In July 2006, Chair of the Board of Trustees Cynthia A. Baldwin announced the establishment of a Task Force on Trustee Selection. The purpose of the Task Force is to review the policies, practices, and processes, for the election or selection of trustees, and to identify steps or suggestions that we can implement or incorporate to ensure that we are, in fact, using the best practices possible to identify and attract qualified members to face the current challenges as well as those in the future.

Chair Baldwin met with the members of the Task Force on Saturday, September 16 to deliver the charge to the group. Members of the Task Force are: J. Lloyd Huck (chair), Joe Conti, Samuel E. Hayes, Jr., Edward R. Hintz, Jr., and David R. Jones. Other participants included Paula R. Ammerman, Cynthia A. Baldwin, James S. Broadhurst, Wendell V. Courtney, and Stephen J. MacCarthy.

History

Penn State's Board of Trustees has been recognized as a national model. The University's governance structure is one that has served the University well and has assisted in the preservation and furtherance of Penn State's legacy. Penn State's Board of Trustees has a unique composition—certainly for a public institution—and its composition is distinctly different from a private institution. The number of Trustees has remained unchanged since 1951; however, the method of election of those trustees representing business and industry endeavors changed in 2002.

Penn State's legacy is 152 years in the making. The Board of Trustees is charged with the duty to exercise its fiduciary responsibilities in protecting that legacy to ensure the future of this institution and fulfillment of our land-grant mission. It is essential that we have the best model or system in place to continue to ensure a strong governance system for the University. Additionally, there should be diversity reflected in the Board membership, including geographic, occupational, gender, race, and ethnicity to appropriately reflect our institution's reputation and reach. All available steps should be utilized to ensure that the Board is cultivating relationships that will allow us to identify and attract potential trustees. Mechanisms must be in place to attract those individuals who are concerned and knowledgeable regarding the issues in higher education at the state and national level, and maintain a University-wide perspective rather than a single special-interest focus. It is necessary for all members of the Board to have a keen understanding of their fiduciary responsibilities and their role in policy setting and providing support to the President.

It is recognized that, more recently, greater emphasis has been placed on the responsibility and accountability of boards, both for-profit and non-profit. Additionally, it is recognized that some members may join our Board without any prior knowledge of Penn State or experience as a student. Penn State is a complex, $3.2 billion enterprise, with twenty-four campus locations, and a presence in each of the sixty-seven counties within Pennsylvania, as well as involvement in a myriad of activities nationally and internationally.

Charge

The charge of the Task Force on Trustee Selection was "...to review the policies, practices, and processes, for the election or selection of trustees, and to identify steps or suggestions that we can implement or incorporate to ensure that we are, in fact, using best practices possible to identify and attract members to face the current challenges as well as those in the future."
Review

The Task Force met in September, November and January and reviewed the following materials to familiarize themselves further with the various processes:

- Charter, Bylaws, and Standing Orders provisions governing elections;
- Copy of call for nomination and alumni election materials;
- Copy of Delegate Election materials mailed to ag organization secretaries (including a list of ag organization names by county);
- Copy of business and industry trustees call for nomination letter and form (including a list of B&I organization names by county);
- Business and industry history;
- Student trustee summary;
- Alumni Election demographic information.

The Task Force also received information on the Qualifications for Membership as stated in the Bylaws (Article 2):

1. Members of the Board of Trustees shall be natural persons of full age who need not be residents of the Commonwealth of Pennsylvania.
2. A person who is employed in any capacity by the University shall not be eligible to serve as a member of the Board of Trustees. This qualification for membership shall not apply to a person who is an ex officio member of the Board, nor to a person who is a student employed part-time by the University.
3. A person shall not be eligible to serve as a member of the Board of Trustees for a period of three (3) years from the July 1 coincident with or next following the date of last employment in any capacity by the University. This qualification for membership shall not apply to a person who is an ex officio member of the Board, nor to a person who is a student employed part-time by the University.
4. Only graduates of The Pennsylvania State University who shall have received an associate degree, a bachelor's degree, or an advanced degree from the University shall be eligible to serve as a trustee elected by the Alumni. No member of the faculty or the governing board of any other college or university in Pennsylvania shall be eligible to serve as a trustee elected by the Alumni.

This Task Force also reviewed a few of the conditions facing higher education as it is recognized that members of the Board must be prepared to address these issues. The list below was compiled by the Association of Governing Boards of Universities and Colleges (AGB):

- A loss of public confidence in the integrity and governance of major corporations;
- Changes in the legal and regulatory environment (most prominently, Sarbanes-Oxley legislation) designed initially to address corporate scandals, though not totally irrelevant to the nonprofit sector;
- Disturbing questions about the integrity and governance of certain sectors of the nonprofit community;
- Adverse publicity about lapses and failures in the governance of higher education, chiefly with regard to executive compensation;
- Challenges from the Internal Revenue Service and the Senate Finance Committee to the autonomy and authority of college and university governing boards;
• A litigious environment affecting colleges and universities; and
• A fragmentation of views and policies among organizations that represent and serve the academic community at a time when unity is especially vital.

Additionally, AGB also provided a statement of "A Board's Basic Responsibilities" which notes that Board accountability naturally flows from its basic responsibilities to:

• Approve the mission and purpose of the institution.
• Recruit, appoint, support and evaluate the chief executive officer.
• Fulfill the fiduciary responsibilities of the board:
  --consider and approve the institution's budget
  --monitor the resources and productivity of the institution
  --manage the institution's endowment
  --participate in fund-raising, both through personal philanthropy and advocacy
  --meet the expectations of board accountability and transparency in the conduct of board affairs.
• Oversee and participate in periodic strategic planning and advocate on behalf of its outcomes.
• Be aware of educational, research, and service programs and help ensure that the institution's academic priorities are being met.
• Engage with the institution's major constituencies on a regular basis, in coordination with the administration.
• Preserve institutional independence through participation in the institution's accrediting process.
• Remain informed about institutional issues and the challenges confronting higher education.
• Serve, as necessary, as a final court of appeals on matters relating to governance and on institutional policies in accordance with campus grievance procedures.

The Task Force also received information regarding the debacle that occurred at American University last year which resulted in the investigation of the university and its Board of Trustees by the Senate Finance Committee. The Finance Committee was engaged in "a bipartisan review of charities and reform of charities" and the tax exempt status enjoyed by charities and institutions. Specifically, with respect to board governance and transparency, Sen. Grassley requested that the board provide "a brief description of individuals who served on the boards, a short biography, qualifications, and how the board member was selected, and how the board members serve the interests of the community."

Again, the charge of the Task Force was emphasized to ensure that steps are in place to identify and attract qualified members to face the current challenges as well as those in the future.

With respect to the various methods utilized to select or elect the membership of the Board of Trustees, the following items were reviewed:

a. Business & Industry Elections/Nominations - It was noted that the new process has worked well since its implementation in 2002. It was suggested that consideration be given to explore ways to increase the pool of candidates reviewed by the Study Group on Board Membership for Business and Industry Trustees (i.e., in the event there are only two candidates for two vacancies, perhaps there is a way to develop a pool of other candidates that could be considered.) The members elected by the Board of Trustees representing business and industry endeavors will examine the composition of the Selection Group on Board Membership for Business and Industry Trustees.
b. Gubernatorial Nominations - Discussion was held as to whether there is an avenue or dialogue between Penn State and the Governor regarding a pool of candidates who have been identified as interested in serving as Board members (it was noted that this does occur with the student trustee selection process). It was agreed that perhaps a list could be developed (by an appropriate body) that would include possible candidates, familiar with and supportive of Penn State’s mission, representing both political parties. This would provide for politically acceptable options and flexibility for the Governor.

c. Alumni Elections - Several issues were explored, including diversity with respect to race, gender, ethnicity, professions, and geographic location. It was noted that there is an increased utilization by candidates of privately funded web sites, unauthorized use of University maintained mailing lists, advertising, etc. Questions were raised over whether this actually results in identifying the best leaders for the institution. It was recommended that the University maintain a web-site giving all candidates and alums equal access to information on each candidate.

As a part of the final recommendations, it was agreed that methodologies should be explored to raise the visibility of, and participation in, the election process. This could include providing encouragement to the Penn State Alumni Association to publicize the election and encourage all interested candidates to become involved, via its chapters, alumni interests groups, and other affiliated groups. Additionally, the balloting information should be simplified to make it more “user friendly” and a web site, sponsored by the University, should be devoted to advise of the candidates for election.

d. Agricultural Elections - Discussion was held regarding the electors/participants in the elections. Questions were raised as to whether the list of participating entities reflects the agricultural and agribusiness industry of the Commonwealth and whether it could be expanded to reflect the composition of the multi-faceted agricultural industry within Pennsylvania (agri-business, production, marketing, food manufacturing and distribution, forestry, etc.) Given the national and international reach of the University, it was suggested that consideration be given to having representation from beyond Pennsylvania borders. It was also noted that the election process used should be transparent and without influence of external constituents or organizations.

The consensus of the majority of the Task Force members was that the final report should include a recommendation that the agricultural trustees review the current practices and provide a recommendation regarding refinements to the process.

Several topics were identified as items for review and additional discussion by an appropriate group of the Board including: qualifications for membership; identification and cultivation of individuals who could be submitted as recommendations for gubernatorial appointees; and expansion of the pool of candidates for consideration as business and industry trustees.
Summary of Recommendations

The Task Force on Trustee Selection recommends the adoption of the following as measures to enhance and build upon the best practices and processes to identify and attract qualified members to face the current challenges as well as those in the future:

1. Because the identification, selection, and election of qualified trustees is of such importance to the future of Penn State, the Task Force recommends that the Board of Trustees authorize, through acceptance of this report, the Chairman of the Board to appoint a Group on Trusteeship to ensure the cultivation of potential candidates and the ongoing review of best practices for selection of trustees.

2. Avenues should be explored to encourage dialogue with the Governor, and his/her representatives, regarding the appointment of members to the Penn State Board of Trustees.

3. Measures should be put into place to raise the visibility of the election of trustees by the alumni including a University maintained web-site giving all candidates and alums equal access to information on each candidate. The nomination and balloting materials should be simplified to make it more "user friendly."

The Office of the Board of Trustees should work with the Penn State Alumni Association to ensure that confusion is minimized between the election of trustees by the alumni and the election of members to the Penn State Alumni Council. Additionally, the Office of the Board of Trustees should work with the Penn State Alumni Association to promote visibility of both election processes and explore ways to provide encouragement to vote in the elections, as well as to encourage candidacy.

4. The pool of candidates reviewed by the Study Group on Board Membership for Business and Industry Trustees should be expanded.

5. A pool of potential candidates who are familiar with and supportive of Penn State’s mission, should be developed. This listing could serve multiple purposes: providing recommendations for consideration by the Governor, providing recommendations for review and consideration by the Chair of the Board of Trustees in the event of a vacancy on the Board; and providing recommendations to increase the pool of candidates reviewed by the Study Group on Board Membership for Business and Industry Trustees. The pool should be comprised of individuals who are best qualified to face the current challenges at Penn State, as well as those in the future.

6. The current and emeriti members elected by delegates from agricultural societies should review the current election process and report back with recommended refinements.