not suffice. Boards will need to provide governors, legislatures, and the citizenry at large with a convincing and documented case for investing in higher education, including a clear appreciation for the long-term consequences of not making this investment.

Publicly making the case for higher education, however, is only part of the board members' responsibility. Despite the best efforts of governors, legislatures, and citizens, the weak national economy of the United States going into the 1990s will create severe financial constraints for many states throughout the decade. As a result, board members must take on another role, that of Solomon, the wise counsel who balances difficult, sometimes seemingly impossible, choices. If funding is insufficient to respond to the increasing demands for access and also to sustain and enhance the quality of services provided, governing and coordinating boards will face tough decisions about which goals will be preserved and which will be sacrificed and precisely how this will occur.

Board members will have to weigh the advantages and disadvantages of different funding strategies. Does it make sense, for example, to continue to provide similar substantial subsidies to all students through low tuition, or should access be preserved by targeting limited public subsidies on the most needy students through high tuition and high financial aid? Struggling with such questions will be part of the balancing role of public higher education boards in the 1990s. Some of the decisions will be painful. Almost all will be difficult to explain to the public because promoting change from the status quo is always difficult to sell, even to those who ostensibly demand change.

A third role that board members must play in the years ahead, perhaps more so than in the past, will be that of "loving critic." Board members have a responsibility to promote the reform that will be imperative if higher education is to flourish in the austere years ahead. However, boards should not meddle in the management of the enterprise; management is the job of administrators and faculty members. But it is not meddling for boards to ask what efforts are under way to increase the productivity of higher education in the institutions under their charge. Nor is it meddling to demand evidence about whether these efforts to improve performance are working. The budget provides a powerful tool; boards can choose to fund the status quo or to fund improvement.

Understanding the economics and finance of higher education is critical for board members to be effective stewards of the public trust. Whether recognized or not, boards' decisions about the pursuit and allocation of funds will determine the future viability of higher education. In many respects, higher education is like other industries. Whether it remains a healthy and vital service will, to a great extent, depend on how well boards respond to the tough financial challenges ahead. And as in so many sectors of the economy, following past practices will not serve well the needs of the future.

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Ingram, Richard T., et al., (eds.) *Governing Public Colleges and Universities: A Handbook for Trustees, Chief Executives, and Other Campus Leaders*. Jossey-Bass, San Francisco, California, 1993, Chap.6, "Responsibilities of the Governing Board."

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Trusteeship is a constant balancing act, a search for the middle ground between "standing up too close or back too far," knowing when to exercise legal authority and when to show restraint, making unilateral board decisions and consulting with other constituents, advocating institutional interests and serving the public good on behalf of all state citizens, accepting legitimate accountability to elected political leaders and guarding against inappropriate intrusion, standing up for one's principles and helping to build a consensus on complex issues, knowing when to lead and when to follow. The list could go on. It represents what makes being a trustee so stimulating, challenging, and important.

Trusteeship can also be extremely rewarding and even fun at times. The personal satisfaction that comes from helping a college, university, or system meet its purposes and goals is very gratifying. The intellectual stimulation that comes from associating with some of the brightest minds in the community and being part of the most complex of organizations ever created by human beings is compelling. The antics between board members can sometimes be entertaining and always are useful to an understanding of group behavior, human psychology, and leadership; the boardroom is real-life theater where everyone present is a player. It is not uncommon to find that "people behave differently in the boardroom than they do when they are not" there (Mueller, 1984, p. 189).

But perhaps most important of all, serving as a trustee of an academic institution can bring special meaning to one's life—whether or not one is an alumnus of the institution. Given the academy's permanent place in society as perhaps its most important transmitter of culture and knowledge to future generations and the relative brevity of human life by comparison, what can be more compelling than giving something of oneself and even part of one's fortune to something that will surely outlive us and do good things for thousands of others?

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A kind of "mission mania" is currently sweeping the nation, and with good reason. The tremendous growth of public higher education, which requires more and more resources in a period of no or slow economic growth, inevitably causes policymakers at all levels to reassess what colleges and universities are doing and providing.

Although the governing board may not have unilateral authority to decide the ultimate shape of the mission statement and related statements of operational goals and objectives (and although trustees do not in any case write these statements), the board does have a pivotal role with the chief executive in their determination. It does so, however, through its prerogative of asking the right questions and its ability to persuade and lead—both internally, with its management team and faculty leaders, and externally, with legislators, governors, coordinating agencies, and state government bureaucrats.

The board's aim is to educate its many publics and internal constituents about the institution or the system (and each college or university within the system) in the most effective and compelling way possible. To do so, trustees and other leaders throughout the university or system must use good judgment in answering questions along these lines: What makes this university or campus distinctive among the other public institutions in the state? Whom does it serve and why? Whom does this system serve and how? Why does the university or the system deserve a significant investment of tax dollars? (See Chapter Eleven, especially pp. 206-207.)

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The board plays a critical role in providing the kind of environment that attracts top talent to the university or system. No board decision is likely to have greater impact on the institution or system—or be more potentially political, more exciting and yet frustrating, more a test of its leadership and vision—than selection of the chief executive. This impact is no less for the selection of campus leaders within systems, even though the board may not be as involved in the selection process.

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Chief executives are public figures who are assessed by everyone with whom they associate every day. A distinction should be made between annual informal reviews and periodic formal comprehensive assessments. The latter are the most difficult to do well. The purpose of a formal assessment process is to *enable the incumbent to strengthen his or her performance*. The primary purpose should not be a decision to fire a president or renew a contract. Great care must be taken not to undermine the integrity of the chief executive or his or her office by inadvertently conveying to the system's or university's publics (when the process may extend beyond the board itself) anything but the clear and useful purpose of the review process.

The only place a chief executive of an academic institution can look to for support is the board. But the relatively frequent turnover of trustees and especially board chairs, the increasingly politicized nature of the trustee selection process, described by Kerr and Gade (1989), and the demands of special-interest groups who claim a stake in what the university does or does not do present special problems in the public sector—along with opportunities.

The board has an opportunity to demonstrate its leadership by seizing and creating initiatives that these lessons from boardroom behavior have taught us:

- Remember that a chief executive's performance can be little better than that of his or her board (Kerr, 1984) and vice versa.
- Assess the chief executive's work in the context that, through this assessment, the board is also assessing its own effectiveness. The leadership of the president and that of the board, while distinctive and complementary, are inevitably interdependent.
- Distinguish between the president's personal style and professional competence. They are both important to a president's success, but be mindful of the difference when offering advice and counsel.
- Strive to be reasonably consistent and predictable. Both the president and the board should adhere to the dictum of "no surprises," or at least as few as possible.
- Recognize the unfortunate tendency for trustees to be more critical than complimentary. Acknowledge good work and express appreciation for exceptional initiative.
- Do not take an effective chief executive or his or her spouse for granted. Recognize their respective contributions, and demonstrate concern for their health and morale in tangible and intangible ways.

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Boards should be more knowledgeable about academic and public service programs, including academic personnel matters, than they typically are. Trustees should be able to answer, for example, questions like these: Which of the system's institutions offers the best program in (subject)? Why is it the best? What are the university's weakest academic or public service programs and why? If, miracle of miracles, the legislature suddenly bestowed an increase of 25 percent over the asking budget in the annual appropriation, with only the stipulation that it be used to improve the quality of the academic programs, where should it be allocated?

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Faculty, staff, and students expect the governing board to be respected by and influential with the state's political leaders. The board is expected to ensure maximum access to tax funds but also, to see to it that the institution or institutions request no more than is seen as absolutely essential by the citizenry and their elected leaders. Rarely are the members of the academic community or the public pleased with the board's record on this score.

Explaining and defending budgets through the appropriations process is a challenging board responsibility. Appearing before appropriations committees of state legislatures or city or state councils is among the most daunting of experiences for any trustee or chief executive.

It is always difficult for a board or others to assess the board's effectiveness in meeting this responsibility because many circumstances affect outcomes. These circumstances include the relative health of the local, state, and national economies; myriad competing needs for limited tax dollars; the relative standing of public higher education in the minds of the general public and government leaders at any point in time; and so on. But one point should prevail: The board has a duty to do its best to ensure that its institution or institutions are financed adequately to meet their missions. There is no room for passivity here, no room for rationalization for not having demonstrated good faith and diligent effort. (See Chapter Eleven on the importance of building and maintaining good relationships with government agencies and political leaders.)

Tax dollars and tuition and fees do not pay all of the bills, of course, and this fact bears on a fundamental matter of philosophy or purpose: is access to public higher education a right or a privilege? Should those parents who can afford to pay more of the cost of educating their children be entitled to the same subsidization as those parents who cannot? Tuition in public colleges and universities is likely to increase significantly in states whose economies are weak, and this old issue will be debated anew. The debate continues to rage in European systems of higher education. How the public college and university in the United States should and will be financed in the future will be one of the major public policy issues involving trustees for years to come.

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In meeting its responsibility to ensure good management, the board places a great deal of trust in its chief executive and a competent staff. And they, in turn, depend on the board for guidance, leadership, and assertive public support when tough decisions are made to balance budgets. Indeed, how a board supports management's unpopular decisions in a financial crisis is another test of its effectiveness and reputation.

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Citizen boards provide an alternative to what is found in most other countries of the world, namely, direct governmental control of higher education through strong, bureaucratic ministries of education and strong faculty control at the institutional level through senior professors. Citizen boards are a time-honored feature of U.S. higher education that has reflected the nation's competitive spirit and participatory democracy for 350 years. In the public sector of higher education, especially, boards of trustees serve a vital buffer role.

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The public academic institution is different from other agencies of government because of its unique mission to transmit and advance knowledge. It has proven to be amazingly resilient in its ability to stay true to its mission in a democratic society, notwithstanding occasional attacks from the political left and right. It has survived the pursuit of communists in the McCarthy era, the election of a few governors who would have transformed the university in their own image, and the political power of some legislators who have sought line-item control over budgets. But it has done so because boards of trustees have had an excellent, if not perfect, record of defending the academy when necessary. And in doing so, trustees have met the mandate required of them in serving the public trust.

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Boards are "bridges" more often than they need to be "buffers." Trustees, in their collective and individual capacities, are often called upon to explain, defend, interpret, promote, or advocate for the institution or system. But it works the other way, too. They represent the public interest in, curiosity about, and expectations for the institution. Faculty and staff may isolate themselves from the public just as they often do from colleagues in other disciplines, schools, or departments. They need help in relating to the community, even though they do not seek or welcome that help.

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Although expectations of trustees are very high and there is very little understanding of or appreciation for a trustee's contributions, the personal satisfaction, cerebral stimulation, and respect that accompany college and university trusteeship make it a worthy calling. But good exercise of responsible trusteeship is learned. The best trustees are taught and teach themselves largely through experience; they are not born with what they should know.

The most effective trustees are those who consistently exercise good judgement but are also careful listeners, those who are strong in their convictions but appreciate the value of others, those who seek advice as readily as they give it. They do not shy away from making difficult decisions in the boardroom and taking their share of criticism when necessary. But in their individual capacities outside of the boardroom, they also practice the behavior that was so eloquently described by Philadelphia Quaker Hannah Whitall Smith: "The true secret of giving advice is, after you have honestly given it, to be perfectly indifferent whether it is taken or not, and never persist in trying to set people right." Humility has its place, along with conviction and leadership.

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Ingram, Richard T., et al., (eds.) *Governing Public Colleges and Universities: A Handbook for Trustees, Chief Executives, and Other Campus Leaders*. Jossey-Bass, San Francisco, California, 1993, Chap. 18, "Making Board Meetings Work."

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Complaints about board meetings are legion. And yet some boards routinely participate in meetings that their members consider informative, interesting, fun, and productive. Invariably, these boards are associated with institutions viewed as successful by students, faculty, and the public. The chief executive or the board members or both understand that board meetings are not only a policy-setting arena but also a window on the institution and powerful tool for leadership. The relationship between good board meetings and good institutions has not been diminished by requirements of open meeting laws. On the contrary, open meeting laws have simply enlarged the window while requiring a broader range of meeting skills from trustees.

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A meeting is a medium of communication, and as Marshall McLuhan preached, the medium is the message. In other words, the way we acquire information may affect us more than the information itself. A meeting, like McLuhan's medium of communication, bumps people around. Thus, the tenor of a particular meeting (or series of meetings) can affect those who get "bumped around," including the board, the institution, and the community—in fact, anyone who sees, hears, or reads about the meeting—more than the subject matter discussed. Furthermore, the medium and the subject matter act upon each other so that substantive decisions, including the basic institutional agenda, are fundamentally influenced over time by the manner of conduct of the board.

Every board meeting sends a message, and every board meeting teaches. Most board members judge a meeting as good or bad in terms of their enjoyment of the discussion. But this judgment requires an assessment of what the meeting "said," not only in terms of decisions reached but also with respect to how its tenor influenced the board members, the staff members, the students, the faculty members, and the broader community.

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All assemblages of people are different from the individuals who comprise them, and all boards are different from the individual board members. In one sense, a board is like the human centipede sometimes seen at parades; the group cannot go faster than its slowest member, even when all members are heading in the same direction. And, of course, individual board members do not always want to go in the same direction. There are certain maneuvers human centipedes cannot do. And the nature of boards (as opposed to individuals) means that there are certain things boards do not do well.

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A "group memory," a common language and a common set of assumptions, is crucial to the functioning of a group. Individual expertise cannot be shared and the whole cannot "think" without certain common foundations. Every group brings to a meeting the separate, distinct perspectives of all individuals within the group, which contribute to the "group mind," but there must be a common memory composed of information and experience shared as a group for the group to process new information and reach decisions.

In the absence of the common memory that must underlie every board action, group thought—and therefore effective group action—are severely disabled. We see this most commonly when we recognize that a discussion has gotten off the subject. Clearly someone, perhaps everyone, perceived the discussion as on the subject, at least for a moment. At all times around the meeting table, minds are skidding off the subject, whether or not the individual reveals it or the group recognizes it. Therefore, one person's perspective on what is happening is almost never exactly the same as the group's perspective.

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Meetings are affected by the spirit of the meeting place. For example, the lighting in nightclubs is soft and dark. Schoolrooms are well lit, with upright desks. Corporate boardrooms reflect power and authority. The meeting location subconsciously tells board members who they are and what the institution is about. The public view of the board will be shaped in part by the spirit of place. The location should reflect how the board wants to be seen. Keep in mind that discussions will tend to be more orderly in an orderly room and that participants' behavior will be influenced by location. The board can raise expectations and performance by selecting a location that seems to require more of participants.

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In the end, the control necessary for board meetings is really a matter of carrying out a democratic process, a process that permits the group—this human centipede—to decide its direction and move in that direction together as fairly and effectively as a group can possibly move. Not only does this control permit the fairest, best decisions, but it also generates a clear message to the institution and community through the powerful medium of the board meeting. The recommendations for improving board meetings in the following sections are nearly all directed at honing this focus to permit the best decisions and the cleanest messages to the educational community.

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The generally stated benefits of open meeting laws are that openness can be a necessary check and balance; facilitates public scrutiny and deters misappropriation, conflicts of interest, and all forms of official misbehavior; enhances public confidence and encourages fact-finding; helps to inform those affected by the governmental process; creates more accurate press accounts; and helps in identifying and correcting public officials' incorrect assumptions. The generally stated costs of open meeting laws are that openness may harm individual reputations and infringe on privacy, constrains the nature of discourse, changes the decision-making process, encourages participants to make speeches for the benefit of the audience and waste too much time in the process, and results in "lowest common denominator" decisions.

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The best approach to protecting the board's integrity and message is to set aside specific time on the agenda every year or two to achieve an understanding of state law and its applicability to the board. Boards should demand an opinion of counsel; too much time is spent debating personal views in open meetings (including the above stated pros and cons) without regard to the particular law. The counsel should be directed to prepare a policy statement summarizing the applicability of the law to given situations. That policy statement should be discussed, modified if necessary, and approved by the board. It should then be a part of board orientation and development programs.

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A brief agenda should not be confused with a brief meeting. Most agendas simply list the topics to be discussed without further elaboration, telling the participants almost nothing. This is the laundry-list approach. But the agenda is an important road map. Each item should tell the participants enough to allow them to prepare and to understand the goal of considering the item and should bring people back to the map whenever they lose their place.

An agenda usually involves different types of tasks. It is useful to tell participants whether a particular item is for information, discussion, action, or all three. Meetings fail because participants are not clear about what is on the table at a particular moment and what is ultimately expected. Let them know so that they can direct their preparations and contributions accordingly.

Here is an example of a typical board meeting agenda distributed in advance:

1. Minutes
2. President's remarks
3. 1995 budget (to be distributed)
4. Conference report
5. Committee reports
 - a. Finance
 - b. Long-range planning
6. New business
7. Adjournment

Here's how the agenda might be improved:

1. *Minutes*: ACTION ITEM. Approval of minutes of meeting of January 15, 1993. Minutes attached.
2. *President's remarks*: DISCUSSION ONLY. Report attached.
3. *Budget for 1994-95*: ACTION ITEM. BUDGET INCLUDED IN MATERIALS. The 1994-95 budget was approved by the finance committee at the December meeting. Action by the full group was deferred at the December meeting, pending receipt of a staff report regarding the MacArthur Program, appearing on page 8. The staff report, preceded by an executive summary, is enclosed for your review. Staff recommends approval.
4. *Report on conferences*: DISCUSSION ONLY. At the October meeting, we requested a report by staff enumerating the various conferences to which we are invited to send a representative and an analysis of the strengths and weaknesses of particular conferences. The report is attached. It is the intention of the president to recommend action at the next meeting.
5. *Committee reports*:
 - a. Finance committee: ACTION ITEM. The report of the committee is attached. Recommended actions appear on page 1 of the report.
 - b. Long-range planning: A draft report is attached for discussion. The final report is expected to be approved by committee at its meeting in two months.
6. *New business*.
7. *Adjournment*.

Once prepared, the agenda should be circulated enough in advance to allow review by board members; they may want to do a little homework. But it should not be distributed so far in advance that it will be laid aside, unless another copy will be sent later. In any event, the meeting leader should always have extra copies of the agenda at the meeting. It is the board's agenda and to the members' advantage to have it in front of all meeting partners.

Indicate the time when the meeting will begin and end. As much as possible, stick to those time limits. Work will expand to fill the time available. The schedule can always be relaxed, but there must be something to relax. Also, try to estimate the time to be spent on each item of the agenda. Note it on the agenda whenever practicable.

An executive summary is not necessary, of course, for all meetings. But whenever the material is more than three pages in length, an executive summary can focus on particular items, summarize reports, and clarify what is expected of members. The chief executive and board chair should always consider, therefore, whether an executive summary of the item would be useful.

Some people make the error of assuming that an executive summary is an insult to intelligence. Actually, the more sophisticated the meeting partners and the more effort they devote to policy formation, the more they will be used to and expect executive summaries. They expect summaries because they know and accept the limits of their role and their time. The executive summary should be distributed before the meeting.

Time and again, someone will pass out a report at a meeting with the obvious expectation that it will be seriously considered. It will not be. In fact, it will distract from discussion and derail group thought. And unless there is a strong incentive to do so, any paper delivered at the meeting will not be read after the meeting. Papers distributed at the meeting are of little use unless very brief—no more than one-half page.

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Chait, Richard P., et al., *Improving the Performance of Governing Boards*. American Council on Education, Oryx Press, Phoenix, AZ, 1996.

Board Books

Nearly all of the information trustees have for board meetings arrives, usually a few days in advance, in a "board book" or "trustee packet." Basically, the book includes the agenda and background materials for the board meeting and for either all of the committee meetings or only the committees on which the recipient serves. It is, almost always, a thick loose-leaf notebook, with tabs and dividers separating the sections.

The most informative and useful board books include some or all of these features:

- a cover memo from the institution's president and/or the board chair that outlines significant developments since the previous meeting and previews the goals and key issues for this meeting
- agendas for all committee meetings and the board meeting that include for each major item a set of discussion questions, a concise statement as to why the matter must come before the board, and essential supporting materials
- an executive summary of any document in the book longer than a few pages
- minutes of the previous meetings of the board and committees.
- a list of the board's current goals
- a copy of the mission statement and/or a list of principal goals from the strategic plan
- evaluation forms for board and committee meetings
- a roster of trustees and staff, with addresses, phone and fax numbers, and committee assignments

Comprehensiveness does not mean that the board book must be voluminous. Trustees are much more apt to prepare for meetings if the staff: (1) provides succinct and, wherever possible, graphic information that illuminates the issues to be discussed; (2) mails the board books in time to arrive at least a week or 10 days in advance; and (3) does not distribute and discuss materials on site that trustees have not had a chance to read or absorb.

It is difficult, as this trustee notes, to overstate the importance of focused, timely information to guide deliberation and decision making: "We've really improved the quality of our discussions by improving the quality of material the staff provides for board meetings. The quality of the executive summaries is excellent. We want to have the best, most appropriate information in order to make intelligent decisions."

Ingram, Richard T., et al., (eds.) *Governing Public Colleges and Universities: A Handbook for Trustees, Chief Executives, and Other Campus Leaders*. Jossey-Bass, San Francisco, California, 1993, Chap.6, "Responsibilities of the Governing Board."

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The conventional and still-valid wisdom is that governing boards should insist that good planning be done, participate in the planning process, evaluate the quality of the process and its outcomes, formally adopt the results, and assume appropriate ownership of the strategic priorities and goals set in the process. All well and good, but how does a board fulfill this role?

Unfortunately more lip service than real attention is often given to this responsibility. However, the board should not *do* planning; the chief executive is delegated this responsibility, along with such leaders within the faculty, administration, and perhaps student body as he or she wisely involves. The trustees' role is to clarify what they expect the planning process to address, push for the kind of planning that needs to be done (there are several kinds of planning, as elaborated in Chapter Five), willingly participate in the process where appropriate, and ask good questions along the way. By participating in the process, the trustees are likely to assume ownership over the plan's priorities and goals when they formally adopt it—and work harder to help implement it.

A multicampus system will approach planning very differently from the community college that has its own board. A regional university will require a different approach from that of the major research university. And approach and timing will be affected by when and how successfully the last process was conducted.

Insisting on strategic planning is a significant board responsibility that is even more important in hard economic times. As boards must make more difficult decisions to husband limited resources among competing demands for these resources, they have new opportunities to demonstrate leadership by approving changes where they are necessary and desirable in the best interests of the institution or system and the citizens they serve. Chapter Five is a very helpful elaboration of this responsibility.

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Ingram, Richard T., et al., (eds.) *Governing Public Colleges and Universities: A Handbook for Trustees, Chief Executives, and Other Campus Leaders*. Jossey-Bass, San Francisco, California, 1993, Chap. 5, "Planning for Strategic Decision Making."

Strategic planning is the process of continuous adaptation to a changing environment. It involves periods of analysis, creativity, negotiation, and implementation. Although the process may vary—and in fact should be tailored to the needs of each institution—its ultimate goal is effective action.

There are many approaches to strategic planning. Our objective is to present a multiple-perspective model that borrows significantly from the literature on planning in the higher education, nonprofit, and corporate sectors. Although strategic planning by business organizations falls in and out of favor, it is critical to the future health of higher education, where few commonly accepted performance measures are set by the market. Instead, trustees and executives must rely on self-analysis, noting the satisfaction of key constituents within the institution, its financial stability, and its external public image.

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Trustees may be more objective about an institution's internal strengths and weaknesses than anyone else in the institution and have the widest exposure to the external environment. Such a vantage point enables them to help management establish a clear mission and then evaluate the accomplishment of the mission. Trustees also represent the public's interest. Although they must respond to political mandates, the trustees must also be mindful of the future as well as the current political situation. Trustees act as guardians of the institution for the present and the future generations. The long-term outlook and objectivity of trustees and the working knowledge of higher education administrators make a valuable combination.

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Strategic planning also can help focus an institution's resources on the areas in which it has the greatest comparative advantage, instead of diffusing them broadly. Thus, quality can be maintained or even improved while costs are reduced.

Strategic Planning Process

Theorists and practitioners disagree about the best approach for developing and implementing strategy. Some people favor a formal process that relies on analytical tools and methodologies. Others favor a behavioral approach that takes organizational politics into account and uses negotiation. Debate also centers on whether strategy should be a deliberate, active management process or a learned experience that emerges from past actions.

Planning groups may want to tailor the twelve-step process we describe in this section to their own institutions. Or they may want to choose a different method from among those in the literature on strategic planning. According to Henry Mintzberg (1987, p. 70), "Effective strategies show up in the strangest places and develop through the most unexpected means. There is no one best way to make strategy."

1. *Initiate and plan the project.* The first step in strategic planning is to form a planning group composed of board members, administrators, and faculty members. The group's task is to prepare a detailed work plan, assign responsibilities, and establish a timetable for the project.

2. *Develop a preliminary mission statement.* The mission statement describes an institution's purpose. Developing a mission statement is the starting point as well as the product of the strategic planning process. According to John Carver, author of *Boards That Make a Difference*, "The most important work of any governing board is to create and re-create the reason for organizational existence. . . . It is a perpetual obligation, deserving of the majority of board time and energy" (1990, p. 56).

Defining the mission of an institution of higher learning may appear deceptively obvious: colleges and universities educate students, perform public service, and may also conduct research. However, preparing a good mission statement requires extensive discussion and analysis of the institution's values and traditions; unique characteristics; geographical market; relationships with and obligations to stakeholders; and relative emphasis on teaching, research, and service.

3. *Develop preliminary plans for academic and administrative units.* Planning groups from each major academic and administrative unit should be formed to frame strategies and identify resource requirements for each area, based on the preliminary strategic vision for the institution developed in step two. The preliminary plans may include the purpose, goals, priorities, and relative market position of each unit.

4. *Assess the external environment.* Political, economic, social, and technological trends increasingly affect the competitive position and financial health of U.S. colleges and universities. Given the diverse backgrounds of trustees and their broad exposure to the external market, their talents can be used very effectively to monitor changes in the external environment and interpret data.

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5. *Assess the internal environment.* Every organization has areas of excellence and mediocrity. The objective of an institutional assessment is to identify strengths—the core competencies of the institution—to build upon and weaknesses to minimize. Appropriate areas for investigation will vary from institution to institution.

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6. *Develop a vision of success for the institution.* A vision of success describes what an institution would look like if it were to achieve its full potential. The vision statement should be challenging and inspire everyone to work toward a common goal. Most important, it should be communicated widely in the organization.

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7. *Review preliminary plans for academic and administrative units.* The planning groups from each major academic and administrative unit should reconvene to review their preliminary plans, based on the analysis of the internal and external environment as well as on the vision of success identified in step six. These groups should reaffirm their sense of strategic intent (step six), especially in light of their environmental analyses.

8. *Identify strategic alternatives and determine the institution's strategic plan.* Strategic alternatives—challenges about which planners must make fundamental choices—often emerge from a review of the internal and external environment. Step eight may reveal potential changes in the market or the possibility of some event that will present threats or opportunities and affect an institution's ability to achieve its mission.

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9. *Move the strategic plan into action.* In step nine, action plans are developed that link the institution's strategic plan with its budget. To implement the strategic plan, the institution may, for example, need to restructure its organization or renovate facilities. Budget cuts in some areas may be necessary to free up funds for new initiatives. The importance of linking the budget and the strategic plan should not be underestimated. A college or university may have carefully crafted a strategic plan, but it is the allocation of resources that determines the course the institution takes.

10. *Develop detailed implementation plans for each academic and administrative unit.* Step ten is to develop action plans and measurable goals for the institution as a whole as well as for individual schools, academic departments, and administrative functions. Setting such goals in each academic program as well as in finance, technology, student support, admissions, development, and so forth contributes to an institution's success.

11. *Introduce the strategic plan and build consensus.* The planning group may want to hold sessions with key constituents to present the plan to the university community. Strategic planning will not work unless its goals are widely communicated and accepted by trustees, administrators, and faculty. According to Keller (1983, p. 149), "Politically, most of the key people need to be on board the strategy train when it leaves the station." The planning group should communicate—and build commitment to—the themes of strategic plans at critical points in their development. Frequent, informal discussions between key campus leaders may be more effective than formal planning meetings and documents (Schmidlein and Milton, 1988-89).

12. *Review the planning process and monitor performance.* The planning group should develop measurable goals—benchmarks—for all major areas, including financial position, campus facilities, curriculum, faculty and staff salaries and benefits, student life, enrollment, and so forth. Although quantitative measures may be harder to develop in the academic world than in the for-profit world, "performance is the ultimate test of any institution" (Drucker, 1990, p. 139).

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Higher education is not an easy environment in which to implement strategic planning successfully. Departments operate autonomously, different campuses may have very different needs and characters, decision making is often very political, and institutions are loosely organized and resistant to change. Many colleges and universities have tried strategic planning, but not all have been successful. For example, one study of planning in higher education indicated that few participants could describe specific benefits that resulted from their planning processes (Schmidlein and Milton, 1988-89). The study showed that many institutions did not have good data on external trends or internal capabilities. Faculty members thought they were ineffectively involved, while administrators thought that faculty members were only interested in protecting their own interests. Planning documents provided limited operational guidance. Some public institutions in the study initiated planning because of state mandates. Campuses resented this intrusion and often ignored the planning documents that were produced to satisfy the external agency.

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STRATEGIC GOALS FOR TEXAS TECH UNIVERSITY AND TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

**Texas Tech needs to enhance its national standing and performance.
It can do this by:**

- ◆ **Conducting a successful capital fund raising campaign that emphasizes increased endowment funds to provide the resources necessary to compete with the best.**
- ◆ **Enhancing our faculty and staff through recruitment and retention of top quality researcher, teaching professionals, and staff.**
- ◆ **Setting higher standards for ourselves in the area of student admissions and then running an aggressive program in recruiting and retaining top students.**
- ◆ **Creating a greater presence for Texas Tech on regional and national scales through a stronger emphasis on public relations and publications.**
- ◆ **Providing a physical plant that supports excellence through the construction of new facilities, renovation of existing facilities, performing facilities maintenance in a timely fashion, and conducting a comprehensive campus beautification program.**
- ◆ **Improving our information resources to a state-of-the-art level.**
- ◆ **Streamlining administrative functions so that they are lean and effective, avoid duplication of services, and provide efficiency savings, thereby centering the focus of operational monies on faculty salaries and research.**
- ◆ **Making Texas Tech known as a "user friendly" institution.**
- ◆ **Building a strong and cohesive administrative team for TTU and TTUHSC.**

These are ambitious goals, and to achieve them, we must focus on our strengths and build first on those programs and functions currently closest to excellence.

GROWTH AND EXPANSION

◆ Texas Tech University:

- Texas Tech should embark on a strategically-planned growth and expansion that builds on selected strengths.
- Plans for expansion should incorporate provision of an infrastructure or platform for high quality distance education involving the components of the system.
- Opportunities for teaching and research partnerships with other higher education institutions can help foster positive relationships with universities throughout West Texas and the state.
- Texas Tech should seek additional partnerships with community and junior colleges so that, through distance education, upper-level course work can be available at those sites to graduates of those institutions.
- Texas Tech should seek to expand partnerships and collaborations with public schools (K-12).
- Texas Tech must activate its research foundation and infuse it with an adequate level of capital so that we can strengthen this vital component.

◆ Texas Tech Health Sciences Center: TTUHSC needs to grow and expand by:

- Advancing the reputation of TTUHSC as the premier provider of health and medical education and services in all of West Texas and as the premier provider of rural and Hispanic health and medical education and services in the nation.
- Creation of Centers of Excellence in Rural Health, Geriatric Health, Hispanic Health, and Emerging Infections.
- Increasing its endowed chairs to 20 and conducting a campaign to endow chairs at all campuses as an integral part of Texas Tech's current capital campaign.
- Expanding and furthering the reputation of the TTUHSC HealthNet as the nation's foremost tele-health facility and program.

- Increasing its presence in communities outside of Lubbock, such as through establishment of residency and physician's assistant academic training programs in these communities.
- Creation of a program at TTUHSC to provide graduate level training in public health that emphasizes the public health concerns of small towns and rural areas and serves as a resource to sustain local public health departments in West Texas.
- Assuming a leadership role in the initiation of collaborative educational and research activities between TTUHSC and other academic institutions, state and federal agencies, and private industry.
- Increasing the collaborative research and educational activities between TTUHSC and the TTU general academic campus.

FUND RAISING

- ◆ We must build an endowment for TTU/TTUHSC that will allow us to compete effectively with the flagship institutions that benefit from the Permanent University Fund.
- ◆ Thus, Texas Tech must increase its endowment funds to a minimum of \$500 million by the year 2000. To accomplish this goal, Texas Tech's Development Office must target opportunities such that our solicitation efforts can focus on entities capable of donating, collectively, the additional funds we need.
- ◆ An endowment fund of at least \$500 million will allow Texas Tech to compete with the best in scholarships, professorships, fellowships and chairs. In an environment of limited government funding, a significant endowment corpus is a necessity.

STUDENTS

- ◆ Academic and admission standards:
 - Texas Tech should consider raising our academic and admission standards incrementally until our standards are on a par with other leading institutions.
 - Academic programs must achieve cutting edge status. Our degree programs must be evaluated and some must be expanded or revised to meet the demands of a changing society and marketplace.

➤ Texas Tech must take the steps necessary to secure a chapter of Phi Beta Kappa at our campus and to secure certification for our libraries by the Association of Research Libraries.

➤ Academic performance is an essential goal in developing a nationally competitive athletic program, and Texas Tech must ensure that adequate resources are devoted to ensuring that our student-athletes are successful in the classroom as well as on the playing field.

◆ **Recruiting of students:**

➤ Our methods for recruiting the best and brightest students should be a model program for all universities.

➤ Enhanced scholarship and graduate fellowship availability will help tremendously in attracting top scholars.

➤ Recruiting officers stationed throughout the state will help market Texas Tech to high school and community college students throughout Texas. By this time next year, Texas Tech should have five recruiting offices, including ones to serve Houston, the Metroplex, Central Texas, and South Texas. Besides helping to attract top students, these offices will help Texas Tech establish a presence in all major cities across Texas.

◆ **Student retention:** The following factors will help Texas Tech retain the high-quality students it attracts:

➤ Significant expansion of scholarships and fellowships;

➤ Larger number of top-of-the-field faculty (lured by expanded chairs and professorships) who teach graduate and undergraduate courses;

➤ Providing a "user friendly" environment for their academic career;

➤ Higher student admission standards (will result in proportionately more students who can remain at Texas Tech and complete their degree requirements); and

➤ Aggressive development of mentor programs.

♦ **Survey of parents and students:** Texas Tech needs to survey students and their parents to identify improvements that may need to be made.

FACULTY

♦ **Faculty salaries:** Texas Tech should achieve faculty salary parity with its peer institutions.

♦ **Faculty recruitment and retention:** The following factors will help attract and retain top talent at Texas Tech:

- Significant expansion of endowed chairs and professorships;
- Increase in faculty salaries;
- Higher student admission standards resulting in greater field of top scholars attending the University;
- Increased quality of academic programs; and
- Facilities, equipment, and administrative assistance to support a top level of teaching and research.

♦ **Faculty survey:** We need to survey faculty to identify improvements that may need to be made.

FACILITIES

♦ **Capital Construction Plan:** A Capital Construction Plan must be developed to accommodate the facilities needs of Texas Tech. This Capital Plan should be consistent with the Campus Master Plan now under revision with the assistance of H.O.K.

♦ **Physical plant:** Maintenance and repairs that keep our physical plant in good condition must be followed through. A mode of benign neglect is not acceptable; while it may save a few dollars in the short run, the cost in the long term is too great.

◆ **Campus beautification plan:** Texas Tech should design and implement landscape enhancements that take advantage of our virtually unlimited supply of water for irrigation and result in the most beautiful campus in the Southwest. An active campus beautification plan should be initiated to carry out these objectives.

TEXAS TECH ADMINISTRATION

◆ Texas Tech must have a lean and effective administration, little duplication of effort, and a concentration of operational monies on faculty salaries and research.

◆ Qualified university administrators must be encouraged to participate in teaching, at least on a part-time basis. Time spent on the “front lines” would provide administrators with a better perspective of the changing needs of students and faculty and help put the university’s mission in a clearer focus. To the extent that administrators can help carry the load for our teaching mission, fiscal efficiencies may be available.

◆ We must look for ways to cut red tape and make all of Texas Tech’s campuses and facilities known as having “user friendly” environments. Some steps to take in this direction include:

➤ Financial aid, bursar’s and admissions offices need to focus on serving students and parents in as an efficient and friendly a manner as possible.

➤ Move forward with implementation of the new Student Information System, which incorporates telephone registration.

➤ Provide students with more of a “one stop shopping” environment for interactions they may require with administrative departments.

➤ A campus beautification plan will help foster a more “friendly” environment for visitors, students, parents, faculty and staff.

INFORMATION RESOURCES

◆ Academic and administrative computing needs must be served through a team-oriented approach.

- ◆ "Current technology" equipment must be provided to faculty and staff.
- ◆ Hardware and software support must be upgraded to adequately maintain the information resources provided to faculty and staff.
- ◆ The cost may be significant but should be offset somewhat by savings in other areas; the ultimate cost will be less if we proceed now to equip ourselves for the future.

GOVERNMENTAL RELATIONS

- ◆ Texas Tech must maintain a close working relationship with the Governor and the Texas Legislature because they -- through the appointments and confirmation process -- determine who is appointed to the University's Board of Regents. Future appointees should provide depth and diversity to the Board. This is especially critical, as regents can be some of the best representatives of and strongest advocates for the University.

Texas Tech University
Academic Affairs committee

Plans for review of academic programs and policies

RECEIVED
OFFICE OF THE CHANCELLOR
TEXAS TECH UNIVERSITY
JUL 30 1998
TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER
RECEIVED

Goal: to raise Texas Tech University to a Tier I research institution concomitant with quality teaching and quality students and, in so doing, to find and elevate our own distinctive areas of promise and depth.

Objectives:

- To institute assessments of academic quality throughout the University.
- To determine if academic policies are in line with the University's push toward quality enhancement.
- To highlight the strengths of our programs and find ways to protect and enhance these.
- To pinpoint areas of weakness and determine how to correct and diminish their impact on the University's reputation.

Assessments:

1. Faculty development incentives for both research and teaching; rates of use by departments and colleges, as compared to peer institutions.
2. Faculty tenure policies.
3. Analysis of tenure density by department and college.
4. What are our comparative advantages? How can these advantages and strengths be emphasized? What are we trying to do that we can't do well?
5. Demand for degrees in various departments and colleges: number of students enrolled and the number of graduates with job offers in their field.
6. Perceived quality of various departments from student nomination, peer institutions and other academic rating schemes.
7. Analysis of student quality by department and college versus peer institutions.
8. Curriculum reform: when were the lower division requirements for the B.A. and B.S. degrees last assessed and modified?
9. What innovative programs show the most promise for enhanced academic credibility? Which programs are underfunded and underutilized and should be phased out?
10. Analysis of degree programs and concentrations: have the ones added in the last 10 years been adequately integrated into related offerings?
11. What departments consistently have the best rated teachers? Why? How can we enhance quality teaching throughout?

Questions of interest in the area of quality enhancement:

1. In our recruitment of students, where are the brightest and best coming from? How can we compete for students against UT and A & M? How can faculty recruit graduate students of promise?
2. Determine which variables (in addition to money) positively affect programs and determine which academic managers are using these effectively.
3. How can the courses in the core curriculum be improved and expectations of student performance be enhanced? How can peer pressure for excellence be utilized?

Nancy E. Jones July 29, 1998

Wood, Richard A., "The Academic Affairs Committee," *Board Basics: Effective Trusteeship*, Association of Governing Boards, Washington, D.C., 1997.

COMMITTEE RESPONSIBILITIES

As its overarching responsibility, the academic affairs committee is responsible for monitoring the relationship between mission and strategy, between what an institution purports to be and what it proposes to *do*. This task is especially important as institutions are pressured by students and parents, public officials, the news media, and the general population to enhance quality, ensure that appropriate learning occurs, and contain costs (or at

least keep costs at a reasonable level). More specifically, the committee is responsible for five basic responsibilities:

1. Ensure that the academic program is consistent with the institution's mission and strategies. In the recent past, most colleges and universities generated new programs to meet the shifting interests of students. Many did so without examining the academic validity and appeal of existing programs or without integrating them with a coherent academic philosophy and plan. In time, such unplanned growth may dilute an institution's academic mission because it diverts resources and emphasis away from its central academic purposes.

To prevent unplanned expansion, the committee should call for and oversee periodic reviews of programs with the related goals of sharpening the institution's academic focus and distinguishing between strong and weak academic offerings. To facilitate such reviews, the committee should suggest criteria for measuring the strength of offerings: for example, enrollment, the degree to which programs support one another, quality and reputation of faculty, and reliable data on and from recent graduates, especially information about the link between their education and employment.

Conducting a thorough inquiry into any academic program's quality may well trigger anxiety and unrest among members of the college community—including faculty, students, alumni, donors, and others who have economic, philosophical, and sentimental attachments to various programs. Culling marginal programs or those that seemingly have outlived students' expressed interests is much more difficult and nearly always controversial. Nevertheless, committee members should raise the appropriate questions, assess the adequacy of the responses, and require that appropriate remedies are implemented—always guided by the institution's mission and strategies.

If major adjustments must be made—programs phased out, faculty released—it is far better to do so under the auspices of a plan and during times of relative calm than to wait for a financial crisis that forces hurried and hasty actions that can damage institutional integrity, derail careers, and disrupt enrollments, philanthropic efforts, and “town and gown” relationships. Should a financial crisis occur, sound program evaluation and planning will help guide the institution’s response.

2. Ensure that the academic budget reflects the institution’s academic priorities. The annual budget defines and communicates its academic priorities. It can be argued that it is the governing board’s most significant policy statement. Too frequently, academic budgets and academic priorities are formed separately. In many cases, departmental budgets were increased or decreased by modest amounts—a technique called incremental budgeting. This process was adequate when revenue increases were common and the increments were sufficient to support high-demand, high-quality programs. When revenues are limited, however, incremental budgeting is likely to sustain weak or low-demand programs at the expense of programs that are gaining strength or growing in demand.

A strategically sound budget process ensures that resources are allocated or reallocated according to academic priorities—a much more difficult task than routine incremental budgeting. This often requires faculty and staff positions to be shifted from one program to another—a reallocation that is particularly troublesome when tenured faculty members are involved. Alternatively, when the process affects part-time, adjunct faculty (usually nontenured), the problem is no less vexing—just different. In such cases, institutional leaders must redouble their efforts to ensure these faculty understand the institution and its students.

In many colleges and universities, the chief financial officer collaborates with the finance committee on budget issues, and the provost or chief academic officer works with the academic affairs committee on academic priorities. Each group pays scant attention to the work of the other. This separation can contribute to failure in two crucial areas: *budgets* that are fundamentally flawed and *academic priorities* that are funded disproportionately with either too few or too many resources.

To prevent this, members of both the academic affairs committee and the finance committee must communicate and collaborate. At a minimum, each committee should appoint a member to serve as a liaison to the other, and the committee chairs should meet periodically to discuss common committee interests—especially when academic budgets are being developed, but at other times during the academic year as well.

A more pragmatic way to ensure that appropriate issues surface for discussion with each committee is for the chairs (or an appointed committee member) to pose questions and submit agenda items for the other committee and administrative liaison to consider. Members of the academic affairs committee might ask finance committee members and administrators the following questions to ascertain their perspective:

- How are resources currently allocated?

- How are faculty positions and other institutional resources shifted from low-growth to high-growth programs? How do these shifts affect the academic program and the institution?
- What markets are emerging, and what programs will meet the new demands? How are peer institutions responding to emerging markets?
- What is the institution's strategy for determining appropriate use of information technology? Does the institution account for the role of information technology in its academic plan? Are budget processes adequate to provide investments in hardware, software, support, training, and maintenance? Does the institution have a budget for periodic replacement and upgrades? Does the financial plan consider the costs of reaching new markets via distance learning?
- Are the most effective faculty compensated adequately, either with salary or in other ways?
- Does the institution wisely use part-time and adjunct faculty to support its educational goals?

3. *Ensure that faculty personnel policies and procedures complement academic priorities.* Faculty personnel policies and procedures include appointment, promotion, tenure and post-tenure review, performance evaluation, compensation, sabbaticals, retirement, and retrenchment, among others. If promotion and tenure are routine or even automatic, and if compensation has little bearing on performance, an institution will acquire a much different faculty than if it promotes and grants tenure selectively and bases salary increases on the quality of performance.

Committee members should explore appropriate post-tenure review policies as a means to improve feedback, enhance faculty performance, and strengthen faculty development. Committee members might ask the senior academic administrator to benchmark post-tenure review and faculty-development policies from peer institutions. Additionally, committee members also may want to investigate some alternatives to tenure being developed in peer institutions. This should occur in close collaboration with faculty.

Even though adjunct faculty may serve only part-time and for a year or less, the committee should not overlook policies and standards governing their employment. Most important, the committee members must see to the development of policy that ensures these faculty are qualified in every respect and are fully informed and supportive of the institution's mission.

In their zeal to ensure that personnel policies are sound and the institution is attracting top-notch faculty, trustees sometimes are tempted to review the professional qualifications of individual faculty members and second-guess the judgments of faculty peers and administrators. This is an inappropriate and intrusive activity.

More appropriately, committee members should ask administrators to present their personnel recommendations in a comprehensive, strategic context. For example: Are criteria and standards for tenure and promotion clearly articulated and readily accessible to faculty members? Are they rigorously, systematically, and equitably applied across the institution? Does a tenure decision this year affect those that are anticipated in the next three years? Are the permanent positions consistent with the institution's strategic priorities, curricular needs, and affirmative-action plans? Do enrollments and finances warrant another tenure commitment in a specific department or college? How will estimated faculty-departure rates for the next five or ten years affect tenure levels, staffing flexibility, and the costs of retirement plans? If tenure were denied, would the financial resources be allocated to the same position, another program, or a different program?

4. Ensure that the institution's academic programs are appropriate for its students. The career and learning interests of students greatly influence disciplines and academic programs. Enrollment and demographic characteristics, in particular, play a major role in determining what programs an institution offers. A college composed of traditional college-aged students generally will offer different programs than institutions whose students are older than the traditional 18-23 year-old age group, attend part-time, and are employed full-time.

Committee members should require staff to ensure that current and proposed programs accommodate student interests and needs or have other overriding value to students. Committee members might examine market surveys, demographic data of applicants, information on the abilities and achievements of current students, and trends in program enrollments, among other useful indicators that analyze student needs and interests.

Also, academic affairs committee members may wish to explore the institution's remedial programs and those for learning-disabled students to determine their effectiveness, the degree to which they are integrated with other programs, and their cost in relationship to other programs.

5. *Ensure that the institution assesses the effectiveness of its academic programs.* Too often, college and university leaders do not place a high priority on a systematic evaluation of their institution's effectiveness. Consequently, they are insufficiently prepared to develop long-range plans that build on the institution's strengths and mitigate its weaknesses. A hallmark of an effective academic affairs committee is its reliance on data when it considers recommendations about programs, personnel, and budgets. Committee members should require administrators to submit data-based proposals, and occasionally, members may insist that qualified external reviewers be commissioned to conduct program evaluations.

The committee should set a good example by periodically reviewing its own performance. Such a review is good practice, and it enhances the committee's credibility with staff and faculty who undertake their own performance assessments. The review need not be complex or time consuming, but it should be based on a statement of goals and objectives that committee members can use to measure accomplishments, identify strengths, and recognize deficiencies. A variety of assessment methods have proved effective. The committee can undertake a self-assessment and communicate it to key constituents via an annual report; the committee might be evaluated by the board chair, president, and other senior administrators; or it can retain a consultant to conduct confidential interviews with committee members, board members, and other constituencies and report, without attribution, the results.

To carry out this review and assessment responsibility, committee members need information. Because information typically is provided to the committee by the chief academic officer and the president, it often comes from a reporting system developed for academic managers who have different information requirements than trustees. Administrative data that suit the operational needs of the provost may be excessive for the committee's needs. Rather, committee members may ask to see staffing plans, student characteristics, placement records, resource-allocation shifts, and tenure levels on an annual basis, and departmental and program reviews less often.

Committee members should ask that information gathered annually be presented with long-term trends, market trends, or data from peer institutions. The committee, with the help of the chief academic officer, should develop an information system that lets members discern trends and changes over time. When members express their needs clearly and set reasonable deadlines, they are more likely to get the information they need when they need it.

Many members may be unfamiliar with aspects of academic management and therefore uneasy about discussing particular proposals in detail. For example, some members may understand cost-efficiency measures better than quality indicators; some may understand the rationale for tenure better than affirmative action. As a matter of routine committee orientation or before these complex issues are put on the table for discussion, the committee chair might ask an in-house expert or someone from outside the institution to provide background briefings.

Regardless of where the committee gets information, communication channels between the committee and faculty should be open, easily accessible to all, and reciprocal. The more open and receptive the committee, the less faculty members will feel compelled to communicate privately with trustees—an untenable situation for all concerned. It is far better for trustees to seek occasional invitations to visit classes and to invite faculty members to visit trustee work places. It also can prove valuable to sponsor informal gatherings—seminars, lunches, dinners, and other social events.

Every state has one or more flagship state universities that focus as much on research and graduate education as they do on undergraduate education. These institutions, however, also differ greatly from one another. They range in size from South Dakota's two research universities, with fewer than seven thousand students each, to Ohio State University, with sixty seven thousand students at its main campus. This category of institutions includes some of the world's most prestigious universities, such as the University of California and the University of Michigan.

Although these institutions generally receive the largest amount of state support per student of any sector of public higher education, state funding generally represents a much smaller share of total available resources than in any other sector. State funding for these institutions ranges from a high of 70 percent in New York to a low of 18 percent in Vermont, with most states providing about 50 percent of the funding. Research universities garner most research grants provided within the public sector, although this too varies greatly from institution to institution.

Considerable differences among research universities seem to have little effect on cost patterns. Many of the largest institutions have the highest expenditures per student, no doubt in part because they have the most significant research efforts as well. As in other sectors of public higher education, the total resources available to these institutions vary greatly. In 1987, for example, instructional expenditures per student for public doctoral universities without medical schools averaged \$3,519 per year, but it ranged from a low of \$2,151 in Louisiana to a high of \$6,727 in Alaska (U.S. Department of Education, 1987, p. 57).

This chapter covers only the funding of operating expenses for public institutions of higher education. It does not discuss capital financing for facilities. Most facilities for these institutions are funded through separate legislative appropriations or bonding authority. In contrast to private higher education, relatively little capital construction in the public sector is funded through operating funds. Higher education now faces a serious issue of how to finance its aging physical infrastructure in the years ahead. In 1986, the physical plants in public higher education were valued at \$82.9 billion, an amount that had been increasing by 7 to 8 percent annually (*Digest of Education Statistics 1990, 1991*, p. 315). Many reports suggest that higher education is falling further and further behind in keeping pace with the facilities and equipment needed to remain on the cutting edge of knowledge acquisition and transmission.

m, Richard T., et al., (eds.) *Governing
Colleges and Universities: A Handbook
Trustees, Chief Executives, and Other Cam-
leaders*. Jossey-Bass, San Francisco, Cali-
f., 1993, Chap. 3, "The Economics and Fi-
ng of Public Higher Education."

State support for higher education has varied substantially over the last twenty years, peaking in 1982 at 8.3 percent of state dollars and declining gradually to 6.9 percent in 1991 (Halstead, 1990, p. 148). The decline has occurred as demands from other state services, such as corrections, elementary and secondary education, and social services, increased.

Federal support has paralleled state trends, showing growth in the 1970s, reduction in the early and mid 1980s, and some recovery in the late 1980s. This pattern has been true of funding for both student financial aid and contract research. But within both areas, substantial shifts have occurred in the types of programs being funded. Federal funding for student financial assistance has shifted

substantially from grants, targeted to the most needy students, to loan subsidies, which traditionally have helped students from middle-income families but increasingly are focused on impoverished students as well. Research funding has shifted somewhat from medicine and health sciences to defense and space-related science. No doubt, further shifts will occur in the 1990s as the Higher Education Act is reauthorized and as federal priorities shift. How these shifts will affect institutions depends on areas an individual institution emphasizes.

States use various strategies for determining how much support to provide higher education and for allocating these resources. *Incremental budgeting*, which consists of providing incremental annual increases in support based on inflation and enrollment growth, is perhaps the most common feature of statewide budgeting. Some states provide *core funding* for basic services, based on an assessment of what resources are needed to sustain adequate levels of quality. Core funding is most often used to sustain small institutions or institutions with unique roles and missions. With the emerging focus on outcomes assessment and on providing incentives for pursuing new directions, more and more states are developing *strategic funding initiatives* designed to provide performance-based financial incentives and rewards.

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Fiscal stewardship for the capital assets and the operations of a public institution of higher education is one of the most important responsibilities of every governing board. Public boards carry out this stewardship on behalf of the constituent groups of higher education and the public at large. Individually and collectively, the board members bear the ultimate financial responsibility for their institution. It is important, therefore, that trustees understand financial matters and that they regularly receive an appropriate set of financial reports.

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A relatively small number of reports can give trustees a sound basis for exercising fiscal stewardship as well as a better knowledge of the institution and its academic mission. It is the duty of both the board and the administration to ensure that trustees are provided with comprehensive and coherent reports that are clear and appropriate to their responsibilities. The reports used by financial administrators for day-to-day activities are not likely to serve the board's needs. Instead, a careful and systematic approach to presenting financial reports to a board is required.

Financial reports will be most helpful to trustees when they are presented in a summary form that will permit trustees to focus on the important measures and the key relationships. Other important dimensions of an appropriate set of financial reports include trend information, indicators of important interrelationships, and comparisons with peer institutions. A set of financial reports for the board might include:

- *A mission statement* that provides a description of the academic environment and the aspirations of the institution or system in comprehensive, long-range terms
- *A strategic plan* that establishes the major priorities and directions over a multiyear period, such as five years, with specific goals, performance measures, and deadlines
- *An annual operating budget* that sets forth the comprehensive financial plan for current operations across the entire institution
- *A capital plan and budget* that sets forth over a multiyear period, such as five years, the priorities for new capital construction, building renewal, building renovations, and major capital equipment acquisitions as well as the proposed means for financing capital outlay

- *Financial statements* that report all sources and uses of funds for current purposes (statement of current funds, revenues, expenditures and transfers), the overall financial position (balance sheet), and the flow of financial activity (statement of changes in fund balances)
 - *Analytical reports on financial condition* that provide an analysis of financial health and spending priorities (ratio analysis), debt structure and capacity (ratio and debt capacity analysis), and capital investments, including endowments, land, buildings, and equipment (asset management)
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The annual budget is a key instrument for carrying out the mission and for achieving institutional priorities. It is the financial plan for implementing goals and policies. In public institutions, the budget frequently has more than one part, such as the state budget and the local budget. The major sources of support for academic programs are state appropriations and student tuition. Frequently, other revenues contribute substantially to the total budget, including federal grants for research or other programs, private gifts and grants, and income from auxiliary operations. In public institutions, these revenues may be separated into subparts of the overall budget.

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Before turning to the key financial statements and analytical reports on financial condition, it is important to address the somewhat complicated conventions for accounting in higher education. Collier and Allen (1980b), point out that the conventions of higher education accounting can be quite imposing to trustees because they are different from those found in accounting for business and government. As a consequence, governing boards may have a difficult time understanding and interpreting the basic financial reports of their institution.

In higher education accounting, public disclosure of relevant financial data is intended to provide information about operations and financial conditions as well as to promote accountability. Because higher education exists to serve important public needs, its accounting and reporting procedures are focused on those needs. The business sector, by contrast, focuses upon financial reporting of profits or similar measures.

Another distinction between higher education and general business accounting is the absence of a direct connection between revenue source and expenditure in the former. The beneficiaries of the services of higher education are not always the same as the providers of the revenue. Furthermore, some revenue sources in higher education have use restrictions. Thus, an important emphasis has been placed upon fiduciary accounting in order to ensure that the restrictions have been met in the use of the funds.

Higher education accounting centers on the flow of revenues, such as tuition and state appropriations, through an institution to a specific use or purpose, such as instruction, research, or public service. The accounting concepts used in higher education derive from the stewardship role of trustees, that is, from the trustees' ensuring that funds provided by the legislature and by donors are used for the intended purposes. Thus, fund accounting is used to track each significant revenue source and link it to specific uses through a resource allocation process. Fund accounting permits separation of activity by fund type, category of restriction, source of revenue, and purpose of expenditure. For a more technical description of fund accounting, see Collier and Allen (1980b).

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Higher education governing boards will want to review carefully the three basic financial statements that are prepared annually: the statement of current funds, revenues, expenditures, and transfers; the balance sheet; and the statement of changes in fund balances. These documents are the most important financial reports of the institution. They represent the foundation from which other financial assessments can be made.

Perhaps the single most important report to board members is the higher education version of the operating statement. As noted earlier, revenues within the current funds are classified by source and type, and expenditures are reported by use. Monitoring the rate of change in revenues and the distribution of revenues will provide important information for trustees. Diversification in revenue sources contributes to strength and overall financial stability, whereas excessive reliance on a given revenue source might indicate potential problems. Any rapid change in the revenue mix may also be a signal for special review. Similarly, reliance on nonrecurring revenues may cause financial vulnerability in an institution.

While the statement of revenues and expenditures describes an institution's financial flow over a period of time, usually the fiscal year or the period of time since the beginning of the year, the balance sheet describes an institution's financial position at a given point in time, usually the last day of the fiscal year. It reveals the financial strengths and weaknesses of the institution and permits the board to assess the adequacy of the assets to fulfill the institution's mission.

Format. The format of the balance sheet for a college or university is derived from the concepts of fund accounting, described earlier. Because its many different sources of funds place differing fiduciary responsibilities on an institution, the format of the balance sheet reveals the financial condition of each of the fund types. The major fund types for higher education include the current funds, the loan funds, the endowment funds, and the plant funds.

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Of the three major financial statements, the least familiar is the statement of changes in fund balances. It shows the overall flow of financial activity into and out of the institution and across the various fund types. This report contributes to the total financial picture by revealing additional information about the sources and uses of funds. Unlike the balance sheet, which describes the financial "inventory" at a moment in time, the statement of changes in fund balances describes the financial flows or activities of the institution over the entire fiscal period.

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A list of reports is identified as essential for carrying out the board's fiscal stewardship. It is important to emphasize, however, that ensuring the financial well-being of the institution and protecting the institution's investment in physical plant are but a part of the overall duties of good trusteeship. Financial reports must be reviewed in the larger context of an institution's academic mission. By themselves, financial reports will not capture all of the essential elements for good decision making by the board. They are not substitutes for strong institutional leadership with a clear vision. Sound decisions by the board must be based on a blend of the right reports, proper analysis, and good judgment exercised in partnership with institutional leadership.

The nineties are likely to be a decade of great financial stress for higher education. Changing demographics will have a profound effect upon enrollment. State officials may face the double bind of diminishing resources and accelerating competition for those resources. The trend toward increased accountability, especially for public institutions, is likely to persist.

HISTORICAL VIEW OF
TEXAS TECH UNIVERSITY OPERATING FUNDS
(EDUCATIONAL AND GENERAL FUNDS
AND DESIGNATED FUNDS)
(000's)

	FY93	FY94	FY95	FY96	FY97
REVENUES	175,442	187,642	186,182	213,345	220,467
EXPENDITURES	157,862	170,113	185,858	201,250	206,654
EXCESS	17,580	17,529	324	12,095	13,813

ITEMIZED REVENUES AND EXPENDITURES
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HISTORICAL VIEW OF TEXAS TECH UNIVERSITY OPERATING REVENUES (EDUCATIONAL AND GENERAL FUNDS AND DESIGNATED FUNDS)

REVENUE	FY 93	FY 94	FY 95	FY 96	FY 97
TUITION	20,621,220	22,248,075	23,725,598	26,047,615	28,406,545
FEES	28,935,850	31,024,001	35,395,021	42,999,548	50,918,386
GENERAL REVENUE	102,535,905	105,221,770	99,728,061	103,841,486	103,286,321
HEAF FUNDS	10,538,296	10,538,296	10,538,296	16,887,085	16,887,085
INVESTMENT/INTEREST	4,781,347	5,978,803	6,871,506	8,007,929	8,995,360
SALES	4,386,916	4,728,780	5,356,928	5,354,985	5,200,072
OTHER REVENUES	3,068,415	4,854,974	3,072,109	8,384,409	5,287,922
SubTotal Exhibit C (AFR)	174,867,949	184,594,699	184,687,518	211,523,059	218,981,691
TRANSFER IN (Schedule B-13 (AFR))	574,030	3,047,310	1,494,682	1,822,080	1,485,341
TOTAL*	175,441,979	187,642,009	186,182,201	213,345,139	220,467,033

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HISTORICAL VIEW OF TEXAS TECH UNIVERSITY OPERATING EXPENDITURES (EDUCATIONAL AND GENERAL FUNDS AND DESIGNATED FUNDS)

EXPENDITURES	FY 93	FY 94	FY 95	FY 96	FY 97
INSTRUCTION	75,045,076	77,488,742	80,360,996	82,837,028	90,558,546
RESEARCH	7,579,867	8,305,381	8,863,271	9,402,723	10,360,772
PUBLIC SERVICE	1,090,436	1,487,078	1,224,670	1,157,764	1,268,765
ACADEMIC SUPPORT	17,751,271	18,555,055	19,630,182	21,082,868	23,073,870
STUDENT SERVICES	9,964,825	10,564,225	10,890,299	11,136,501	11,858,633
INSTITUTIONAL SUPPORT	6,725,086	7,956,119	7,913,331	11,447,906	16,717,458
OP & MAINTENANCE OF PLANT	17,982,154	18,018,711	19,093,636	19,020,090	19,439,825
SCHOLARSHIPS & FELLOWSHIPS	8,529,650	9,833,203	10,257,956	13,006,025	13,104,411
 Exhibit C (AFR)	 144,668,367	 152,208,513	 158,234,341	 169,090,904	 186,382,281
Transfers to Retirement of Indebtedness	8,547,237	7,199,194	9,221,213	4,783,801	4,204,470
Transfers to Unexpended Plant Funds	2,871,488	8,840,358	9,011,009	17,324,795	13,604,482
Transfers to Auxiliary Funds	1,271,429	1,384,589	1,656,579	1,613,034	1,834,460
Transfers to Endowment Funds	15,251	0	7,503,050	8,181,308	0
Transfers to All Other Funds Net of E&G, Des	487,951	480,419	231,781	255,865	629,277
 TOTAL*	 157,861,723	 170,113,074	 185,857,973	 201,249,708	 206,654,971

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HISTORICAL VIEW OF TEXAS TECH UNIVERSITY CRITICAL OBJECTIVES

	FY 93	FY 94	FY 95	FY 96	FY 97
TOTAL EXPENDITURES FOR RESEARCH	20,931,990	21,917,200	22,544,539	24,656,333	27,420,137
TOTAL EXPENDITURES FOR SCHOLARSHIPS AND FELLOWSHIPS	18,941,437	19,601,951	19,737,788	23,245,812	23,813,390
ENDOWMENT FUND BALANCE* (All Funds and Component Units)	63,297,380	67,322,155	79,684,235	93,706,438	101,693,162
COMPONENT UNIT (FOUNDATION) FUND BALANCE*	31,071,836	29,434,596	33,431,404	37,583,663	43,138,112

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FORECASTED VIEW OF
TEXAS TECH UNIVERSITY OPERATING FUNDS
(EDUCATIONAL AND GENERAL FUNDS
AND DESIGNATED FUNDS)
(000's)

	FY98	FY99	FY00	FY01	FY02
REVENUES	_____	_____	_____	_____	_____
EXPENDITURES	_____	_____	_____	_____	_____
EXCESS	_____	_____	_____	_____	_____

ITEMIZED REVENUES AND EXPENDITURES
ARE ON PAGES 2 AND 3

PAGE 1

FORECASTED VIEW OF TEXAS TECH UNIVERSITY OPERATING REVENUES (EDUCATIONAL AND GENERAL FUNDS AND DESIGNATED FUNDS)

REVENUE	FY 98	FY 99	FY 00	FY 01	FY02
TUITION					
FEES					
GENERAL REVENUE					
HEAF FUNDS					
INVESTMENT/INTEREST					
SALES					
OTHER REVENUES					
SubTotal Exhibit C (AFR)					
TRANSFER IN (Schedule B-13 (AFR))					
TOTAL*					

PAGE 2

FORECASTED VIEW OF TEXAS TECH UNIVERSITY OPERATING EXPENDITURES (EDUCATIONAL AND GENERAL FUNDS AND DESIGNATED FUNDS)

EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02
INSTRUCTION					
RESEARCH					
PUBLIC SERVICE					
ACADEMIC SUPPORT					
STUDENT SERVICES					
INSTITUTIONAL SUPPORT					
OP & MAINTENANCE OF PLANT					
SCHOLARSHIPS & FELLOWSHIPS					
Subtotal Exhibit C (AFR)					
Transfers to Retirement of Indebtedness					
Transfers to Unexpended Plant Funds					
Transfers to Auxilliary Funds					
Transfers to Endowment Funds					
Transfers to All Other Funds					
Net of E&G, Des					
TOTAL*					

PAGE 3

FORECASTED VIEW OF TEXAS TECH UNIVERSITY CRITICAL OBJECTIVES AND DESIGNATED FUNDS)

	FY 98	FY 99	FY 00	FY 01	FY 02
TOTAL EXPENDITURES FOR RESEARCH					
TOTAL EXPENDITURES FOR SCHOLARSHIPS AND FELLOWSHIPS					
ENDOWMENT FUND BALANCE* (All Funds and Component Units)					
COMPONENT UNIT (FOUNDATION) FUND BALANCE*					

PAGE 4

Committee members must focus on several big-picture concerns: the adequacy and condition of campus buildings and grounds, appropriate resources for maintaining and renewing capital assets, and the institution's response to proposals for new construction or renewal.

As difficult as committee members may find the task, they must ask campus administrators to address questions such as these: How much space do we have, and does it support the institution's mission and role? Are we using space adequately? How much of the annual operating budget is allocated to plant operation and maintenance, and what does it represent in the levels of regular maintenance and deferred maintenance? Are funds available for new construction? Is new construction required, or should we renew existing facilities instead?

To operate efficiently, committee members need information, including the following: (1) a facilities audit of condition, adequacy, and use; (2) a review of physical-planning policies; (3) a survey of renewal or replacement needs; and (4) budget figures concerning funding of current plant operations and maintenance and capital improvements. If the reviews are not available, the committee should ask the administration to conduct them. The committee's primary responsibilities follow:

1. Determine the adequacy, condition, and use of existing facilities.

Central to this responsibility is a comprehensive facilities audit that describes building components, analyzes building conditions and functional adequacies, and provides an overall rating of a building's condition and adequacies.

Taken cumulatively, a facilities audit provides a benchmark of all campus facilities that can be used to assess their condition over time. As such, the audit must be conducted objectively. Depending upon institutional resources, surveys can be conducted by in-house staff, consultants, or a combination of both.

However, the facilities audit is only one part of a comprehensive facilities-management program. Equally important is evaluating how well the space is being used and how well it might meet the needs of a technologically demanding future. This analysis generally is subjective and therefore more difficult to conduct. Its importance, however, cannot be overemphasized; unfortunately, no criteria exist that apply to all campuses. Other components of a comprehensive facilities-management program include (1) a physical-planning policy that identifies goals and priorities for enrollment, land use, and facilities; (2) audit and analysis of facility conditions, management procedures, and use of space; (3) a projection of future requirements, including capital programs and deferred and controlled maintenance; and (4) mandated regulatory programs, including energy conservation, environmental regulations, and compliance with the Americans with Disabilities Act.

2. Create a physical-planning policy.

This responsibility is among the committee's highest priorities and should be conducted in consultation with other board committees and senior administrators. As a vital part of an institution's long-range plans, it must take into account academic priorities, access, and the commitment of an institution's land, buildings, and utilities to public service.

The physical-planning policy should cover land, facilities, and alternative programs for implementation. Ideally, a policy document should be based on data, with narrative limited to brief statements. For example, institutions that have rapidly expanded their land holdings should define their geographical areas of interest, develop policies to consolidate holdings within these areas, and create contiguous holdings when beneficial. Many universities have benefited from the immediate infusion of cash resulting from selling surplus land, but such a strategy never should be considered an option for long-range needs.

These policies must be developed early in the planning process so they can become the basis for making decisions about new construction, conservation of existing structures, and removal of obsolete facilities. The economics of each option must be balanced against local attitudes, academic priorities, and enrollments. Allocating resources for academic purposes and capital assets must be viewed realistically for five-year and ten-year periods.

The final approval of an institution's facilities goals and policies rests with its senior administrators and governing board. The review cycles should be a joint effort, mandated by board action.

3. Review renewal or replacement decisions. Public and independent institutions have adopted a uniformly conservative stance concerning capital improvement recommendations. Even in regions of rapid enrollment growth, few campuses are being expanded.

In periods of fiscal constraint, committee members will support some decisions to renew or replace a facility and will defer others. Proposals to abate hazardous conditions, comply with legislative mandates, maintain accreditation, or protect buildings through cost-effective improvements are especially compelling, and the board may want to support such actions. The board should be mindful, however, that deferring proposals risks worsening conditions and even greater liabilities. The decision to defer should be reached only after determining priorities and selecting those projects requiring the most immediate attention.

One element involved in the "renew or replace" decision is campus attitude regarding the retention and extension of the life of a structure. Other considerations include the expenditure required for renovation, the loss of the space during construction, and the costs for temporary use of space during construction. Renovation decisions should take into account the following questions: What levels of renovation are possible? Can the work be conducted in phases to allow use of the facility during renovation? Can an equivalent amount of funds be spent more wisely by rehabilitating other space to accommodate program needs? Can proposed academic and other institutional needs be better accommodated with a new building to replace the existing one?

In some cases, trustees must weigh the importance of renewing an existing structure, even at premium costs, if a structure has historic or architectural value. The decision to remove antiquated and nonessential buildings generally must prevail, especially if such structures place an undue financial burden on maintenance and utility budgets. Several issues must be considered when deciding if a building should be renewed or replaced: Can adequate support be attracted for a renewal rather than a replacement? Will a renewal be functionally and esthetically successful? Can annual operating budgets absorb added costs for operating and maintaining a new facility?

4. *Oversee financing.* In recent years, the annual plant operations and maintenance budget would be expressed as a percentage of the total expenditures—10 percent was the average reported in a 1980 survey. Although it is tempting to identify a higher number, such as 15 percent, as a target, the financing issue is too complex to be so easily solved. Geographic settings, the cost of labor, and climate conditions—all of which greatly affect facilities planning and management—vary greatly among institutions. To be effective fiscal stewards, committee members must develop an understanding of their campus.

The physical facilities budget has three general categories:

- *Annual maintenance and operations.* These funds are used for routine activities, such as grounds expenses (usually calculated as cost per acre), maintenance of custodial and building systems, and expenses for energy costs (calculated as cost per square foot). The senior facilities officer should be aware of these costs at peer institutions in similar climates. He or she also must be cognizant of the condition of facilities at these peer institutions. A low cost may mean that an institution's buildings are in serious disrepair.
- *Plant renewal.* These resources keep facilities in good condition for their present use, based on facility subsystem life cycles. The general rule to follow for setting this budget is 1.5 percent to 3 percent of current plant replacement cost.
- *Plant adaptation.* These funds are used to alter and upgrade facilities to satisfy codes and standards, new research and teaching demands, and new technology. The norm is 0.5 percent to 1.5 percent of current plant replacement cost.

An additional finance question is related to capital funding of new construction and major renovation: What is an appropriate amount of debt service in the operating budget? One routinely used measure is the ratio of debt service to revenues, which measures the institution's flexibility in committing revenue to resources other than debt service. The higher the burden of debt service, the greater the institution's difficulty in finding sufficient revenue to allocate to other needs. The failure to meet debt service is a symptom of severe financial difficulty.

Decisions to finance new construction and major repairs often neglect to take into account the changes that have occurred since the major building phase ended. At that time, perhaps, debt financing was not a major issue, and grants or low-interest loans from federal and state

governments and foundations were readily available. Today, federally funded or foundation-funded buildings are rare. As recently as ten years ago, many such organizations were committed to funding "bricks and mortar" projects; today, only a few are willing to do so. The limited funds available are almost exclusively allocated for new projects, rather than renovation.

Institutions sorely need better access to financing, including debt financing. Only half of all states have public authorities through which higher education institutions may issue tax-exempt bonds. Those that do have such authorities require the debt to be collateralized by unrestricted endowment, a requirement many institutions cannot meet.

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Ingram, Richard T., et al., (eds.) *Governing Public Colleges and Universities: A Handbook for Trustees, Chief Executives, and Other Campus Leaders*. Jossey-Bass, San Francisco, California, 1993, Chap. 9, "Ensuring Sound Financial and Plant Management."

Exhibit F

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The development and regular review of a capital plan with a time line of five years or more are essential to effective board stewardship.

Frequently, a capital project is the earliest beacon of a change in an institution's direction, mission, or priorities. This project may be a new facility, a major building renovation, or the acquisition of new equipment (such as computers and telecommunications equipment). The capital plan identifies major projects and prioritizes them. The link between any new capital initiative and the institution's mission or strategic plan can be made clear in the capital plan.

The capital plan should be matched with a program to secure the necessary resources for the project. Unlike private business organizations, which finance capital expansion only through retained earnings or debt, a public higher education institution may secure capital from retained earnings, debt, or other sources, including state appropriations, fund raising, or federal grants. The means of financing capital development has both short-term and long-term ramifications. Using debt to finance new construction will require debt service to be budgeted for many years into the future. In addition to debt service, the annual operating budget must provide for building operations and any new programs initiated in the facility. A fully developed capital plan would include an update on the condition of existing facilities, a report on the utilization of space, and an assessment of building renewal and deferred maintenance.

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Another very important application of ratio analysis is in the evaluation of an institution's ability to repay its debt. In recent years, public institutions of higher education have turned increasingly to debt as a means of expanding physical facilities or renovating existing physical plants and infrastructure. This trend has occurred, in part, as a consequence of declining state appropriations for capital purposes and in some cases as a strategic choice that permits fund-raising proceeds from a capital campaign to be invested in endowment. This latter technique involves the classic debt-versus-equity decision between two alternatives for expanding physical facilities: (1) issuing debt and (2) raising funds for capital endowment. The differences between the alternatives can be discerned by examination of the institution's balance sheet and operating statements.

Exhibit F
Page 6 of 8

Over the past several decades, public monies for capital construction from federal or state governments have not kept pace with the need for expansion and renovation of facilities. Public institutions of higher education have turned to bonds, especially revenue bonds, to fill the gap. Under this means of financing, new auxiliary facilities (such as dormitories, recreation centers, and parking garages) are constructed by bonds or equivalent debt instruments, and the debt is serviced by the revenue stream from operations. Similarly, research buildings, equipment, and instrumentation are acquired by the sale of bonds and the indirect cost recovery on research grants and contracts is used to retire the debt. Even academic buildings at public institutions of higher education are now financed by revenue bonds, with tuition pledged to cover the debt service obligations, frequently over a period of twenty to thirty years. Several ratios will be helpful to trustees in evaluating debt structure. They should be reviewed individually as well as collectively.

The *debt service ratio* assesses the portion of annual operating revenues that must be set aside to pay for long-term debt. Because of the nature of restricted revenues in colleges and universities, the denominator of this ratio is expressed in terms of unrestricted current fund expenditures plus mandatory transfers:

Debt service

Unrestricted current funds expenditures and mandatory transfers

If this ratio remains stable over a period of time, it may be assumed that an institution has adequate resources to support its debt service needs. If this ratio increases, the budgeting flexibility of an institution will decrease. The threshold standard that has emerged from bond analysts and rating agencies is less than 10 percent; that is, when an institution is using 10 percent or more of its current unrestricted resources to pay for the retirement of long-term debt, creditors may become concerned. Institutions seeking to retain the highest credit rating will strive to keep this ratio low. However, such significant variability exists across public colleges and universities that this ratio must be interpreted within the full institutional context.

The *ratio of plant equity to plant debt* is one of the ratios that will test the institution's capacity to obtain more long-term financing. An institution's working capital, among other objectives, may be impaired if this ratio is inadequate.

Plant equity (net investment in plant)

Plant debt

The higher this ratio, the better off an institution's debt structure. A rapidly decreasing ratio would be a cause for alarm. A minimum standard of 300 percent for this ratio has emerged from the bond analysts and underwriters as a prerequisite for any institution with cash-flow problems.

The *ratio of expendable fund balances to debt* permits ready analysis for board members of whether the institution's financial capacity is growing stronger or weaker.

Expendable fund balances

Plant debt

A ratio of 100 percent would mean, of course, that a college or university has adequate unexpended fund balances to pay off its entire plant debt. For public institutions, such a circumstance is not commonplace. The trustees need to ascertain whether this ratio is declining over time, which would imply diminishing liquidity and perhaps diminishing financial capacity as well.

TALKING POINTS FOR STRATEGIC GOALS

What is the purpose of the Strategic Goals document

The goals and objectives of a university are, essentially, the priorities that are established by and for the university, the colleges, the departments and ultimately the faculty.

Goals and objectives are an outgrowth of a university's vision – a broad guiding principle that forms the foundation of all activities and pursuits of the university. Texas Tech's vision was incorporated into its mission statement, which is:

- TO PROVIDE the highest standard of excellence in higher education while pursuing continuous quality improvement;
- TO STIMULATE the greatest degree of meaningful research; and
- TO SUPPORT faculty and staff in satisfying those whom we serve.

Just as the Ten Commandments are broad guiding principles – and subject to a significant amount of interpretation and debate – so is the vision and mission statement of Texas Tech. But, this is the nature of visions, I suppose.

Goals and objectives are more concrete, defined ambitions – the stepping stones for pursuit of the vision.

Once established, the goals become the starting point for a strategic planning process that will help chart the specific path we should take to achieve these goals and objectives. Such a strategic plan would be developed by the individual institutions through a “bottom up” process – as opposed to a Ten Commandments type of word-from-on-high approach.

So, Texas Tech has a vision already established. In order to develop the strategic plan, the goals had to be identified.

Refining the Goals

Since initially outlining our strategic goals, there are some areas that have been identified for expansion. Examples include:

- More weight given to research and graduate education; and
- More emphasis on joint and cooperative academic and research efforts between the university and HSC. (TIEHH a good example.)

Goals Statement – What's In It

These goals are, as expected for this type of document, broad and general. The specifics – in the form of a strategic plan -- must be provided by the individual institutions, colleges, departments and the faculty.

These goals can be summarized as falling into four primary areas, as follows:

GOAL AREA 1. To develop comprehensive strength in our undergraduate programs, including general education, strong advanced undergraduate education, and innovative teaching and learning initiatives.

If we are to compete for the very best students in the state and in the nation, what do we need to do?

- We must have sufficient numbers of faculty to supply a critical mass in departments and programs.
- We must enhance library collections and services.
- We must improve facilities infrastructure, including classrooms and laboratories and equip them with the latest state-of-the-art computers and video technology.
- We must provide scholarships for outstanding undergraduate students.

GOAL AREA 2. Establish excellence in graduate education and research in a significant number of selected areas which identify collectively the niche for Texas Tech.

What do we need to do to attract excellent and diverse graduate students to a core of graduate and research programs with quality comparable to that found at the best universities in the nation?

- Become a Carnegie Research I university – which is primarily a function of the research grants a university can attract.
- Provide competitive compensation for graduate students in the form of fellowships and assistantships.
- Establish a significant number of chairs and professorships in selected disciplines and areas of study which represent our priorities.
- Provide adequate resources for libraries, information technology, graduate research laboratories (facilities and equipment), and distance education.

GOAL AREA 3. To develop a faculty of national and international distinction.

Considerations here include many of those already mentioned in other goal areas, but also include:

- Support for centralized research facilities, centers and institutes, and access to super computing and sophisticated equipment which represents the state of the art in a given field.
- Technical and administrative support for the academic and research activities of faculty.
- Funding adequate start-up costs for new faculty, whether it be equipment or other resources.
- Travel support for research and participation in national and international conferences.
- Support for visiting faculty, visiting distinguished speakers and artists.

GOAL AREA 4. To establish strong ties between the university and its constituencies – both external and internal.

■ *For our external constituencies, we must:*

- Become active partners in economic development, K-12 education, environmental stewardship, human resources and the overall development of quality of life.

➤ Increase the use of telecommunications and technology to provide access to courses and programs via distance education, for short programs on campus, for summer workshops and for outreach and extension programs in a great number of areas.

■ *Looking “inside the curb” or within the boundaries of our campus, we must:*

➤ Maintain an intellectually stimulating environment and a supportive university community through the enhancement of student services for all categories of students.

➤ Devote sufficient resources to student counseling and advising in all areas.

➤ Foster, university-wide, an active participation in student recruiting and retention efforts.

➤ Look for any and all ways in which Texas Tech can be user-friendly in the pursuit of academic excellence.

COMMON EFFORTS NEEDED: Some of our priorities are of a nature that cut across all lines (I started to say cut across all goal lines, and come to think of it, it may not be that inappropriate an analogy). What I’m talking about are goals such as:

➤ completion of a successful capital fund raising campaign to provide the resources needed to “make it happen” for other goals; and

➤ more and better public relations and publications so that the word of our initiatives, ambitions and successes gets out to the faculty of other institutions, to prospective students, to our ex-students, to our supporters who donate their time and money, to the world at large.

**TEXAS TECH UNIVERSITY:
WHERE ARE WE GOING AND HOW WILL WE GET THERE?**

The Educational Environment

In the past we have talked a great deal about efficiency in the way we do business and about strategic initiatives that attempt to link our strengths with numerous opportunities. We have talked also about the need for increased emphasis on the reward structure for undergraduate teaching and service and about the need to globalize our curriculum and develop international programs for both faculty and students. Our research initiatives have focused on packaging our strengths in new ways in order to address problems and issues more effectively and efficiently. Our strategy has included the organization of centers and institutes which can address multidisciplinary research objectives.

Certainly these initiatives are important and we should continue to pursue them, but; pursuit thus far has been within the framework of the semester credit-hour driven higher education model we have worked with in Texas for almost half a century. Under a great deal of external pressure that model is now changing and it is this fundamental change that must be incorporated into future planning. We have resisted change because we are comfortable with what we do and the way we do it. This is not to say, however, that there are not better and more efficient ways to operate and it is these better ways that we seek. Like any business, we must continue to introduce new products and new ways of delivering them. In this regard, there are some fundamental facts we should agree upon in order for planning to be relevant. These facts are as follows:

1. We are witnessing and have been witnessing for some time a transition in our economy and a resultant change in our culture. Emphasis has shifted from the mass production of goods to the mass production of information and the technology required to produce and communicate that information. Rather than finished goods, the primary commodities contributing to progress in the 21st century will be

knowledge, ideas and information. Businesses will be focused increasingly on the mass production, organization and communication of these commodities and the services required to be competitive in the new marketplace they define.

2. Increasingly, the value of our intellectual property equals or exceeds the value of our real or personal property. Knowledge and ideas have intrinsic value which means ownership of intellectual property will continue to be an issue of significant proportions. Even though universities have a great deal of experience with this culture, new external demands threaten to change what we do and how we do it. Institutions are no longer able to rank order what is important, what should be learned and what should be taught. The fact that the choices which must be made will be made more and more by individuals and groups external to the institution is not trivial.
3. There is an increasing demand for credentials, if not for education, and this has provided opportunities for would-be competitors from the private sector to deliver high quality, low cost educational programming in direct competition with universities. While there is little doubt institutions of higher education will still be around in the next millenium, there is also no question that they will look quite different. The public's demand for lower cost, more accessible educational products and credentials will alter the demand for a conventional college education. Given the internet and other forms of distant education that provide new educational models, we must become increasingly aware that teaching must be considered something other than an instructor standing before a classroom full of students.
4. Faculty can no longer view their total charge as private accomplishment. Rather, they must focus as well on public benefit. More and more professors are becoming isolated researchers and entrepreneurs using the university to achieve their own ends and not contributing to the creation and maintenance of a newly formed and directed community of scholars whose primary interest is the learning outcome for students and the application of research to local, state and national needs. Somehow the university of the future must be able to satisfy the needs of its faculty and students while at the same time addressing societal needs as well.

5. The political climate is one that is increasingly impatient with the idea that universities should be protected from the economic forces that are impacting most of society. The danger is that universities have become less relevant precisely because they have yet to understand the new demands being placed on them and the challenges they must face in order to meet these new expectations. Higher education is increasingly being regarded as a private, rather than a public, good. It is thought to contribute more to individual advancement than to the nation's needs. As a result, the appropriation of tax dollars has decreased and reliance on tuition, fees and private fundraising has increased among public universities. As private support becomes more and more prevalent, external donors and granting agencies will want to play a more prominent role in setting university priorities focusing usually on those disciplines that yield the highest ratio of return for the private sector.
6. Primarily because of the increased emphasis on technology, our institutions of higher education are witnessing a major paradigm shift from teaching to learning. In the future, students will spend more time learning in a variety of ways and less time, but more creative and focused time, with faculty. Faculty, in turn, will work with greater numbers of students, but teach less. Students will be counseled and advised to make choices for themselves and be responsible for their own education.

Taken together the above factors create an environment for the future of higher education. Visions, goals and objectives must be developed within the framework of this "new-world" environment.

Where Do We Want To Go?

A plan for the future depends upon specific goals and initiatives coupled with a road map for their implementation. The goals should be such that they match strengths with opportunities and specify targets that may reach beyond what seems feasible or possible at the present time. The following are specific goals we wish to achieve:

1. We will develop and maintain comprehensive strength in undergraduate programs including general education, strong advanced undergraduate education and innovative teaching and learning initiatives.
2. We will establish and maintain excellence in graduate education and attain a level of research and scholarship such that Texas Tech is recognized as one of the top 100 research institutions in the country.
3. We will develop a faculty of national and international distinction.
4. We will develop strong outreach and extension programs that can address educational needs in the state as well as nationally and internationally, and develop strong ties between the university and external constituencies in areas of economic development, K-12 education, environmental stewardship and enhancement of human resources and quality of life.
5. We will work to internationalize the curriculum, establish international partnerships and encourage and support study abroad programs for Texas Tech University students.
6. We will maintain an intellectually stimulating environment and a supportive and diverse university community through the enhancement of student services and the recruitment and retention of a faculty and student body diverse in gender, race, ethnicity and nationality.

What Must We Do To Get There?

One of the axioms of organizational theory is that change seldom occurs without an external inducement combined with a sense of internal discontent. The new educational environment represents factors of external inducement. But what about internal discontent? Apparently the threat of externally imposed changes has not been sufficient to produce discontent at Texas Tech and encourage faculty and administrators to seize the initiatives to change their focus or direction. Instead, the impulse has been to resist change and insist that only additional deliberation can lead to informed and effective action. The time for deliberation on whether or not to change has passed. The administration, in cooperation with the faculty, must provide a plan of action designed to

accomplish the goals established for the institution. Faculty should play an important role in planning, but a faculty that insists that every detail of the plan should be submitted for their approval will condemn the institution to a slow, painful restructuring process.

In order to compete in the new environment, there are some basic initiatives which should be undertaken. The faculty's first task should be to separate elements of the course catalog that constitute essential knowledge in a discipline from those that represent specialized research or political interests. In each discipline faculty must decide which courses provide the core and which are peripheral. Once the core has been established, faculty should be directed toward that core and away from courses in narrow research specialties, particularly at the undergraduate level. By reducing the number of specialized courses and simplifying the curriculum, departments can become more efficient and provide additional time for research and creative activity. Each department should be made accountable for its own expenditures and the university should provide incentives for achieving greater efficiency. A proactive mentality must be acquired and more flexible models developed that are not based on the assumption that the teaching/classroom model is the only way learning occurs.

Another issue which must be addressed concerns the walls that separate department from department and college from college. We have begun to address this through the creation of centers and institutes, but much more will be required. The idea that individual departments control specific segments of knowledge, which represent their exclusive turf must be overcome. We don't solve the problem by trading the present walls for new ones. The desired result can be attained only by turning walls into permeable membranes. The result will be horizontal coupling of vertical disciplines creating a new paradigm based on the integration of knowledge.

Efforts to strengthen undergraduate and graduate programs will depend to a significant extent on our ability to recruit and retain 100 new faculty during the next four years. Faculty members currently carry very heavy teaching loads leaving little time for increased scholarly activity. In addition to the quantity of faculty, it is important also that

we recruit a distinguished faculty who have either attained or have the potential to attain national and international distinction. Also, travel support must be provided for participation in national and international conferences as well as access to supercomputing and sophisticated equipment which represents the state of the art in a given field. Endowed support for chairs and professorships, centralized research facilities, centers and institutes, visiting faculty, visiting distinguished speakers and artists and support staff, including technicians, teaching assistants, research assistants, secretaries and administrative help are also essential.

At the graduate level our strategy will be to strengthen a number of selected programs and add some additional areas of excellence, which collectively will identify the niche for Texas Tech University. The purpose is to attract excellent and diverse graduate students to a core of graduate programs with quality comparable to that found at the best universities in the nation and, in the process, elevate our standing among major research institutions. Also, in order to provide and maintain a competitive edge, we must raise faculty salaries to a level at least equivalent to the average of the leading public research universities in the state.

We are in the process of reorganizing our division of extended learning in order to capitalize on the new digital technologies that make distance learning activities possible. We must reconnect to public constituencies and become more accountable for the work that we do and the tax dollars we invest. Program-based partnerships must be established between the university and state and federal agencies, the local community, business corporations and schools. The focus will be two-fold: first, to assist these entities in achieving their own goals and second, to build on a new knowledge base which results in the transfer of intellectual property into the marketplace.

In addition to the above, the following specific initiatives should be given careful and serious consideration. Taken together they represent elements of a long term plan designed to achieve our goal to become one of the four or five major research universities in Texas and one of the top 100 research universities in the nation.

Faculty Initiatives

1. The faculty must continue to address targets of opportunity by mobilizing faculty expertise to solve problems and issues of local, state and national concern.
2. The faculty must continue the development of centers and institutes which are multi-disciplinary and interdisciplinary in nature in order to be competitive in today's research environment.
3. The faculty must recognize and act on the need to establish a program of technology transfer in order to couple faculty ingenuity with the marketplace.
4. The faculty, particularly those in professional schools, must form closer alliances with individuals representing business and industry and utilize their expertise in satisfying the teaching and research mission.
5. Faculty must improve learning outcomes by using all of the models available: classroom teaching, internet and video aids, self-paced student learning, distance education of all types, internships, work-study cooperative programs, competency testing, study abroad and integrated learning.
6. Faculty must work to eliminate duplication in all programs and course offerings.
7. Faculty must incorporate new ideas and new delivery systems in order to maximize their efficiency in teaching and research.
8. Faculty must structure, in cooperation with the academic administration, a reward system which recognizes innovation in teaching, research and service.
9. Faculty must participate in the development of a program to prioritize elements of the teaching and research.

Administrative Initiatives

1. The administration will work with the faculty to structure a reward system which will recognize and encourage efficiency in the accomplishment of the teaching and research mission.
2. The administration will work to provide opportunities for faculty to develop their intellectual property and aid them in marketing ideas and products.

3. The administration will provide a state-of-the-art infrastructure for information technology including computing, networking and video capability which will allow faculty to adopt new educational models and delivery systems.
4. The administration will work with the legislature to provide adequate resources to allow Texas Tech to achieve its goal of becoming a Carnegie I research university. The objective will be to increase the number of research universities in the state in order to maximize federal funding as well as private support. The success of this initiative will allow the institution to:
 - Provide competitive salaries for faculty and staff consistent with research I institutions in the state and nation.
 - Add faculty necessary to provide a critical mass for accomplishing the mission in teaching, research and service.
 - Provide enhancement for library collections, classroom and laboratory support and state-of-the-art computing and video technology.
5. The administration will continue to work with congress and others at the federal level to provide support for programmatic priorities identified in collaboration with the faculty.
6. The administration will continue its all-out effort to achieve and/or surpass the goal of the Capital Campaign which is designed to provide resources for students, faculty and facilities.
7. The administration will continue to invest in the recruitment and retention of faculty who have attained, or have the potential to attain, national and international distinction.
8. The administration will support the aggressive recruitment and retention of the best students in the State of Texas and beyond.
9. The administration will work to the extent possible to reallocate resources from administrative areas to academic areas. Pursuant to this effort, administrators who have the required credentials will be encouraged to teach in appropriate programs.

Major Programmatic Initiatives

In the past, strategic planning at Texas Tech has focused on academic programs in an attempt to match those areas where we have significant strength to opportunities which will serve to maximize our teaching and research efforts. In some cases we have needed to add faculty to accommodate opportunities we think are significant. Examples of this would be our programs in material science and environmental and human health. In other instances, we have needed to identify opportunities to match strengths within the university, like wind engineering and cotton research. We must continue to proceed in this way to develop what some would call our "niche."

But all of this is based on our ability and commitment to assign priorities in what we do and how we invest our limited resources. In this sense, programmatic initiatives will change over time. The process is dynamic and must be tracked carefully so that significant opportunities are not missed. This requires that we create an internal organization that can respond quickly to targets of opportunity. Our ultimate goal in this regard would be to establish an endowment to provide sufficient discretionary funds to allow us to take advantage of these "windows of opportunity" when they occur.

Given the dynamic nature of priorities, it would be useful to describe our current position in this regard. These are initiatives we are building through selective investment in programs which have the greatest potential and need. It should be noted that all of these programs are interdisciplinary or multidisciplinary which emphasizes our notion that the greatest advances in graduate education and research will most likely occur at the boundaries between disciplines. The following six initiatives are currently at the top of our priority list:

1. Research in environment and human health.
2. Research in wind science and engineering.
3. Research in cotton and textiles.

4. Research in material science.
5. Research in plant biotechnology.
6. Research in pulsed power and high-powered switching.

Other initiatives, for which there is a need and in which we can bring considerable expertise to bear are the following:

1. Early childhood education and family studies.
2. International business.
3. K-12 education.
4. Space science.
5. Fine arts.

As indicated previously, these lists are dynamic and are subject to change as new opportunities present themselves.

Resource Strategy

In order for Texas Tech to achieve its goals, there must be a realignment of resources with academic priorities. Our strategy to address this challenge is three-fold. First, to the extent possible, the reallocation of resources from administrative to academic areas; second, improved efficiencies in all areas; and third, the development of new sources of income.

We will continue to eliminate duplication in programs and services and will move resources from declining programs to more promising and effective ones. As much as possible, we will involve administrators in the teaching function and shift funds from administrative functions to teaching, research and service. At the same time, there must be a continuing and aggressive effort to reduce costs and create more effective and efficient means of operation. In many instances the proper use of technology can improve and streamline administrative functions.

We also must recognize the urgent need to generate new revenues for the university. This is the only way we can address many of the issues which are critical to the achievement of our goals.

The resources required will result from our initiatives at the state level, the federal level and the private sector. The state initiative must be based on the role the university can play in overall economic development. Research institutions are a major driver in attracting both federal and private funds to the state. There is little doubt that investment in additional research universities could pay off in a big way for the State of Texas. Texas Tech is poised to become a major player in this scenario and we must focus our efforts on convincing the legislature that there is a need and that providing for this need will result in added resources for the state.

Efforts at the federal level will be focused on programmatic funding. We must continue to address national priorities and develop programs with the potential for support from federal dollars. Such a program has been initiated and is already producing results. With the assistance of a private firm in Washington, DC, we have begun to communicate our research strengths to the U.S. Congress. This effort must be expanded and enhanced in the future.

Texas Tech's Capital Campaign is the focus for private sector funding. The emphasis here is on building endowment and support for the academic community. One-third of the \$300 million goal will be devoted to student scholarships and fellowships, one-third to faculty chairs and professorships, and one-third to facilities, equipment and annual giving for the various colleges. For the first time Texas Tech has been able to map out a systematic, long-range construction plan which will meet the university's most pressing facilities needs in the near future and beyond. Regardless of the nature or purpose of the gift, the investment by Texas Tech alumni supporters and friends is a strong measure of the university's success. It is these gifts which provide for the pursuit of excellence we wish to achieve.

The many and diverse programs at Texas Tech create a synergy which can lead the university to becoming one of the premier research institutions in the country. Economic development, cultural and human development, teaching, research, outreach, extended learning, cooperative education and alumni participation all interact to provide a strong interface between Texas Tech and the community, state and nation. Within our means and with maximum efficiency and energy we must continue our thrust to become the very best we can be.



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER
Academic and Health Care Profile for the Year 2004

Overall Vision for TTUHSC

- 1) PATIENTS FIRST!
- 2) Leadership
- 3) Achieving interdisciplinary and academic balance between Education, Service, and Research
- 4) Establishing a fiscally sound group business practice aligned with institution-wide goals
- 5) Creation of a "campus" environment for all four schools on all four campuses
- 6) Increase enrollment to 1900 by the year 2004
- 7) Establish a regional philosophy for TTUHSC that encompasses the entire Southwest

Education

♦ **Improved diversity of students in all schools**

A comprehensive recruitment plan will be implemented targeting Hispanic and African American undergraduate students interested in medical careers.

- 1) Development of summer enrichment and honors programs
- 2) Identification of consistent funding and scholarships for minority recruitment
- 3) Collaboration with minority community organizations and physicians
- 4) Re-evaluation of current public relations campaigns
- 5) Advancement of opportunities through mentoring programs
- 6) Development of an evaluation mechanism to measure these efforts over the next five years

♦ **Enhanced opportunities for faculty development**

The Office of Faculty Development (SOM), created in spring of 1998, will allow concentration and coordination of efforts to help faculty in developing and maintaining the necessary competencies for success in research and education. Several faculty development programs will be initiated including:

- 1) New faculty orientation
- 2) Establishment of a Teaching Academy
- 3) Pre-tenure/promotion review

- ♦ **“Real world” curriculum development that is interdisciplinary in approach**
 - 1) Determination of skills required by future employers of TTUHSC students
 - 2) Instruction in topics that will prepare students for the socio-economic realities of the 21st century, i.e. managed care, medical economics, cultural competency, telemedicine, and informatics
 - ♦ Masters degree in Public Health
 - ♦ Masters degree in Epidemiology
 - 3) Emphasis on teaching and evaluating the acquisition of clinical knowledge and skills
 - 4) Development of the “CNN of Telemedicine” concept
 - ♦ Programming
 - ♦ Aging
 - ♦ Distance learning
- ♦ **Increased collaboration with Texas Tech University, along with other academic institutions, private industry, and federal and state government**
 - 1) Additional joint education programs such as the MD/MBA
 - 2) Joint Masters degree in Public Health with North Texas State University
 - 3) Public health linkages with Centers for Disease Control and Prevention, i.e. Master of Epidemiology degree
 - 4) The Institute of Environmental and Human Health (collaboration between TTU and HSC)
 - 5) Expansion of the Graduate School

Service

- ♦ **Leading provider of community responsive health care in West Texas**

Emphasis will be placed on increasing the “value to the community” through needs assessments conducted in rural areas of West Texas:

 - 1) Increased access to health education, primary and specialty health care through telemedicine
 - ♦ Culberson County Hospital link with TTUHSC-El Paso physicians by January 1999
 - ♦ Implementation of Diabetes Education Telemedicine Project in the Big Bend Region (when funding becomes available)

- ♦ Telemedicine link between school-based clinic in Hart and Department of Pediatrics at TTUHSC
 - ♦ Specialty consultations provided to physicians and physician assistants in Alpine, Tulia, Presidio, and Terlingua
 - ♦ Telemedicine network linking rural nursing homes
 - ♦ Telemedicine network connecting TTUHSC with Hendrick Medical Center in Abilene and three remote rural health care facilities
- 2) Increased visibility in rural communities through programs such as the One-Two Residency Program, the Mobile Mammography Project, and the School of Pharmacy's Diabetes Screening Project
 - 3) Increased number of primary care providers through the establishment of the Physician Assistant Program at Midland College

Research

- ♦ **Increased federal research grant funding**
 - 1) Identifying and aggressively pursuing new federal grant medical research funding
 - 2) Recruiting and enticing new talent
 - 3) Implementation includes research emphasis, distinctive culture, accessible resources, appropriate award system, and availability of mid-level leadership with research expertise and skill
 - 4) Allocation of funds to assist successful grantees in transitioning from one grant year to the next
- ♦ **Establishment of a Clinic Research Center at each campus with "start up" dollars for salary, support, and equipment**
- ♦ **Initiation of a Health Services Research department to conduct outcomes and quality assessment research at all four campuses**
- ♦ **Identification of Additional Areas of Expertise**
 - 1) Reproductive Health
 - 2) Cancer
 - 3) Children with special health needs

Programmatic Elements - Defining our Distinctive Competence

Aging: Establishment of **West Texas Center for Healthy Aging** to accommodate growing elderly populations and to help rural communities adapt to the needs of their aging residents and their families.

- ♦ Teaching Nursing Home Training Facility
- ♦ Increased emphasis on Alzheimer's treatment and education
- ♦ Geriatric Assessment Center

**Chronic
Illness:** Establishment of a **regional diabetes center** with clinical, educational, epidemiological and research initiatives to ensure comprehensive diabetes management for West Texas. Hispanics and the elderly, both of which have high populations in West Texas, have high rates of diabetes.

**Emerging
Infections:** Address regional and international concerns about numerous new or reemerging and often drug-resistant infectious diseases. As the only medical school on the US-Mexico border, TTUHSC provides a novel opportunity to address border infectious disease issues including surveillance, research, prevention and control, and public health services.

**Border
Health:** Foster and promote the health of the border region of Texas through the implementation of research and education programs, recruitment activities, health services initiatives, and community outreach.

- ♦ Office of Border Health (possibly Border Health Institute)
- ♦ Establishing family practice clinics out in the El Paso community
- ♦ Kellogg Community Partnerships

Environmental Health:

Full operation of the newly established Institute of Environmental and Human Health.

Goals:

Educate students in environmental and human health issues

Investigate environmental and human health effects caused by toxic chemical exposures

Create teams of researchers who develop quality science and technology to evaluate the impact of toxic substances on the environment and human health and to offer solutions to these complex problems

Establish an interdisciplinary laboratory

Potential Funding Sources for Strategic Plan

- ◆ Legislative appropriation through "Raise the Base" strategy
- ◆ Increased dollars through revised formula funding
- ◆ HEAF
- ◆ Federal funding for specific projects
- ◆ Entrepreneurial partnerships with private entities, i.e. telecommunication, pharmaceutical, biotech companies
- ◆ Endowments

Marketing Strategy

Being in existence for only twenty-five years, TTUHSC is a relatively young institution. Developing a broad base of support is much like running a marathon; as opposed to expending our energies quickly in a sprint. We must tackle the tough job of sustaining the momentum we have built and continue to develop and market what we do best: train health care providers and provide health care services to meet the needs of West Texas. We must focus our marketing efforts both internally within the academic world and externally to our patients, creating a broad base of support.

Highlights of Long Range Plans for Individual Schools

School of Allied Health

- ◆ Increased enrollment of a minimum of 25% over the next five years through:
 - 1) Full implementation of the two-year Physician Assistant Program
 - 2) Approval and implementation of one or more of the following initiatives that are in the development stages: Advanced Masters Degree in Rehabilitation Sciences, Clinical Doctorate in Audiology, Advanced Masters Degree in Physical Therapy, Bachelor of Science Degree in Emergency Medical Services
- ◆ Completion of the following construction/renovation projects: Physician Assistant facility at Midland College; permanent facility for Speech and Hearing-Amarillo; relocation of Communication Disorders to HSC building in Lubbock

School of Nursing

- ◆ *staRNeTT (satellite telecampus articulated Registered Nurses education Texas Tech) has been approved by the Coordinating Board; will begin implementation in six rural sites in summer, 1999; provides one more access for Registered Nurses to complete their Bachelor of Science degrees while working in rural communities.

School of Medicine

- ◆ Strategic Plan to be completed by fall of 1999. Sub-committees will address the following issues: Professionalism, Graduate Medical Education, Clinical Practice, Improving Communication, Medical School Teaching, Research, Faculty Development, Tenure and Promotion, and Relationships with Community and Primary Care.

School of Pharmacy

- ◆ Fully accredited Doctor of Pharmacy program with a total enrollment of 200.
- ◆ Doctor of Pharmacy degree program offered to practicing pharmacists
- ◆ Completed Pharmacy Building in Amarillo, developing plans for a new building to house the growing research enterprise.

FUND GROUP DEFINITIONS

CURRENT FUNDS:

Funds expendable for current operating purposes.

Unrestricted Current Funds:

Operating funds available for any current purpose – Unrestricted Current Funds are reported in three categories:

Educational and General Funds -- Activities that represent the primary function of an institution (i.e., Educational, Research, Extension, Administration, and Regulatory).

Designated Funds – Resources arising from sources that have been internally designated by the institution's governing board or management to be used for special purposes and can be modified at any time. NOTE: Since universities are considered as part of the State of Texas reporting entity, limitations made by state statutes are considered internal designations from the statewide point of view. Therefore, the Texas Public Education Grants (TPEG) – Scholarship and the Special Mineral Fund must be reported in the Designated Funds, instead of the Restricted Current Funds.

Auxiliary Enterprises Funds – Activities that furnish a service to students, faculty, or staff and charge a fee that is directly related to, although not necessarily equal to, the cost of the service (e.g., dormitories, dining halls, and bookstores).

Restricted Current Funds: Operating funds available for current purposes, the use of which has been restricted by outside agencies or persons.

LOAN FUNDS:

Available for loans to students, faculty, and staff.

ENDOWMENT AND SIMILAR FUNDS:

The following funds are included in this fund group:

Endowment Funds:

Funds for which a donor or other external agency has stipulated as a condition of a gift that the principal is to be maintained inviolate and in perpetuity and that only the income from the investments of the funds may be expended.

Term Endowment Funds:

Funds that are like endowment funds, except that all or part of the principal may be utilized after a stated period of time or upon the occurrence of a certain event.

Funds Functioning as Endowment:

Funds that the governing board of the institution, rather than a donor or other external agency, has determined are to be retained and invested with only the income from the investments of the funds being expended. However, the principal as well as the income may be totally utilized at the discretion of the governing board, subject to any donor-imposed restrictions on use.

PLANT FUNDS:

The following funds are included in this fund group:

Unexpended Plant Fund:

Funds for the construction, rehabilitation, and acquisition (e.g., additions and/or improvements of long-lived properties for institutional purposes.

Funds for Renewals and Replacements:

Funds for the renewal and replacement of plant fund assets as distinguished from additions and improvements to plant, which are reported in the Unexpended Plant Fund. Improvements are expenditures that extend the useful life of an asset or improve its performance or increase the asset value over that of the original. Renewals, in contrast, do not extend the asset's useful life. Like repairs and maintenance, renewals maintain the service level anticipated from the asset. In general, an improvement constitutes the removal of a major part or component of a building or piece of equipment and the substitution of a different part or component with improved or superior operating capabilities. A renewal or replacement, on the other hand, involves the removal of a major part or component of a building or piece of equipment and the substitution of a different part or component of essentially the same type and with the same performance capabilities as what was removed.

If it is determined that certain expenditures in Funds for Renewals and Replacements should be capitalized, the costs and associated liabilities and fund balances, if any, are transferred to the Investment in Plant as in the case of transfers of capitalized assets from the Unexpended Plant Fund to the Investment in Plant.

Funds for the Retirement of Indebtedness:

Funds to meet debt service charges and the retirement of indebtedness incurred to acquire long-lived properties.

Investment in Plant:

The total carrying value of all plant properties and facilities except those real properties that are the investment of endowment funds.

AGENCY FUNDS:

Funds held by the institution as custodian or fiscal agent for others (e.g., student organizations, individual students, or faculty members).

REVENUES

TUITION

FEES

INSTITUTIONAL TUITION (GENERAL USE) FEE
STUDENT SERVICE FEE
UNIVERSITY CENTER FEE
OTHER FEES
TUITION REMISSIONS AND EXEMPTIONS

GENERAL REVENUE

STATE APPROPRIATIONS-GENERAL REVENUE
HIGHER EDUCATION ASSISTANCE FUND (HEAF)
STATE APPROPRIATIONS-HEAF

INVESTMENT / INTEREST

INVESTMENT INCOME
ENDOWMENT INCOME
INTEREST INCOME

SALES

SALES AND SERVICES OF EDUCATIONAL ACTIVITIES
SALES AND SERVICES OF AUXILIARY ACTIVITIES

OTHER REVENUES

FEDERAL GRANTS AND CONTRACTS
FEDERAL PASS-THROUGH GRANTS FROM OTHER STATE AGENCIES
STATE GRANTS AND CONTRACTS
STATE PASS-THROUGH GRANTS FROM OTHER STATE AGENCIES
LOCAL GRANTS AND CONTRACTS
PRIVATE GIFTS, GRANTS AND CONTRACTS
LICENSE PLATE SCHOLARSHIP
LEASES AND RENTALS
SALE OF CAPITAL ASSETS
MISCELLANEOUS REVENUE

CURRENT FUNDS EXPENDITURES AND TRANSFERS

Current funds expenditures accounts bear identifying codes and symbols that will identify functions, such as Instruction, Institutional Support, and Scholarships and Fellowships; identify organizational units, such as Department of Physics, Controller's Office, and Registrar's Office; and identify the object of expenditures, such as Personnel Compensation, Supplies and Expenses, and Capital Expenditures.

INSTRUCTION:

Accounts by divisions, schools, colleges, and departments of instruction following the administrative organization of the institution.

General Academic Instruction
Faculty Salaries
Departmental Operating Expenses (partial)
Graduate Tuition

RESEARCH:

Accounts by individual projects, classified by organizational units. The two functional subcategories are:

Institutes and Research Centers
Individual and Project Research
Indirect Cost – Research Services
Research Support
Research Enhancement
Special Items
Advanced Technology

PUBLIC SERVICE:

Accounts by activities, classified by type of activity, such as:

- Community Service
- Conferences and Institutes
- Cooperative Extension Service
- Public Lectures
- Radio/Television
- Testing Services
- Small Business Development Center
- International Cultural Center
- International Trade Center

ACADEMIC SUPPORT:

Accounts by activities, classified by type of activity, such as:

- Libraries
- Museums
- Audiovisual Services
- Ancillary Support
- Departmental Stores
- Photographic Laboratory
- Shop Services
- Academic Administration and Personnel Development
- Dean's Office
- Computing Support excluding administrative data processing
- Departmental Operating Expense (partial)
- Instructional Administration
- Organized Activities
- Remedial Education
- Junction

STUDENT SERVICES:

Accounts by activities, classified by type of activity, such as:

- Student Services Administration
- Social and Cultural Activities
 - Cultural programs
 - Intramural Athletics
 - Housing Services
 - Public Ceremonies
 - Recreational Programs
- Student Organizations
- Counseling and Career Guidance
 - Counseling
 - Placement
- Foreign Students' Program
- Financial Aid Administration
 - Financial Aid Office
 - Loan Records and Collections
- Student Admissions and Records
 - Admissions Office
 - Registrar's Office
- Health and Infirmary Services

INSTITUTIONAL SUPPORT

Detailed as needed, for example:

- Executive Management
 - Governing Board
 - Chief Executive Office
 - Chief Academic Office
 - Chief Business Office
 - Faculty Senate
 - Planning and Budgeting
 - Investment Office
- Legal Counsel
- Fiscal Operations
 - Accounting, Cashiers, Contract and Grant Administration
- General Administrative Services
- Administrative Data Processing (computer center for administrative services)
- Administrative Information Systems
- Auditing, Internal and External
- Commencements, Convocations
- Employee Personnel and Records
- Environmental Health and Safety
- Business Management
- Material Management
- Purchasing
- Service Departments
 - Copy Services, Motor Pool, Mail, Police, Telephone, Printing
- Space Management
- Community Relations
 - Development Office
 - Public Information
 - Publications
 - Catalogues and Bulletins
 - Relations with Schools
 - Alumni Office
 - Fund Raising
- General
 - General Insurance Other than Property Insurance
 - Interest on Current Funds Loans
 - Memberships
 - Provision for Doubtful Accounts and Notes
- Central/Shared Services

OPERATION AND MAINTENANCE OF PLANT

Accounts for all organizational units and functions, such as:

- Physical Plant Administration
- Building and Equipment Maintenance
- Custodial Services
- Utilities
- Landscape and Grounds Maintenance
- Major Repairs and Renovations
- Other Services
- Plant Support Services
- Grounds Maintenance

SCHOLARSHIPS AND FELLOWSHIPS:

Accounts as needed and desired for scholarships, fellowships, grants-in-aid, trainee stipends, prizes and awards.

MANDATORY TRANSFERS

Detailed to show subcategories, such as Provision for Debt Service on Educational Plant and Loan Fund Matching Grants.

NON-MANDATORY TRANSFERS

Detailed to show significant subcategories, such as:

- Loan Funds
- Quasi-Endowment Funds
- Plant Funds
 - Renewals and Replacements of Plant Assets
 - Additions to Plant Assets
 - Voluntary Payments on Debt Principal
- Auxiliary Enterprises