

Board of Governors Resolution 2023-02

July 20, 2023

SUBJECT: Resolution 2023-02: *Exercising the Fiduciary Responsibility of the Board of Governors for Efficient, Effective, and Financially Sustainable Universities*

UNIVERSITIES AFFECTED: All

BACKGROUND: Over the past five years, the Board of Governors has worked to establish a policy environment that effectuates its fiduciary responsibilities by promoting efficient, effective, and financially sustainable universities that deliver a high-quality, affordable education to Pennsylvanians. With an eye toward continuous improvement, the following resolution codifies a number of enhancements to existing policies, processes, incentives and supports that contribute to sustainable operations including:

- Developing, reviewing, approving, and reporting on university and System operating and capital budgets (1993- A: *Budgetary Reporting and Review*);
- Routinely measuring universities' financial health, and taking concrete actions that address challenges as identified (2019-01: *University Financial Sustainability Policy*);
- A tuition policy that provides flexibility to universities in setting tuition levels that enable them to optimize revenues in pursuit of budgetary goals and improved student success (1992-02-A: *Tuition*);
- Leadership performance management protocol that is specifically linked to compensation (2002-03-A: *Evaluating Presidents*; 2013-02: *Evaluating the Chancellor*);
- Provide a concrete set of actions that are available to the Board through the office of the chancellor that will be used to support universities experiencing continuing challenges (2019-01: *University Financial Sustainability Policy*).

The System will continue to define, provide training in, and require adoption of System operating standards in selected areas (e.g., enrollment management, budget planning and reporting, academic program management) that are critical to a university's financial health. In addition, the audit policy will be revamped to reflect an updated internal audit function that supports third-party review of key system risks including risks arising from operational and financial challenges experienced at any university (1991-06-A: *State System Audit Policy*).

RESOLUTION 2023-02

Exercising the Fiduciary Responsibility of the Board of Governors for Efficient, Effective, and Financially Sustainable Universities

WHEREAS the Board of Governors has a fiduciary responsibility to ensure the short- and long-term health of the State System, the preservation of the System's resources for future generations, and the System's continued ability to achieve its purpose – providing high quality education at the lowest possible cost to students (24 P.S. §2003-A).

WHEREAS Act 188 of 1982 grants the following authorities to the Board—which directs the Chancellor to operationalize—as set forth in PS 24 §2005-A and 24 P.S. §2006-A(a):

(4) To establish broad fiscal, personnel and educational policies under which System universities shall operate,

(7) To coordinate, review, amend and approve the annual capital budget requirements of the system, the annual operating budgets of the individual institutions and the operating budget of the chancellor

(19) To make, issue and enforce board policies, procedures and standards for the management and conduct of the instructional, administrative and financial affairs of the system.

WHEREAS the Board of Governors has already implemented policies related to these authorities—providing a framework to ensure the efficient, effective, and financially sustainable operations of the System and its universities.

WHEREAS State System universities face continuing financial pressure from a variety of sources including but not limited to changes in student and employer demand, demographic shifts, economic cycles, changes in the levels of federal and state funding, technological changes, changes in the labor market including compensation costs, and competition from other higher education providers.

THEREFOR BE IT RESOLVED: To support universities in navigating these challenges and to promote efficient, effective, and financially sustainable universities that deliver a high-quality, affordable education to Pennsylvanians, the Board directs that:

1. All universities shall develop, implement, and adhere to budgets according to guidelines specified by the Chancellor in consultation with the Executive Leadership Group (ELG); such budgets shall:
 - a. be explicitly tied to measurable goals that reflect Board priorities;
 - b. include realistic enrollment projections with respect of revenues and expenditures as well as key cost drivers (personnel costs, debt service, etc.);
 - c. be balanced annually without routine use of reserves;
 - d. align expenditures on academic programs, athletics, student supports and services, including those on related personnel, contracts, etc. so they are aligned with enrollments, adjusting those expenditures as necessary to take account of enrollment trends;
 - e. contribute routinely to reserves to achieve and maintain minimum threshold levels as established by the chancellor
 - f. be reviewed and approved annually by the Board

2. All universities shall be accountable to one another (through the ELG) as well as to the Board for sustainable operations—understanding that the financial condition of any one university has a net impact on the long-term well-being of all.
3. All universities shall implement State System standard practices as set forth in procedures and standards and those required by the Chancellor in consultation with the ELG.
4. The Chancellor, in consultation with the ELG and Board of Governors as appropriate, shall
 - a. maintain, promulgate, and enforce policies and any associated procedures, standards, and guidelines as required to implement this resolution;
 - b. support universities experiencing continuing challenges with a variety of tools that include but are not limited to:
 - i. providing guidance on the management and performance of key operational functions;
 - ii. requiring review and/or audit of operational functions; and
 - iii. requiring a loaned executive for oversight in selected operational functions with a dual reporting relationship to the university and the chancellor.

THEREFORE BE IT FURTHER RESOLVED THAT: In support of this resolution, the Board approves this resolution and the policy modifications shown in the attached materials.

MOTION: That the Board of Governors approves Resolution 2023-02 and the associated policy modifications shown in the attached materials, with appropriate reporting to the Board.

Supporting Documents Included: Policies with mark-up

Other Supporting Documents Available: N/A

Reviewed by: Executive Leadership Group; Chancellor; Board of Governors

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Effective: July 15, 1993

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Policy 1993-03-A: *Budgetary Reporting and Review*

See Also:
Resolution 2023-02

Adopted: July 15, 1993
Amended: July 12, 2018; July 20, 2023

A. Statute

In the area of budgetary reporting and review, Act 188 of 1982 states that the Board of Governors shall “coordinate, review, amend, and approve ... the annual operating budgets of the individual institutions, and the operating budget of the chancellor and the Board.” (§ 20-2006-A(7)).

B. Purpose

As part of the Board of Governors fiduciary responsibilities, including but not limited to the short- and long-term financial health of the State System and the achievement of preserving the State System and its resources for future generations, the purpose of this policy is to ensure universities operate in a financially sustainable manner, achieving budgetary goals as will from time to time be set by the Chancellor. It is also pursuant to resolution 2023-20 exercising the fiduciary responsibilities of the Board of Governors (Board) for efficient, effective, and financially sustainable universities. In these regards, the policy conforms the practice of the Board with the intent of Act 188. Specifically, the policy provides for a yearly review and approval mechanism for the operating budgets of each university and the budget of the Office of the Chancellor and Board of Governors. This review will be an integral part of the Board’s review and adoption of the State System’s appropriation request for the ensuing fiscal year.

C. Procedure

1. Each university and the Office of the Chancellor shall submit operating budgets (Educational and General budgets and Auxiliary budgets) and such supporting information as may be specified by the chancellor to the Division of Administration and Finance, Office of the Chancellor. The frequency of submission, timing, format, budgetary requirements inclusive of maintaining or achieving minimum primary reserves, and mode of reporting will be established by the chancellor and contained within the Comprehensive Planning Process and defined by associated instructions issued by the chancellor’s office.
2. Budgetary submissions shall include, at minimum, revenue, expenditure, and supporting data for the prior fiscal year, current fiscal year, and the request fiscal year.

3. The submission, to be forwarded to the chancellor's office, shall be shared in summary form with the Board.
4. The Board shall review and formally approve the annual operating budget submission of each university. The chancellor shall notify each president of the Board's action, including any amendments that are required to be implemented.
5. The approved budgetary submissions, including any amendments adopted by the Board, shall form the basis for the State System's appropriation request, which is submitted to the Executive Branch and General Assembly in accordance with the provisions of Act 188 and Article VI of the Administrative Code of 1929.

POLICY 2019-01: University Financial Sustainability Policy

See Also:
Resolution 2023-02

Adopted: October 16, 2019
July 20, 2023

I. Purpose

The Board of Governors (Board) has established annual reporting mechanisms that allow all stakeholders to have greater awareness of each university's academic, financial, and operational conditions. These tools (e.g., financial risk assessment, university financial statements) provide data for each university at the local and System levels.

As reflected in the everchanging national landscape of higher education, universities may face financial pressure from shifting and declining student populations, stagnant or declining appropriations, unfunded mandates, economic downturns, employee compensation costs, and other challenging events. Additionally, as new opportunities or innovations occur in this environment, universities may seek seed funding to spur growth.

Pursuant to the Board's and thus the chancellor's responsibility, as set forth in 24 P.S. §2005-A and 24 P.S. §2006-A(a)(4) to establish broad fiscal policies under which System universities shall operate, this policy provides a proactive framework by which university and System leaders can collaborate to enhance an institution's financial success. It is also pursuant to a Resolution 2023-02, exercising the fiduciary responsibilities of the Board for efficient, effective, and financially sustainable universities.

II. Definitions

- A. Liquidity Loan—Loans, temporary cash for operations for universities that have declining cash balances and are to be repaid according to loan agreements, which include loans from within university accounts (intra-university) and loans from within the System.
- B. Investment Initiative—Start-up funding for strategic or innovative investments to enhance a university's success which must comply with established reinvestment agreements.
- C. Executive Leadership Group (ELG)—The State System Executive Leadership Group (ELG) comprised of university presidents and the chancellor of the State System for the purpose of effective leadership and management oversight of the State System strategies and initiatives for the advancement of System students and the Commonwealth.

III. Guiding Principles

- A. University financial goals must be realistic, mission-driven, explicit, and transparent.
- B. In a healthy system, a university's resource base should be stable and secure enough to perform its mission in a sustainable and predictable shared environment.
- C. The university should have sufficient organizational capacity and autonomy for the president to oversee the successful operation of the university and fulfill his/her responsibilities to the Board as prescribed in Act 188 of 1982.
- D. Each university also has a net impact on the long-term wellbeing of the System; as such, decisions of the university must align to the mission of the university and the System.
- E. Loans and/or investments to a university must not jeopardize the overall financial health and stability of the System or place undue burden on any other individual university.

IV. Processes for Enhancing University Financial Sustainability

- A. For each university, a collaborative review process inclusive of the chief academic officers, chief financial officers, presidents, and Council of Trustees will occur on a periodic basis. (Refer to administrative procedures and standards.)
- B. In consultation with the Executive Leadership Group, the chancellor/designee shall receive the review of the specific conditions and financial indicators based on the administrative procedures and standards in order to determine the financial status of each university. This review may lead to ameliorative actions.
- C. In consultation with the Executive Leadership Group, the chancellor/designee shall review requests for investment initiatives and render a decision.
- D. In consultation with the Executive Leadership Group, the chancellor/designee shall review requests for liquidity loans as part of the financial sustainability plan (refer to administrative procedures and standards). The financial sustainability plan shall be developed through a collaborative process.
 - i. For intra-university loans, the financial sustainability plan will be presented to the university and the Council of Trustees for consideration and acceptance.
 - ii. For loans from within the System for universities at risk of insolvency, the Board may authorize and approve any loan recommendation coming forward from the Executive Leadership Group and the chancellor/designee.

V. Criteria for Determining University Financial Status

- A. Universities will be considered across a spectrum of indicators as described in the administrative procedures and standards, where performance is evaluated against minimum thresholds established within the associated procedure/standard. Those indicators and any associated minimum thresholds will include but not be limited to:
 - 1. Enrollment trends.
 - 2. Revenue.
 - 3. Operating margin.
 - 4. Assets/liabilities.
 - 5. University reserves.
 - 6. Projected cash balances.
 - 7. Additional Board-affirmed metrics.

- B. Based on the review of the university-specific conditions and financial indicators as described in the administrative procedures and standards, universities will be placed across a spectrum which will require varying levels of financial sustainability plans.
- C. Ameliorative actions may be required depending on the university's status at the time of evaluation. Actions will be enumerated within the administrative procedures and standards.
- D. If, as part of the foregoing actions, financial or operational circumstances dictate the need for immediate action, the chancellor/designee, in consultation with the Executive Leadership Group, and as directed by the Board of Governors, may require additional external assistance and actions, and/or may temporarily or indefinitely suspend or with guidance from the ELG, take over responsibility for some or all operations of a university. Actions will be enumerated within the administrative procedures and standards.

VI. Policy Implementation

- A. The chancellor, in consultation with the Executive Leadership Group and Board of Governors as appropriate, shall promulgate procedures, standards, related policies and guidelines as necessary to ensure proper implementation of this policy.
- B. Any changes to procedures, standards, and guidelines shall be promulgated through the chancellor, after consultation with the Executive Leadership Group and Board of Governors.
- C. Effective Date - Immediately.



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POLICY 1999-02-A: TUITION

See Also:
Resolution 2023-02

Adopted: April 8, 1999
Amended: October 10, 2002, July 14, 2005,
October 11, 2007, July 17, 2008,
January 20, 2011, January 26, 2017,
April 4, 2019, and July 20, 2023

A. Purpose

The Board of Governors (Board) has statutory authority to set tuition for Pennsylvania's State System of Higher Education (State System). This policy articulates the basic philosophy, objectives, and guidelines of the State System's tuition structure, providing a common understanding of the basis for establishing tuition for the State System.

This policy, which is also pursuant to Resolution 2023-02 exercising the fiduciary responsibilities of the Board of Governors (Board) for efficient, effective, and financially sustainable universities, is intended to:

- Provide students access to high-value, relevant educational experiences that prepare them for pathways to successful lives and careers.
- Allow State System universities to plan, budget, and allocate resources over multiple years, ensuring their long-term stability and success.
- Keep tuition predictable, enabling students to plan for their educational expenses.
- Provide access to State System universities for a range of qualified students from all socioeconomic backgrounds.
- Recognize and support individual university missions, scope, and program array.

B. Philosophy and Objectives

The State System is responsible for and committed to ensuring that qualified Pennsylvania residents have access to State System universities and quality education at affordable prices. Because the students benefit from the education they receive, they have a responsibility to pay a reasonable share of the costs through tuition. Because Pennsylvania benefits from having an educated citizenry, the state also has a responsibility to bear a substantial portion of the costs through taxpayer support. The State System also has a responsibility to maximize the efficiency of its operations to minimize the cost to taxpayers and students.

Affordability has a different meaning for each individual based on their available financial resources and ability to pay. Student-centered tuition policies must include affordability strategies that focus on the student's ability to pay and net price to the student, with a result of aligning enrollment, aid to students, and net revenue. University-based pricing strategies recognize regional economic differences in costs, household income, cost of living, and average buying power within the region. Such

approaches allow each university the flexibility to become unique in its marketplace, ensuring an appropriate array of high-value academic programs, while reducing competition among State System universities.

Affordability strategies allow universities to maximize their specific strengths and regional opportunities to better serve the citizenry of the Commonwealth.

C. Definitions

- **Basic Tuition Rate**—A tuition rate approved by the Board that is charged to students at universities that do not have a separately approved pricing strategy.
- **Graduate Student**—A student who holds at least a bachelor's or first professional degree and is enrolled at the graduate level, including nondegree students in graduate courses who may or may not be admitted to a graduate degree or certificate program.
- **In-State Student**—A student who is legally domiciled in Pennsylvania, as defined in Board of Governors Policy 1985-03, *Student Domicile Regulations*.
- **Institutional Aid**—University-funded financial assistance to a student for the purpose of undertaking for-credit course work, not to exceed the full cost of attendance less other grant awards. Sources include university restricted and unrestricted gifts, revenue from university endowments, and the university's general (or foregone) revenues; but exclude federal or state grant aid, private scholarships, affiliate scholarships, institutional matches for externally funded student aid grants, loans, tuition waivers as articulated in Board of Governors Policy 1983-18-A: *Waiver of Tuition and/or Fees*, tuition benefits for university employees or their spouses/dependents, or tuition exchange programs.
- **Net Price**—From the perspective of the student, the price the student must pay to the university. Net price is calculated as the student's tuition, fees, room and board, less institutional aid and all other grants, scholarships, and waivers received by the student.
- **Net Revenue**—Gross tuition and fee revenue less total institutional aid.
- **Out-of-State Student**—A student who is not legally domiciled in Pennsylvania, as defined in Board of Governors Policy 1985-03, *Student Domicile Regulations*.
- **Technology Tuition Fee**—A separate tuition fee established by the Board for rendering technology resources and services to enhance student learning experiences.
- **Tuition**—The basic fee established by the Board for rendering educational services, as enumerated in Act 188 of 1982. The technology tuition fee is a form of tuition.
- **Undergraduate Student**—A student in a bachelor's degree program, an associate's degree program, a vocational, technical, or certificate program below the baccalaureate level; or a nondegree-seeking student matriculated in a lower or upper division course.

D. Guidelines

To aid in recruiting and providing students and families with meaningful information on the cost of attending a State System university before the student needs to commit, both the Board, for tuition, and councils of trustees, for fees, shall approve rates as early as possible. Tuition rates will be set annually for the upcoming two academic years. The second year, based on the most current three-year average increase in the State System's basic tuition rate, will be set as tentative.. This does not preclude the Board from adjusting rates at a later date due to unforeseen circumstances.

1. In-State Tuition

a. Undergraduate

- 1) The president, in consultation with the council of trustees, and upon concurrence of the chancellor, may recommend multiyear university tuition strategies for approval by the Board.
 - i. A president's recommendations must include tuition rate(s), rate structure(s), and net price strategies proposed for their university. University tuition strategies may incorporate the wide variety of practices used across the nation in public higher education, but all must include net price strategies to minimize financial barriers to student access and success and net revenue strategies to serve the needs and best interests of the university and the System. The president must develop university procedures for establishing, maintaining, administering, and assessing the university's strategic pricing programs.
 - ii. The chancellor, in consultation with the presidents, will establish the expectations and framework for sharing information in support of university strategic pricing proposals. The framework must include a description of the proposed multiyear pricing strategy, supported by proven strategies founded in research; an analysis of the cost, benefit, and risk to the university based on a range of possible outcomes; and demonstration of adequate administrative capacity, as well as administrative and financial capability.
 - iii. The president will provide to the chancellor periodically an assessment of any in-state tuition strategies that have been approved by the Board. The assessment must address, at a minimum, enrollment, total and net revenue, student access, student affordability, and student success.
- 2) The Board shall approve a basic tuition rate for those universities that do not have an approved pricing strategy. Undergraduate students enrolled in 12–18 credits in a fall or spring semester will be charged a full-time tuition rate, unless otherwise approved by the Board [see section D.1.a.1)]. The full-time rate is equal to the per-credit rate for 12 credits per semester.

Undergraduate students enrolled in a fall or spring semester for more than 18 credits will be charged a full-time tuition rate for the first 18 credits and the appropriate per-credit rate for all remaining credits.

- 3) The president may adjust tuition rate(s) to allow the university to establish partnerships with other institutions in collaborative/consortial arrangements. The chancellor, in consultation with the presidents, may adjust tuition rate(s) to allow the State System to establish partnerships with other institutions or entities in collaborative/consortial arrangements.
- b. Graduate
- 1) The Board will establish annually basic graduate in-state tuition rate(s) on a per-credit basis that recognizes the higher cost of providing graduate education.
 - 2) The president may set alternate graduate tuition rate(s), based upon such factors as the cost of instruction, the level of service provided to the student, market demand, and the level of tuition necessary for the university to offer programs.

2. Out-of-State Tuition

Students from other states and countries who enroll at State System universities add a richness of experience and diversity that benefits all students and their universities. However, those students must pay an additional amount of tuition, which offsets the Commonwealth's contribution intended to subsidize the education of Pennsylvanians. The president will establish annually out-of-state tuition rate(s) in accordance with the statutory requirement for a price differential between in-state and out-of-state tuition.

3. Technology Tuition Fee

- a. The Board will establish annually the technology tuition fee in a manner that is proportional to enrollment and domicile status (in-state/out-of-state).
- b. Technology tuition fee revenues shall be expended on instructional technology. These revenues shall be used for the direct benefit of students to help them achieve the learning objectives of their academic programs.

4. Implementation

The chancellor shall promulgate procedures and standards as necessary to ensure proper implementation of this policy.



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Effective: April 11, 2002

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Policy 2002-03-A: *Evaluating Presidents*

See Also: 24 P.S. §§ 20-2001A, *et seq.*;
Board of Governors' Policy 2002-02;
Resolution 2023-02

Adopted: April 11, 2002
Amended: April 8, 2010, January 22, 2015;
July 20, 2023

A. Purpose

In order to promote a systematic analysis for improvement at each University and to meet performance expectations and requirements of the Pennsylvania's State System of Higher Education (PASSHE), an evaluation system for the assessment of a President's performance and development is established.

The purpose of evaluating a President is to assess leadership and administrative performance in the context of the University's and the System's mission, vision, and strategic goals. The role of any University President is complex and diverse. Accordingly, the performance evaluation process must reflect this role and scope of a President's leadership and administrative duties and expectations while fostering and encouraging professional growth and development not only for the President but for the University as well.

1. Evaluation of performance promotes accountability

The evaluation ensures accountability for a President's decisions. While administrative decisions are, in part, governed by Act 188 and Board of Governors' policies, other factors that drive these decisions also include legal limitations, ethical obligations, and economic realities. The actions of the President are integral to the success of the University and the persons affected by the University -- students, faculty, staff, the community, trustees, alumni, and supporters.

2. Evaluation provides an objective context for assessing performance

The role of the President is part of a much larger University framework; actions taken by Presidents have important and long-term impact on how a University operates and affects University constituencies.

3. Evaluation promotes and strengthens effective leadership

Leadership should be based on demonstrated results. Evaluation increases understanding and appreciation for the President's tasks and accountability for the outcomes.

4. Evaluation provides systematic evidence of effectiveness

Evaluation provides an orderly and structured process for gathering objective evidence about performance. The evaluation should be based on well-defined criteria that include process and outcome data. Systematic methodology clearly specifies who will evaluate the President, when the evaluation should be conducted, and in what manner. In addition, the evaluation framework specifies how evaluation results will be disseminated and used.

5. Evaluation provides a means for determining University goal achievement

Development of the University requires effective leaders who help establish and advance the University's goals. By focusing at least in part on performance outcomes, the evaluation process requires that institutional goals be periodically reviewed and progress towards those goals be detailed.

6. Evaluation provides a means for leadership development

Development of the President is a key outcome of the evaluation process. The growth and development of the President has benefits for the individual and the University. The development plan should be based on opportunities derived from the evaluation process.

B. Evaluation Process

Upon the selection of the President and as part of the President's orientation, the Chancellor will explain the performance evaluation process. The Chancellor will provide a summary of the process including, but not limited to, its purpose, participant roles and responsibilities, schedule, substance and procedures. The following is an explanation of the two types of performance evaluation and professional development plans that are to be conducted under this policy.

1. **Annual Evaluation** – The goal of the annual evaluation is to ensure that continuing and substantial progress towards the achievement of goals and objectives described below is made each year. This evaluation is conducted by the University Council of Trustees led by an evaluation committee of at least three members appointed by the Chair of the Council of Trustees whose chair shall be named by the Chair of the Council of Trustees. The committee will work in collaboration with the Office of the Chancellor to complete the following tasks:

- a. an assessment of the President's performance of the defined duties and responsibilities.
- b. an assessment of the achievement of, or progress toward achieving, the goals and objectives that were agreed upon by the Chancellor, the Chair of the Council of Trustees, and the President at the beginning of the evaluation period consistent with university and System strategic directions, plans and goals.
- c. a review of university performance results provided by the Chancellor.

Constituency interviews will not be a part of the annual evaluation; however, it is expected that the trustees' ongoing engagement of university constituencies in matters of importance to the university will inform the evaluation process. The results of this evaluation are to be submitted to the Board of Governors

Governance and Leadership Committee, along with the Chancellor's assessment, for review by the committee and consideration and action by the Board. At the conclusion of the evaluation process, the President shall receive the annual

evaluation in writing from the Chancellor and Chair of the University's Council of Trustees. The Chair of the Council of Trustees will disseminate the outcome of the evaluation process to university constituents including students, faculty and staff after sharing such information with the president.

2. **Comprehensive Evaluation** – The goal of the ~~triennial~~ comprehensive evaluation is to ensure that continuing and substantial progress towards the achievement of goals and objectives described below is made each year along with systematic input from constituencies. This comprehensive evaluation is conducted ~~every third year~~ by the University Council of Trustees led by an evaluation committee of at least three members appointed by the Chair of the Council of Trustees, whose chair shall be named by the Chair of the Council of Trustees. The comprehensive evaluation shall be completed no less than 12 months prior to the end of the president's employment agreement. The Chancellor, in consultation with the President and the Chair of the Council of Trustees, will identify a consultant with expertise in presidential and university leadership to assist the committee. The committee will work in collaboration with the Office of the Chancellor to complete the following tasks:
 - a. an assessment of the President's performance of his or her defined duties and responsibilities. This will include formal, systematic input from University constituencies.
 - b. an assessment of the achievement of, or progress toward achieving, the goals and objectives that were agreed upon by the Chancellor, the Chair of the Council of Trustees, and the President at the beginning of the evaluation period consistent with University and System strategic directions, plans and goals.
 - c. a review of University performance results provided by the Chancellor.
3. The results of the evaluation are to be submitted to the Board of Governors' Governance and Leadership Committee, along with the Chancellor's assessment, for review by the Committee and consideration and action by the Board. The Chair of the Council of Trustees will disseminate the outcome of the evaluation process to University constituents including students, faculty and staff after sharing such information with the President.

C. **Roles and Responsibilities**

President – The President shall prepare a written self-evaluation of performance for the evaluation period. This self-evaluation shall report on the achievement of, or progress toward achieving, the goals and objectives that were agreed upon by the Chancellor, the Chair of the Council of Trustees, and the President at the beginning of the evaluation period consistent with University and System strategic directions, plans and goals.

Consultant – The Chancellor will identify and fund the cost of consultants experienced in presidential and university leadership to assist in the comprehensive evaluation process. The consultant's role is to work with the evaluation committee in preparing an objective and thorough process based on this policy and to bring an objective, external perspective on the President's leadership in enabling the University to achieve its strategic directions, plans and goals. In addition to supporting the performance evaluation process, the consultant may be asked to provide professional development and mentoring support to a President and/or Council of Trustees.

The University Council of Trustees Evaluation Committee - The Chair of the Council of Trustees will appoint a committee each year of at least three members for the purpose of administering the Council of Trustees evaluation procedures described in this policy and Act 188 of 1982.

Chancellor's Liaison - A Chancellor's Liaison will be appointed by the Chancellor to work with the evaluation committee. The Liaison will assist the committee in the performance review process

D. Performance Goals and Indicators

At the beginning of each evaluation year, the President will outline individual and University performance goals with specific performance indicators reflective of the University and the System's Strategic directions, plans and goals in consultation with the Chancellor and the University's Council of Trustees. This information will subsequently serve as a key element of the performance evaluation of the President. During the year, the President is responsible for informing the Chancellor and the University's Council of Trustees of his or her progress, any major changes as well as any operational or other issues that may impact the President's ability to achieve the agreed upon goals and objectives. Prior to the end of the performance evaluation period, the President is to complete a self-evaluation of his or her performance detailing individual, leadership team and university accomplishments and current University performance data. Performance against goals shall be considered in setting presidential compensation, for which the process shall be set forth in Procedure & Standard 2018-36: *Executive Compensation and Retention of Presidents*.

E. Evaluation Committee Report

Each evaluation committee will prepare a report incorporating the assessments of the President's performance, performance results provided by the Chancellor and any additional evaluation materials that may be available for the committee's review.

F. Evaluation Report Prepared for Board Review

A complete evaluation report will include:

1. Annual university performance results;
2. Chancellor's assessment of the President's performance;
3. Council of Trustees' evaluation committee report of the President's performance;
and
4. President's self-evaluation.

The Board of Governors will review the completed evaluations of presidents in making its decisions regarding the extension of president employment agreements and determining compensation.

G. Professional Development Plan

A key focus of the performance evaluation process is the continuing professional and leadership development of each President. In order to achieve this goal, the Chancellor and each Council of Trustees Chair will develop a professional development plan with the President.

H. Chancellor and Council of Trustees Evaluation Review

Based on a schedule and timeline provided by the Chancellor, each President will meet with the Chancellor, the Chair of the Council of Trustees and the chair of the evaluation committee to plan for the upcoming performance year and review the results of the current year performance evaluation. The chair of the evaluation committee will communicate the results of the review to trustees and subsequently to constituencies through an executive summary posted on the University website after sharing such information with the president.

I. Effective Date: This policy will set forth the President's evaluation process effective immediately.



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Effective: January 24, 2013

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Policy 2013-02: *Evaluating the Chancellor*

See Also: 24 P.S. §§ 20-2001A, et seq.;
Board of Governors' Policy 2002-02
Resolution 2023-02

Adopted: January 24, 2013
Amended: July 20, 2023

A. Purpose

In order to promote a systematic analysis for improvement of the Pennsylvania State System of Higher Education (PASSHE) and to meet performance expectations and requirements of the Board of Governors (hereinafter Board), an evaluation system for the assessment of a Chancellor's leadership, performance and development is established.

The purpose of evaluating the Chancellor is to assess the quality and substance of administrative performance in the context of the PASSHE mission, vision and strategic goals. The role of the Chancellor is complex and diverse. Accordingly, the performance evaluation process must reflect this role and scope of a Chancellor's administrative duties and the Board's expectations while fostering and encouraging professional growth and development in professional competence and leadership, not only for the Chancellor, but also for the System as well.

1. *Annual evaluation of performance promotes accountability*

The annual evaluation establishes accountability for a Chancellor's decisions. While administrative decisions are, in part, governed by Act 188, PASSHE and Board policies, other factors that drive these decisions include legal limitations, ethical obligations and economic realities. The actions of the Chancellor are integral to the success of PASSHE and the persons affected by PASSHE – students, faculty, staff, the community, trustees, alumni and supporters.

2. *Annual evaluation provides an objective context for assessing performance*

The various roles of the Chancellor are part of a much larger framework, thus they are embedded within PASSHE. Actions taken by the Chancellor have important and long-term impact as to how the System operates and affects constituencies.

3. *Annual evaluation promotes and strengthens effective leadership*

Leadership should be based on demonstrated results. Annual evaluation, when conducted, increases understanding and appreciation for the Chancellor's tasks and accountability for the outcomes.

4. Annual evaluation provides systematic evidence of effectiveness

Annual evaluation provides an orderly and structured process for gathering objective evidence about performance. The evaluation should be based on well-defined criteria that include process and outcome data. Systematic methodology clearly specifies who will evaluate the Chancellor, when the evaluation should be conducted and in what manner. In addition, the evaluation framework specifies how evaluation results will be disseminated and used.

5. Annual evaluation provides a means for determining PASSHE goal achievement

Development of PASSHE requires effective leaders who embrace and promote its vision, mission and goals. By focusing at least in part on performance outcomes, the evaluation process requires that System goals be periodically reviewed and progress toward those goals be detailed.

6. Annual Evaluation provides a means for leadership development

Development of the Chancellor is a key outcome of the evaluation process. The growth and development of the Chancellor have benefits for the individual and PASSHE. The development plan should be based on opportunities derived from the evaluation process.

B. Evaluation Process

Upon the selection of the Chancellor and as part of the Chancellor's orientation, the Board's Executive Committee, led by the Chairperson, will explain the performance evaluation process. The Chairperson or designee will provide a summary of the process including, but not limited to, its purpose, participant roles and responsibilities, schedule, substance and procedures. The following is an explanation of the two types of performance evaluation and professional development plans that are to be conducted under this policy.

- 1. Annual Evaluation** - This evaluation is conducted every year by the Board's Chancellor Evaluation Committee consisting of at least three members of the Board, including the Chair of the Governance and Leadership Committee, appointed annually by the Chairperson of the Board. The Chancellor Evaluation Committee will be supported by the staff of the Office of the Chancellor. The results of this evaluation are to be submitted to the Executive Committee, along with the Chancellor's self-assessment, for consideration and action by the Board. At the conclusion of the evaluation process, the Chancellor shall receive the annual evaluation in writing from the Chairperson of the Board. The Chairperson will have the responsibility of disseminating the outcome of the evaluation process to constituents.
- 2. Triennial Comprehensive Evaluation** - This process differs from the Annual Evaluation in that it is completed no less than 12 months prior to the end of the chancellor's employment agreement and is supported by an external consultant from a list of approved experts maintained by the Office of the Chancellor. The Board's Chancellor Evaluation Committee chair selects the consultant from this approved list to work in collaboration with the committee in conducting the Chancellor evaluation.

C. Roles and Responsibilities

Board Chairperson – The Chairperson of the Board is responsible for appointing the Chancellor's Evaluation Committee, assuring the policy of the Board and all legal requirements are followed and the results are communicated to the Chancellor and appropriate constituents.

Chancellor – The Chancellor shall prepare a written self-evaluation of performance for the evaluation period. This self-evaluation shall report on achievement of, or progress toward achieving, the mission, goals and strategies that were agreed upon by the Chancellor, the Chairperson of the Board and the Executive Committee at the beginning of the evaluation period.

Chancellor Evaluation Committee – The Chancellor Evaluation Committee, consisting of at least three members of the Board appointed annually by the Chairperson of the Board shall, be responsible for conducting the annual evaluation of the Chancellor and the triennial evaluation of the Chancellor in conjunction with a consultant.

Consultant – The Board's Chancellor Evaluation Committee chair will identify an experienced consultant to assist in the comprehensive evaluation process. The consultant's role is to work with the Chairperson of the Board and the Chancellor Evaluation Committee in preparing an objective and thorough process based on this policy. In addition to supporting the performance evaluation process, the consultant may be asked to provide professional development and mentoring support to the Chancellor and/or Board.

Office of the Chancellor's Liaison - A Chancellor's Liaison will be appointed by the Board Chairperson to work with the Evaluation Committee. The Liaison will assist the committee in the performance review process, including the identification of constituents to engage in the process and participation as appropriate in the activities of the Committee.

D. Performance Goals and Indicators

At the beginning of each annual and evaluation period, the Board Chairperson will outline individual and System performance goals with specific performance indicators reflective of PASSHE's long-term strategic plan and goals. This will occur in consultation with the Board Chairperson and Executive Committee. This information will subsequently serve as a key element of the performance evaluation of the Chancellor. During the evaluation period, the Chancellor is responsible for informing the Board Chairperson and the Executive Committee of his or her progress, any major changes as well as any operational or other issues that may impact the Chancellor's ability to achieve the agreed upon goals. Prior to the end of the performance evaluation period, the Chancellor will complete a self-evaluation of his or her performance detailing individual, leadership team, and PASSHE accomplishments and current PASSHE performance data. Performance against goals shall be considered by the Executive Committee of the Board in setting compensation.

E. Board of Governors' Evaluation Committee Report

The Chancellor Evaluation Committee will provide a summary report using performance data from the system research office, the results of the PASSHE evaluation process, verbatim compilation of constituent feedback (for comprehensive evaluations), and any additional evaluation data that may be available for the committee's review. This written report will be submitted to the Board in accordance with a schedule approved by the Board Chairperson.

F. Evaluation Summary Prepared for Board of Governors Review

A complete evaluation summary will include:

- Annual PASSHE performance outcomes (system accountability reports);
- Board's assessment of the Chancellor's performance;
- The Chancellor Evaluation Committee's compilation of constituent feedback (for comprehensive evaluations) and evaluation of the Chancellor's performance; and the Chancellor's self-assessment.

The Board Executive Committee will review the completed evaluation of the Chancellor in making its decisions regarding the extension of the Chancellor's contract and determining compensation.

G. Professional Development Plan

A key focus of the performance evaluation process is the continuing professional and leadership development of each Chancellor. In order to achieve this goal, the Board Chairperson, Committee Chair and mentor (as appropriate) will create a confidential professional development plan with the Chancellor.

H. Chancellor Evaluation Review

Based on a timeline provided by the Board Chairperson, the Executive Committee will meet with the Chancellor to plan for the upcoming performance year and review the results of the current year's performance evaluation.

I. Effective Date

This Policy is effective immediately.