

EXHIBIT B

MINUTES

LEGISLATIVE TASK FORCE TO STUDY THE REALIGNMENT OF HIGHER EDUCATION

Wednesday, January 20, 2016

1:30 p.m.

Multi-Agency Complex (MAC), Room B

Little Rock, Arkansas

The Legislative Task Force to Study the Realignment of Higher Education met on Wednesday, January 20, 2016, in the Multi-Agency Complex (MAC), Room B, Little Rock, Arkansas. **Members in Attendance:** Representative Mark Lowery, Co-Chair; Senator Jane English, Co-Chair; Representatives Mark McElroy, Micah Neal, Brent Talley, and Dan Sullivan. Senators Ronald Caldwell and John Cooper.

Other Legislators present: Representatives Rick Beck, John Dotson, Dan Douglas, Sheilla Lampkin, Greg Leding, and Sue Scott.

Representative Lowery called the meeting to order.

Consideration to approve Minutes of November 16, 2015 [EXHIBIT B]

Representative McElroy made the motion to approve the minutes. The motion was seconded by Representative Neal. Without objection, the motion was approved by the Task Force.

State and National Context for Higher Education Governance [EXHIBIT C, HANDOUT 1]

Dr. Brett Powell, Director, Arkansas Department of Higher Education, was recognized. He presented a PowerPoint titled "State and National Context of Higher Education Governance" (see **Exhibit C** for full report) and [**Handout 1**] an outline and summary of the presentation. Dr. Powell addressed governance structures, expense data, revenue data, and consortia arrangements. He stated that context is important and helpful to Arkansas when looking at national trends. Investigating institutional trends is of great importance as well. According Dr. Powell, enabling legislation of the task force and its objectives include:

- examining the potential for efficiencies in Arkansas higher education in light of any identified redundancies,
- determining methods for improving efficiencies through cost-saving mechanisms; and
- improving accountability to the Arkansas General Assembly.

Dr. Powell stated there are a number of functional categories for the way institutions accumulate their costs. They are organized by the functions that are being delivered which include: instructions, student services, academic and institutional support. According to Dr. Powell's study, it can be predicted that institutions that under invest in the aforementioned areas can expect students to underachieve in success, as students will graduate at a lower rate than institutions that invest in those areas at a level that is appropriate for the students. Whereas, institutions that overspend in those areas do not achieve significantly better results. As a percentage in Arkansas, institutions spend 34% of their total operating budgets on instruction. Compared to the national average of 6.8%, Arkansas student services percentage of modified total expenses is 5.7%. Under the academic support expenses category, Arkansas's ranking of 7.7% is in the bottom third percentile of all other states when compared to the national average expense of 9.7%. Lastly, when compared to the national average of 10.5% , Arkansas's institutional support expenses are 13.4%, which is in the top third percentile of all other states.

Dr. Powell explained that the shared services model allows universities to consolidate functions and services on a system level. Some universities that adopted this model include: University of Georgia, University of North Carolina, University of Michigan, University of Oklahoma, and the University of Texas. Referencing the revenue and affordability category, Dr. Powell stated that primarily, institutions get their operating funds from state appropriations and through tuition and fees charged to students. Dr. Powell stated that the more investment a state makes in a student's education the less an institution needs to charge in tuition to cover the costs of educating the student as higher education is more affordable. Affordability impacts students' success in that if students can afford to enroll they have a good chance to be successful. Revenue sources do impact students success, but they have an impact on efficiency and effectiveness. In the last 5 years, Arkansas is one of five states where the increase in state funding has not met inflation. Referencing the governance structures across states category, Dr. Powell stated that during the 1980s, generally there was a pattern of decentralization of governance that

included less state and system oversight. Notably, Maryland, Massachusetts, and Pennsylvania had centralized governance structures but less regulation. Moreover, Kentucky and New York released institutions from regulations during this time period. During the 1990s to early 2000s, there was another trend towards decentralization with less regulation and more accountability that looked at the results at the end of the process rather than regulation at the beginning. During this time period, West Virginia, Illinois, and Colorado moved to separate institution boards, whereas, Arkansas, Minnesota, and Montana are three examples where institutions became more centralized. Since the mid-2000s, there has been a definite accountability focus by states. For instance, Tennessee, Ohio, Indiana, and Oregon are investigating outcomes of institutions. Moreover, Louisiana and Connecticut have become more centralized. According to Dr. Powell, there are multiple ways states' govern the higher education institutions within their state. He reported the four basic structure types include:

- state authority—all authority is given to one entity within the state (i.e. Georgia),
- individual governing boards—every institution has a separate board and there is no state coordination (i.e. Michigan),
- system and campus boards—share governance (i.e. California); and
- multi-campus boards—statewide planning board (i.e. Arkansas).

Referencing the governance and consortia category, institutions have a history of using consortia as a method to reduce costs and/or improve student outcomes. Dr. Powell stated that Florida uses consortia by providing access to flexible degree programs across Central Florida without the commute to the main campus.

Discussion of Future Task Force Agenda Items

Representative Lowery stated that Dr. Bobbitt and Dr. Welch will be presenters at the next task force meeting. The task force explored topics to be considered for future meetings that include:

- discussion regarding whether centralized control or oversight work to eliminate redundancies within institutions and;
- discussion regarding whether institution employees are state or non-state employees

The next task force meetings will be held on **Wednesday, February 24, at 1:30 pm in the Multi-Agency Complex (MAC) Room B**. Representative Lowery announced the task force will not meet in March or April due to budget hearings.

There being no further business, the meeting was adjourned at 2:55 p.m.