

The AGB Survey of
Higher Education
Governance

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& Governance**

TIAA-CREF institute

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	2
INTRODUCTION	4
BOARD RECRUITMENT, SELECTION, AND GENERAL PRACTICES	6
GOVERNANCE POLICIES AND STANDARDS	12
COMMITTEES	16
PRESIDENTIAL ASSESSMENT AND COMPENSATION	21
BOARD ENGAGEMENT AND FIDUCIARY RESPONSIBILITIES	26

Executive Summary

In the current environment for institutional governance, college and university boards must demonstrate appropriate accountability: to the institutions and systems they serve and for the missions of those institutions; for today's students and for those who will attend in the future; for the assets of the institutions, including fiscal, personnel, physical, and reputational assets; and to the public for which they serve as representatives. To demonstrate this accountability, they need to make sure that good policies are in place and that board performance is shaped by best practices, appropriate procedures, and effective structures. They also should be suitably engaged with the key issues of their institutions and of higher education.

In 2008, the Association of Governing Boards of Universities and Colleges (AGB) conducted a survey that targeted a number of best practices and policies for higher education governance. The nearly 700 survey respondents paint a portrait of American higher education governing boards that are mindful of the need for accountability and striving for best practices. While many important policies and practices are in place to guide the work of these boards, the survey responses also show room for improvement.

Despite some basic and well-documented differences between public and private boards—size, number of meetings held each year, process for appointment, and the relative openness of board meetings—AGB's survey found many similarities between the boards in these two higher education sectors. Where there are marked differences, such as in the use of a board conflict of interest policy and some functions related to audit, the differences are generally explained by the relation of the institution to the state.

Governance differences are often sharpest between boards based on the size of their institutions' annual budgets. Often those with the smallest annual budgets reported fewer of the best practices the survey covered.

Key Findings

»» Board Recruitment, Assessment, and Orientation

Over the last five years, approximately 20 percent of board leaders and chief executives have found it harder to recruit the new board members they want. Increased demands on these individuals' time as well as individuals' concerns about liability, accountability, and additional requirements often stood in the way of board service. Boards of institutions with smaller annual budgets face greater difficulty in board recruitment.

Two-thirds of all boards assess their performance. Nearly half of public boards undertake assessment annually, compared with a quarter of private boards. Approximately one-quarter of all boards follow no regular schedule for this self-assessment.

Three-quarters of private boards undertake assessments of individual board members, with two-thirds doing this at the end of a term of service, prior to reappointment. Individual board member assessment is comparatively rare for public institutions; only 12 percent undertake this assessment.

Most public and private boards (94 percent) provide orientation for new members. While the majority (64.7 percent) devote half a day or less to this introduction, 20 percent spend a full day. Primary focus for these orientations is on trustee responsibilities, the mission and history of the institution, and its strategic priorities and challenges. Eighty-five percent of all boards include a review of budget and financial matters, and 69 percent include a discussion of academic programs and quality.

»» Conflict of Interest Statements

Over the last two decades, the board conflict of interest policy has become substantially more common for both public and private boards. Currently, 89 percent of boards have a conflict of interest policy, compared with 46.5 percent in 1986. Three-quarters report that their policies have been reviewed in the last two years.

Among private boards, 94 percent have conflict of interest policies, compared with 80 percent of public boards. This difference is generally attributed to the appointment process for public institution trustees and to the use of statewide conflict policies for state agencies. Overall, approximately two-thirds of boards require that these statements be signed annually. Eighty-four percent of these policies include statements on disclosure, and 65 percent include statements on recusal.

»» Audit Committee

More than half of all public and private boards have audit committees. This represents a significant increase over just four years ago when only one-third of boards had audit committees. Currently, one-third of all boards include the audit functions in finance committees. Among boards of institutions with larger annual budgets, it is much more common to have a separate audit committee and a greater level of board engagement on all audit responsibilities.

»» Presidential Assessment

Annual presidential assessments are conducted by 86 percent of private boards and by 92 percent of public boards. Comprehensive presidential assessments are conducted by 61 percent of private boards and 53 percent of public boards. Comprehensive presidential assessments are more common at institutions with larger annual budgets.

»» Presidential Compensation

Approximately three-quarters of public boards document the process used to establish presidential compensation. Two-thirds of all private boards document the process, but this rate increases with the size of the annual institutional budget. Eighty percent of all boards use compensation data from comparable institutions in setting presidential compensation.

At private institutions, the president's compensation is typically set by either the executive committee (33 percent) or by the full board (33 percent). Institutions with larger annual budgets are more likely to use a compensation committee of the board. For 64 percent of private boards, the full board is told the president's compensation.

At public institutions, the president's compensation is typically set by the full board (82 percent), and 92 percent of public boards are told the president's compensation.

»» Board Engagement

Both public and private boards devote approximately 30 percent of board meetings to discussions of strategic issues. For the 2007 calendar year, the top issues for both were finances, planning, enrollment management, and academic programs.

Public and private boards use internal data (90 percent), accreditation reports (72 percent), and comparative data (50 percent) to fulfill their responsibility to oversee academic quality. Approximately 80 percent of all boards participate in their institution's regional accreditation process at some level.

Three-quarters of all boards are provided with financial literacy training related to higher education finances; the larger the annual budget, the more likely the board is to receive this. Three-quarters of the survey respondents also reported that their boards perform their budgetary and financial oversight responsibilities well, with a strategic focus on financial resources. Among private boards, those at institutions with larger annual budgets report a higher level of performance in financial oversight.

»» IRS Form 990

Not surprisingly, few boards received completed 990s before they were filed—only 8 percent of private boards. With the recent changes in the form, this percentage is expected to change substantially in the next year.

Introduction

In this era of accountability, AGB has focused significant attention on how governing boards meet the ever-increasing pressures associated with their fiduciary responsibilities. Board governance in higher education has attracted the attention of policymakers in the halls of Congress, in state houses, and in the IRS, clearly raising the bar for board members—the citizens who serve colleges and universities as lay volunteers. Board service and the performance of boards now are the targets of much public scrutiny, and as a result, expectations of boards are changing. Of much more significance going forward will be how we recruit, orient, and engage board members, and how they perform their duties.

Citizen control is one of the unique features of American higher education, allowing independent boards to serve as the governing body. These boards are charged with protecting institutional autonomy and academic freedom, and their existence demonstrates one of the profound distinctions and strengths of our system. Instead of ministerial oversight, volunteer boards—with full legal responsibility—oversee the directions and policies of our colleges and universities.

Because the stakes are high, AGB is publishing this report to provide a picture of how higher education governance is working, in terms of its legal obligations, good practice, and accountability. While a number of surveys describe governance in the not-for-profit sector as a whole, this is the first comprehensive and focused look at higher education governance. AGB has a long record of reporting on the demographics of those who serve on higher education's governing bodies and the structures of those boards. We feel it is time to look at how well boards are meeting their responsibilities, what issues are at the top of their agendas, and which policies and good practices guide their work.

This report is the first of a series of periodic examinations of how boards are conducting their work. We hope it will not only provide a portrait of current practice, but also stimulate a continuing process of board self-assessment and improvement.

Acknowledgments

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