

PASCU ANNUAL CONFERENCE - II
HARRISBURG HILTON HOTEL
SATURDAY, MARCH 22, 2014

PRESERVING THE PURPOSE OF PUBLIC HIGHER EDUCATION

THE PENNSYLVANIA ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES (PASCU)

- Introductions
- Stalwarts + Two PASCU Inspiration Awardees
- New PASCU Board Members
- If all who RSVP'd attend, eight of the 14 PASSHE universities will be represented today.
- Cal U, IUP, Kutztown, Lock Haven, Millersville, Shippensburg, Slippery Rock & West Chester.

THE ADDITION OF A FALL PASCU CONFERENCE

- Welcome to PASCU's 2nd Annual Conference!
- The Third Annual Conference of PASCU will take place on Saturday, March 21, 2015.
- The first Saturday after the Vernal Equinox!
- A First Fall Conference of PASCU is planned for September of 2014; date to be announced.

WHY A FALL AND SPRING CONFERENCE?

- Spring Conferences needed to welcome new Board Members to carry on PASCU's Mission.
- Fall Conferences are needed to welcome new members of campus "Majority Stakeholders."
- The Majority Stakeholders are the Students, Parents and Alumni Donors on each campus.
- A key goal: PASCU Chapters on each campus.
- How many Majority Stakeholders are there?

FALL CONFERENCES TO SERVE MAJORITY STAKEHOLDERS!

- According to recent news reports, there are now about 112,500 PASSHE Students, 6% down from 119,500 headcount in Fall 2010.
- PASSHE's last published Factbook in 2011 (recently taken down from PASSHE Website) lists the following information under "Alumni:"
- "Page left blank intentionally – data not available."

STUDENTS, PARENTS AND ALUMNI TOTAL > 700,000!

- The 2008-09 PASSHE Factbook lists the total number of PASSHE Alumni to be 654,108, and the number in Pennsylvania to be 454,123.
- Factbooks, even the old ones, are no longer available to the public on PASSHE's Website.
- No PASSHE Strategic Plan between 2009 and 2014; no Factbooks since 2010-11; and now, no Factbooks at all on PASSHE website.

THE MAJORITY STAKEHOLDERS TOTAL > 700,000!

- Who speaks for PASSHE's Majority Stakeholders?
- Currently, they have no unified voice.
- Ironically, they have no voice even though they constitute a very large group of citizens and voters.
- **PASCU aspires to earn the right to become the voice of PASSHE's Majority Stakeholders.**
- We will return to that topic at the 2:00 PM session.

THE FUNDING/GOVERNANCE DISPARITY
IN PUBLIC HIGHER EDUCATION

PASCU: *Preserving the Purpose of Public Higher Education*

“Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has.”

Margaret Mead

A BRIEF HISTORY OF EDUCATION IN AMERICA

CLARE BOOTH LUCE POLICY INSTITUTE [HTTP://WWW.CBLPI.ORG/FTP/SCHOOL%20CHOICE/EDHISTORY.PDF](http://www.cblpi.org/ftp/school%20choice/edhistory.pdf)

¹BETWEEN 1852 AND 1913, COMPULSORY SCHOOL ATTENDANCE LAWS ARE ENACTED IN ALL STATES.

<u>YEARS</u>	<u>STAGES</u>	<u>CHARACTERISTICS</u>
1642 – 1821	“Permissive Era”	Government permitted schools; Complete Parental Authority
1826 – 1851	“Encouraging Era”	Government encourages schools; Parental Authority
1855 – 1980	“Compulsory Era”	Government compels ¹ schools; Decline of Parental Authority
1980 – 2001	“School Choice Era”	Government relaxes rules; Increased Parental Options; Home Schooling, Charters, etc.

A BRIEF HISTORY OF EDUCATION IN PENNSYLVANIA

- 1790 - The State Constitution that year ordered the government to establish schools throughout the State to such an extent that the poor would be "taught gratis."
- 1802 - "Poor Laws," were passed in 1802, 1804, and 1809 and called for free education for the poor only.
- 1834 - Common School Act is passed in Pennsylvania. To read about that law, see the history here: <http://www.phmc.state.pa.us/bah/dam/rg/rg22ahr.htm>. The Free Schools Law, passed in 1834, finally projected a system for the entire population.
- 1874 - The Constitution that year made public schools mandatory for all districts.
- 1895 - Mandatory attendance enacted in 1895, only for ages 8 - 13, and for only sixteen weeks each year.

A BRIEF HISTORY OF EDUCATION IN PENNSYLVANIA - II

1895 - By this time, universities had already existed in the major cities of Philadelphia (Penn in 1740) and Pittsburgh (Pitt in 1787) for more than one-hundred years, so those universities could easily provide the teachers needed in those cities. But training teachers in the rural parts of the state were another matter.

As the states compelled mandatory education for all—not just poor—students in every village and town across the land, the need for teachers to teach in those new “public” schools grew rapidly, and private, 2-year “normal schools” had been established by citizens in rural areas to fill that need.

1910 - The initially private State Normal Schools resolved to convert from 2-year to four-year teacher preparation programs starting in the fall of 1910.

1911 - A revised School Code was enacted that year which, among other things, authorized the PA Board of Education to purchase the State Normal Schools. Prior to outright purchase, the State Normal Schools received State subsidy.

A BRIEF HISTORY OF EDUCATION IN PENNSYLVANIA - III

1914 – California Normal School was purchased by the State in 1914. And after being founded as a private academy and seminary in 1852, Cal U as it is now known has been a State institution of higher education for the past 100 years.

1928 – California Normal changed its name to California State Teachers' College.

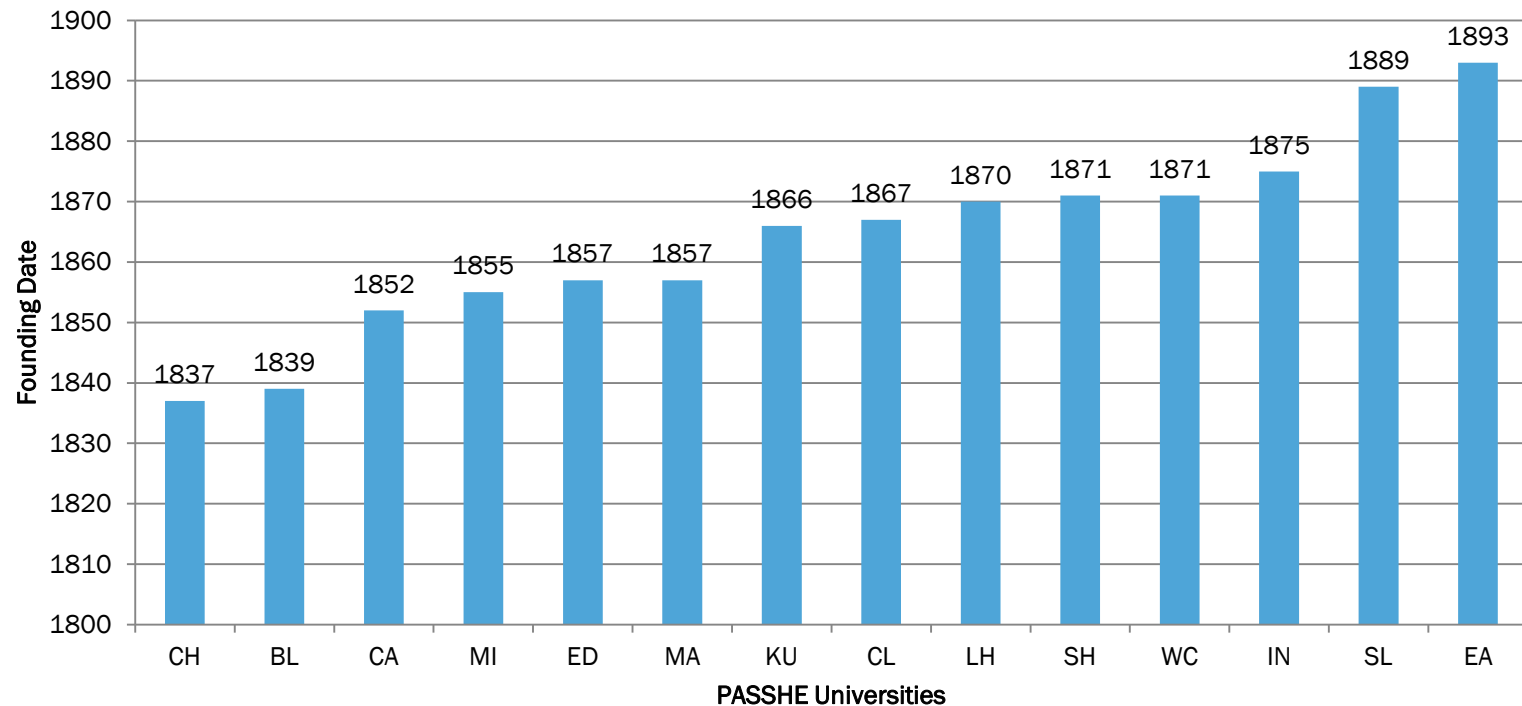
1960 – California State Teachers' College became California State College.

1983 – California State College became California University of Pennsylvania.

With the exception of Indiana University of Pennsylvania, which gained its university status prior to 1983, the early history of the thirteen other State Universities is very similar. They all began as private institutions and eventually were purchased by the Commonwealth of Pennsylvania first as “normal schools,” and later State colleges and universities.

The initial founding dates of the fourteen private institutions that would come to be known as the PASSHE Universities are shown on the next slide and range from 1837 to 1893.

FOUNDING DATES OF THE FOURTEEN PASSHE UNIVERSITIES - THEY ALL BEGAN AS PRIVATE INSTITUTIONS IN THE 19TH CENTURY



***THE PRIMARY REASON WE ARE GATHERED HERE IS TO ADVANCE
PASCU'S MISSION: TO ENSURE THE "PROMISE OF ACT 188"***

- PASCU'S MISSION:
- “To ensure that the statutory purpose of public higher education in Pennsylvania as specified by Act 188 of 1982: ‘High Quality Education at the Lowest Possible Cost to the Students,’ is indefinitely preserved and faithfully delivered.”
- We, you and I, must become that small group of thoughtful, committed citizens determined to change the world and, together, we can do it!

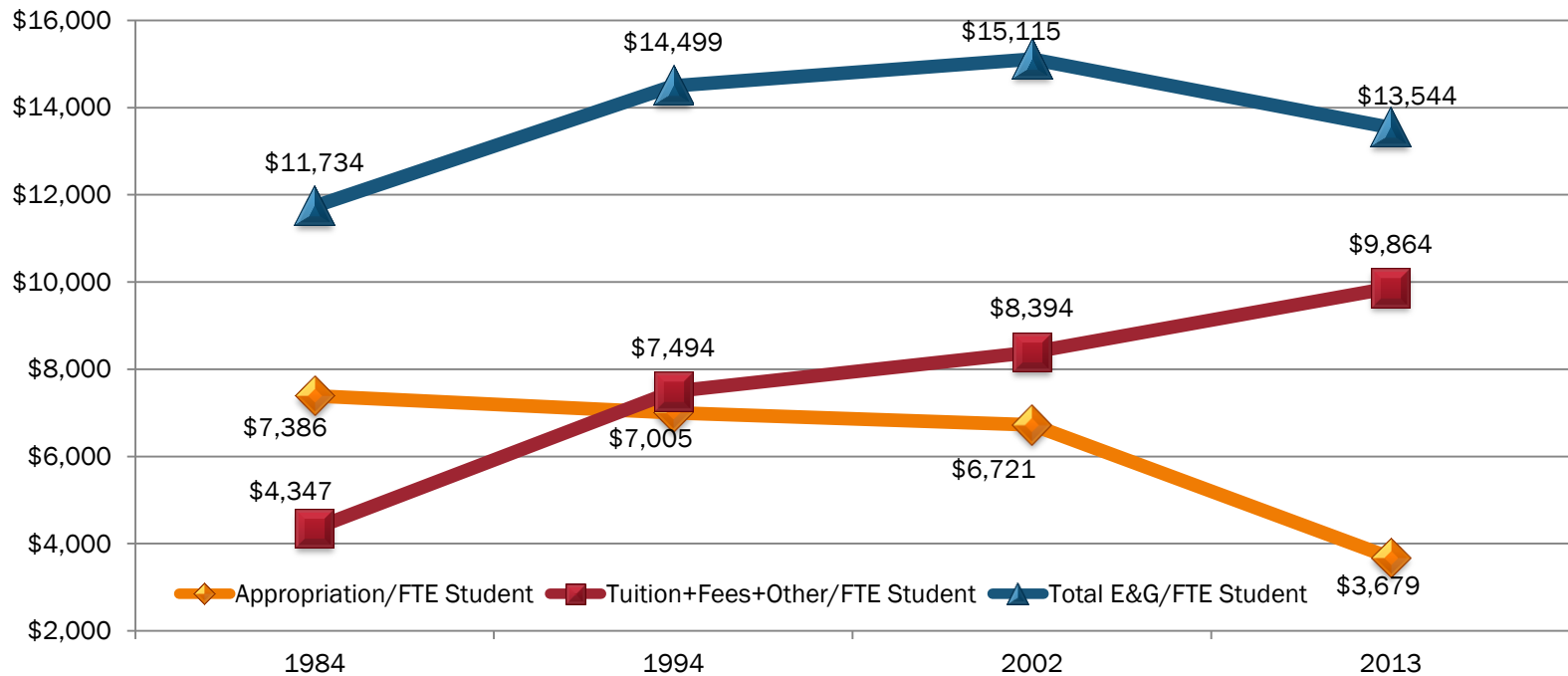
PASCU'S MISSION: TO ENSURE THE "PROMISE OF ACT 188"

- Merriam-Webster: “The word ‘shall,’ when used in laws, means a directive to express what is mandatory.”
- To preserve the Promise, PASSHE must at least *begin* by publicly accepting responsibility for it to the World.
- PASSHE’s longtime failure to publicly proclaim the Promise has enabled its leaders to avoid responsibility for its then unsurprising failure to Deliver the Promise.
- This dual failure is not a failure of law, but rather a failure of Pennsylvania public officials to obey the law.

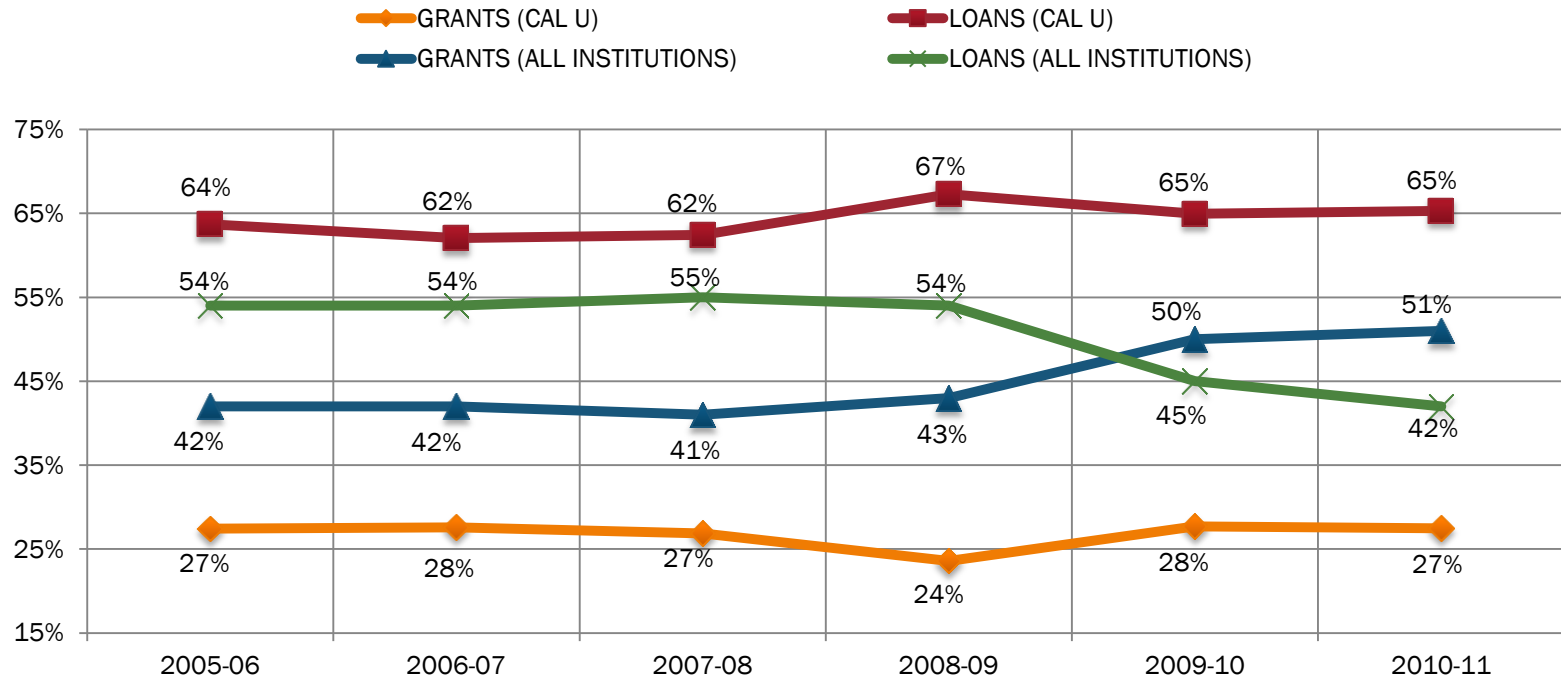
HERE'S SOME EVIDENCE FOR PASSHE'S FAILURE

- Two charts clearly document the failure:
- The first graph shows that the quality of the PASSHE educational experience has been falling since 2002.
- The second graph shows that PASSHE doesn't deliver the education at anything like the lowest possible cost to the students.

**PASSHE APPROPRIATION VS. TUITION VS. TOTAL E&G/FTE STUDENT (2013 DOLLARS) -
TOTAL E&G REVENUE/FTE IS A PROXY MEASURE FOR QUALITY OF EDUCATIONAL EXPERIENCE**



GRANTS VS. LOANS: ALL INSTITUTIONS VS. CAL U - PASSHE IS NOT MEETING “AT THE LOWEST POSSIBLE COST TO THE STUDENTS”



WHAT DO THE FACTS IN THOSE TWO CHARTS TELL US?



**MORE THAN JUST A FAILURE, EVIDENCE SHOWS IT IS
A CONTENTED FAILURE - WITHOUT EVEN TRYING**



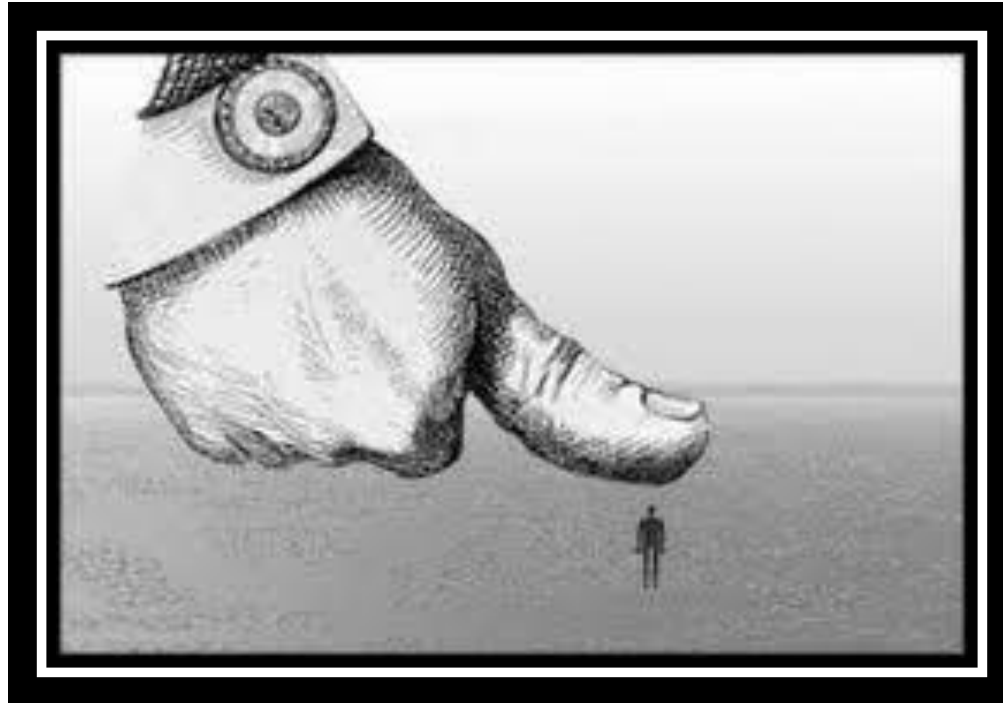
FUNDING AND GOVERNANCE SHARE DISPARITY

- Minority Stakeholder is the Commonwealth of PA in the person of the elected and politically appointed officials who now control PASSHE.
- The Minority Stakeholder provides 25% of the funding & controls 100% of governance seats.
- The Majority Stakeholders provide 75% of the funding & control 0% of the governance seats.

WHO DECIDES VERSUS WHO PAYS

- The Minority Stakeholder gets to make all key decisions affecting the Majority Stakeholders.
- Majority Stakeholders get to pay 75% of bills, while having no say as to how the \$1 billion a year to PASSHE from their private checkbooks is spent.
- They also have no say about PASSHE's failure to deliver Promise of Act 188: High quality education at the lowest possible cost to the students.

***PAYING 75% OF THE BILLS & HAVING 0% OF THE SAY IS UN-AMERICAN -
ESPECIALLY WHEN PASSHE IS FAILING TO DELIVER ACT 188 PROMISE***



A POWERFUL ORGANIZING PRINCIPLE & COROLLARY

- Organizing Principle: *Organizations are perfectly aligned to produce the results that they get.*
- Corollary: *A good definition of insanity is doing the same thing and expecting a different result.*
- Today's Keynote Address will be very critical of the current alignment of PASSHE for its failure to deliver the Promise of Act 188 since 2002.

CAUSE IS TO EFFECT AS ALIGNMENT IS TO RESULTS

- So Why is PASSHE failing to deliver its Act 188 statutory purpose—*It is perfectly aligned to do so!*
- *But recall there are also other results being produced by that very same alignment.*
- So Why is PASSHE currently aligned the way it is?
- Perhaps the other results being produced are results the leadership really wants to accomplish.

THERE ARE SEVERAL IMPORTANT QUESTIONS

- The data show PASSHE is failing to deliver the Promise of Act 188: “High quality education at the lowest possible cost to the students.”
- First question then: Why is PASSHE failing?
- On a more basic level, Why is PASSHE aligned to produce this failure? Or, finally,
- Why isn't PASSHE aligned to produce success instead of failure?

THERE ARE ONLY TWO POSSIBILITIES HERE!

- Either A: Current PASSHE leadership is trying to deliver the Promise of Act 188 & is failing despite its efforts;
- Or B: Current PASSHE leadership is not trying to deliver the Promise of Act 188 (which readily accounts for its failure), but is otherwise aligned to produce other results it really wants—as its PR messaging and new (2014) “Strategic Plan 2020” would seem to confirm.
- Strategic Plan 2020 makes no mention of the Promise of Act 188: “High quality education at the lowest possible cost to the students,” suggesting option B!

I MUST CONFESS THAT I WAS WRONG!

- For years I've been saying that the public universities in PA are being "Privatized Without a Plan."
- I now realize that I was actually giving PASSHE's 100% political leadership too much credit.
- I assumed that—because they were failing to deliver the Promise of Act 188—it meant they had no plan!
- Actually, it meant they had no plan for the Promise!
- But they do have a plan which has not been publicly announced, but can nevertheless be discerned by its fruits—i.e., the results that it actually does produce.

WHY PROMULGATE A PUBLIC STRATEGIC PLAN?

- If an organization is “out in the open,” it promulgates a detailed strategic plan for at least three reasons:
 - It needs such a document: a) to guide every person and department in achieving the organization’s vision, mission, goals and objectives; and b) to thereby serve the organization’s clients well;
 - As a public document, it also alerts the world as to the organization’s commitments to its clients; and
 - It fosters public accountability by enabling a ready comparison between words and deeds!

WHY NOT PROMULGATE A PUBLIC STRATEGIC PLAN?

- If an organization chooses not to be “out in the open,” here are some likely outcomes of that decision?
 - No clear guidance is provided to the employees, and the chances of serving clients well would be left to serendipity;
 - With no public plan document, no one knows what commitments the organization will make to its clients.
 - Without public statements of vision, mission, goals and objectives, a comparison of words and deeds can’t happen, and accountability becomes impossible!

JUST CONSIDER THE EFFECT ON EMPLOYEES

- Gallup Research Across 142 Countries of the World Defines Three Employee Types:
 - Engaged employees work with passion and feel a profound connection to their company. They drive innovation and move the organization forward.
 - Not Engaged employees are essentially “checked out.” They’re sleepwalking through their workday, putting time — but not energy or passion — into their work.
 - Actively Disengaged employees aren’t just unhappy at work; they’re busy acting out their unhappiness. Every day, these workers undermine what their engaged coworkers accomplish.

HERE ARE THE STATISTICAL RESULTS FOR 2012

- | | <u>E</u> | <u>NE</u> | <u>AD</u> |
|--------------|----------|-----------|-----------|
| • Worldwide: | 13% | 63% | 24% |
| • America; | 30% | 52% | 18% |
- With a strategic plan, you can only count on 30% of the workers in U.S., and 13% of the workers worldwide, meaning success is hard.
 - Without it, success is impossible because the workers don't know what success looks like!

WHY IS IT NECESSARY TO DISCERN THE PLAN?

- It only becomes necessary to discern an organization's strategic plan if the organization is not forthcoming as to what their vision, mission, goals and objectives are.
- It is a demonstrable fact that PASSHE's previous strategic plan expired in 2009, and its new strategic plan didn't appear until January of 2014.
- On October 13, 2010, the PASSHE BOG approved an eight-paragraph document entitled "PASSHE Strategic Initiatives." That document begins with the statement that "Leading the Way" expired in 2009.

RECALL MARK TWAIN'S MEMORABLE DICTUM

- “The difference between the right word and the almost right word is like the difference between lightning and the lightning bug.”
- And if a real strategic plan were equated to lightning, the *PASSHE Strategic Initiatives* document—all two and one-quarter pages of it—would have to be equated to the lightning bug!
- In PASSHE’s case, there was no public strategic plan between 2009 and 2014, and the new plan makes no mention of the Promise of Act 188.

WHAT WAS PASSHE'S HISTORY REGARDING STRATEGIC PLANS?

- I was a PASSHE president from 1992 to 2012, and for seventeen of my twenty years, from 1992 to 2009, the BOG put in place a series of thorough, detailed 3- to 5-year strategic plans. But that stopped after 2009.
- When one of the presidents inquired about when the new strategic plan would be developed (since it takes a year or more to develop a good one), Chancellor Cavanaugh told the presidents that “This Board of Governors is not interested in strategic planning.”

THE SAME ORGANIZATIONAL ALIGNMENT CAN PRODUCE BOTH SUCCESS AND/OR FAILURE

- “Success” depends on whose goals are being judged.
- In athletic competition, e.g., success for one team usually means failure for the other!
- Something similar can often occur in situations where competition may in fact exist, while being less obvious, e.g., where the interests of the different parties may overlap in some areas while differing greatly in others.
- This is especially problematic if one side has conflicting interests and attempts to hide them from the other side.

THE CENTRAL ROLE OF TRUST IN RELATIONSHIPS

- While the honesty and integrity of both parties will be important to the success of every human relationship, those character traits are even more critical in those cases with a power differential between the parties, such as that between the PASSHE Board of Governors and the Students.
- There are three main types of human relationships, with different levels of power between the parties:
 - Status Relationships
 - Contractual Relationships
 - Fiduciary Relationships

THE POWER DIFFERENTIAL IN HUMAN RELATIONSHIPS

- Status Relationships: The prototype here is the parent/child relationship, which has a very large power differential in terms of each party's ability to have its respective needs satisfied by the other.
- Contractual Relationships: The prototype here is the legal contract in which each party has an external means of forcing compliance if the other party fails to deliver what was agreed-upon in the contract. For that reason, there is less power differential in this case.

POWER DIFFERENTIAL IN FIDUCIARY RELATIONSHIPS

- Fiduciary Relationships: Fiduciary relationships can take many forms, but a relevant prototype for our purposes here today is the relationship between a “trustee” and an “entrustor.”
- In a fiduciary relationship, the entrustor often provides something of value to the trustee up front, in return for which the trustee is expected to provide some future service or result that is desired and valued by the entrustor.

FIDUCIARY RELATIONSHIPS RELY ON TRUST

- That fiduciary relationships rely on trust is seen in the fact that the word “fiduciary” comes from the Latin word for “trust.”
- It is also seen in the fact that entrustors make their commitment up front and must then wait a period of time before receiving, or not, the desired service or result in return.

THE ASSOCIATION OF GOVERNING BOARDS (AGB)

- AGB currently serves over 1,250 institutions—colleges and universities—public and private.
- The term “fiduciary duties” as applied to governing boards of colleges and universities is defined by AGB to include 1) a duty of care, a duty of loyalty, and a duty of obedience.

THE FIDUCIARY DUTIES OF BOARD MEMBERS

- The duty of care: board members should pay full attention to their responsibilities and protect institutional assets, including financial, reputational, personnel and tangible assets.
- The duty of loyalty: board members should put the interests of the institution before self-interests, and, in fact, before all others.

THE FIDUCIARY DUTIES OF BOARD MEMBERS

- The duty of obedience: board members should ensure that the mission is being fulfilled and that their actions are consistent with the mission and values of the institution.
- The duty of obedience also requires that board members act in support of institutional mission and goals. Failure to do so can lead to loss of public confidence in the institution.

THE ROLE OF LEADING AND LAGGING INDICATORS

- From the point of view of the Majority Stakeholders, the failure to provide high quality education at the lowest possible cost to the students reveals a failure of result stemming from an underlying failure of alignment.
- Result is a lagging indicator of the effort expended. By the time you've failed, it's too late to change the alignment!
- Alignment is a leading indicator of the effort expended. The role of leadership is to choose the proper alignment, defined as the one that will produce the desired results.

THE SAME ORGANIZATIONAL ALIGNMENT CAN PRODUCE BOTH SUCCESS AND/OR FAILURE

- Alignment is clearly a matter of choices; Results then flow from that alignment, i.e., from those choices.
- Every status quo has its winners and losers, whether the individuals involved either realize it or dwell on it.
- Every alignment can give each party wins and losses.(W-W)
- Every alignment can also give mostly wins to one party and mostly losses to the other. This case is an example of “Win-Lose,” and most people won’t stand for that indefinitely. The example above might describe a realistic “Win-Win.”

DIVIDED LOYALTY = CONFLICT OF INTEREST

- The Promise of Act 188: “High Quality Education at the Lowest Possible Cost to the Students.”
- Q: Who made that promise and to whom was it made?
- A: The Commonwealth of Pennsylvania made that promise back in 1982 when it passed Act 188 into law and included these words as to the statutory purpose of PASSHE:
- **“Its purpose shall be to provide high quality education at the lowest possible cost to the students.”**
- Merriam-Webster: When used in law, “shall” is mandatory!

CONFLICT OF INTEREST DEFEATS THE DUTY OF LOYALTY

- Q: To whom did the Commonwealth of Pennsylvania make that promise?
- A: It made that promise directly to the students, and indirectly to those who would help students pay the cost of a PASSHE education, i.e., parents and alumni donors, i.e., the Majority Stakeholders!
- Under the current leadership of PASSHE since 2002, the Promise of Act 188 has become an empty promise.
- That promise can only be redeemed by people who care!
- We will return briefly to that theme at the 2:00 PM session.

THE FUNDING/GOVERNANCE DISPARITY IN PUBLIC HIGHER EDUCATION

- Public higher education: Subsidized higher education offered by government entities (states, e.g., PA), as opposed to *market* higher education offered by private entities (non-profit corporations, e.g., Villanova).
- Funding share: Percent share of university operating budgets provided by the various shareholders.
- Governance share: Percent share of governing-board seats controlled by the various shareholders.

CHANGES IN FUNDING SHARES OVER TIME

- When public higher education began in America, it was highly subsidized, with as much as 90% of the cost of education provided by the State, and with just 10% provided by tuition—meaning very low tuition.
- And from the beginning of public higher education right up to the present time, the States retain 100% control of the governance of public higher education.
- But in the last three decades, state shares of public higher education funding across the U.S. have fallen.

THE PENNSYLVANIA FUNDING STORY

- Between 1984 and 2014 the Commonwealth of PA's share of PASSHE budgets fell from 63% to 25%.
- The share provided by Tuition+Fees+Other revenue—paid by Majority Stakeholders—grew from 37% to 75%.
- 'Tuition&Fee' revenue is paid by students and parents and, in 2014, accounted for 70% of the 75%.
- 'Other' revenue includes alumni donations (5%).
- 'Other' revenue blossomed from 1% to 5% in 15 years.

PENNSYLVANIA IS NOT A TYPICAL STATE

- Even states with high funding shares still require “net-tuition” funding, defined as funding provided by students and parents, less financial aid.
- The five *most generous* states include Wyoming, New Mexico, California, Alaska and North Carolina, which require 13.8%, 22.8%, 25.6%, 27.6% and 28.5% of the funding from net tuition to complement their much larger state shares. [SHEEO FY2012]
- The five *least generous* states include Vermont, New Hampshire, Delaware, Colorado and Pennsylvania, which require 85.1%, 84.5%, 72.9%, 70.8% and 69.9% of the funding from net tuition, to make up for their much smaller state funding shares.

THE PRIVATIZATION OF AMERICAN PUBLIC HIGHER ED

- Despite some generous states, American public higher education has been rapidly privatizing in just one generation. In 2012, the average net tuition share of funding for public higher education across 50 states was 47.0%, up from 23.3% just 25 years ago in 1987.
- The average net tuition contribution to public higher education funding across America has been growing steadily at one percent/year for the past 25 years!
- Traditional highly-subsidized public higher education could vanish entirely in U.S. in one more generation.

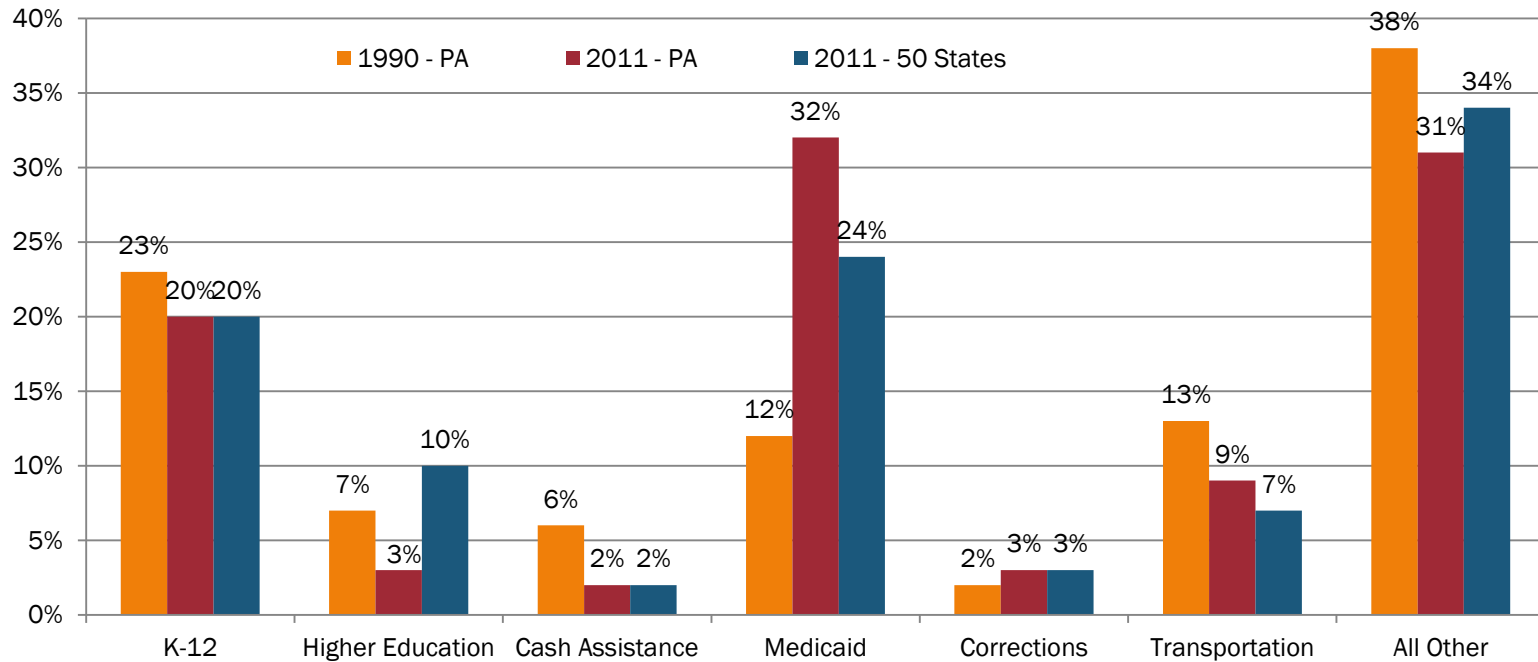
THE CAUSES OF THE RELENTLESS PRIVATIZATION ARE BOTH DEMOGRAPHIC AND ECONOMIC

- In 1950, 57% of the voting households in America had at least one person 18 or younger living there—who could benefit directly from public higher education.
- By 2000, it was 34%; By 2010, it fell further to 30%.
- This means 70% of the households in America today can't benefit directly from public higher education.
- The voters living there don't want their taxes raised to send someone else's son or daughter to college.

PUBLIC POLICY IN A DEMOCRATIC REPUBLIC

- In a representative democratic republic based largely on majority rule, one can find oneself in the majority or the minority on any given issue at any given time.
- 57% of the households who cared about public higher education in 1950 saw it *well funded* because D's and R's funded what a majority of their voters wanted.
- 30% of the households who cared about public higher education in 2010 saw it *defunded* because D's & R's funded concerns of the majority: Crime & Healthcare.

PA 2011 BUDGET VS. AVERAGE OF THE 50 STATES



THANK YOU FOR YOUR KIND ATTENTION

- I now welcome your comments and questions.
- Please share what you learn here today with friends, family, classmates or others who care about one or more of the PASSHE Universities. Be sure to direct them to the PASCU website at <http://www.pascu.net/> for additional information.
- I look forward to hearing from our Majority Stakeholders--the Students, Parents and Alumni.
- And now: PASSHE Students Speak
- Thank you.