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Financial Management of Bonded Debt Relating to Auxiliary Enterprises and Other Self-Liquidating Activities

6.300 **Financing Self-Liquidating Bond Debt Services**

(6.300-6.325 were approved by the State Board of Higher Education, Meeting #668, November 21, 1997, pp. 572-580; 6.300-6.520 were amended by the Board, Meeting #721, July 18, 2003, pp. 172-186)

- (1) Auxiliary enterprise and other self-liquidating activities shall be assigned to one of the following categories for debt financing purposes:
 - (a) Residence halls and residential dining facilities (other than Portland State University).
 - (b) Portland State University residence halls.
 - (c) Other housing facilities.
 - (d) Parking facilities.
 - (e) Auxiliary enterprise facilities financed primarily from building fees.

- (f) Other facilities that meet the requirements of Article XI-F(1) and are specifically approved by the Board of Higher Education.
- (2) The projects approved in accordance with (1) above are expected to be fully self-supporting and self-liquidating from user fees, gifts, grants, building fees, rental income, or other sources as approved by the Board of Higher Education.

6.305 Bond Issues for Auxiliary Enterprise and Other Self-Liquidating Activities

When authorized pursuant to ORS 351.350 or 351.353 and Article XI-F(1) of the Oregon Constitution, bonds may be issued to finance construction of auxiliary enterprises and other self-liquidating facilities only if the Board:

- (1) Establishes and maintains for bonds so issued appropriate reserves as described below; and
- (2) Otherwise conforms to statutory and constitutional requirements.

6.306 Provision for Sinking Funds

The auxiliary enterprise or other self-liquidating activity responsible for annual debt service shall provide and maintain sinking funds for the ensuing year except that for bonds issued prior to July 1986, a two-year sinking fund is required.

6.310 Financial Operating Resources for Auxiliary Enterprise and Other Self-Liquidating Projects

- (1) The building fee, established by the Board pursuant to ORS 351.170, is a Department resource, without regard to the institution at which it is collected, and shall be applied for debt service other than for residence halls, housing, parking, clinics, or other self-liquidating facilities.
- (2) Debt service for bonds issued for housing, parking, clinics, or other self-liquidating facilities shall be provided primarily from fees charged to users of the facilities.
- (3) Debt service for other specifically approved facilities shall be provided from sources identified at the time of authorization and approval of the project by the Board.

- (4) Income from investment of sinking funds shall be credited to the institution sinking funds.
- (5) Income from investment of XI-F bond building funds shall be distributed to the sinking funds in proportion to the allocation of the unspent building funds to the respective auxiliary enterprise and other self-liquidating project categories.

6.315 Allocation of Debt Service Responsibility for Auxiliary Enterprise and Other Self-Liquidating Projects

Annual debt service on bonds issued for auxiliary enterprise or other self-liquidating projects shall be apportioned on the following bases:

- (1) Interest and principal payments for debt service on:
 - (a) Bond proceeds allocated to residence hall and residential dining facilities after February 28, 1997,
 - (b) Portland State University residence halls,
 - (c) Other housing, and
 - (d) Parking shall be the responsibility of the institution at which the facilities are located.
- (2) Interest and principal payments for debt service on bonds allocated before March 1, 1997, for residence hall and residential dining facilities at all institutions, except Portland State University, shall be allocated to each institution in proportion to the average academic year occupancy of its residence halls for a five-year period beginning 1994-95 and ending 1998-99.
- (3) Interest and principal payments for debt service on other auxiliary enterprise facilities shall be provided from building fees or other income as identified in the specific construction program.

6.316 Residence Hall Emergency Reserve Fund

The purpose of the Residence Hall Emergency Reserve Fund (Reserve) is to provide for unanticipated financial emergencies in the residence hall operations, which could otherwise affect the ability of a single institution to support the payment of its debt service obligations. The Reserve shall not be a supplemental source of funds that may be considered or relied upon when planning for the financing of construction, renovation, or repair/upgrade of projects. Each institution must have a business plan in place addressing current and future needs of its student housing operations and how it intends to fund those needs through institutionally-initiated efforts. The policy described in this section shall apply to residence hall operations referenced in section 6.300(1)(a) above.

- (1) Specific Provisions:
 - (a) The Reserve will be funded by an institutional payment equivalent to twenty dollars (\$20) per occupant, per year, based on the number of students living in the residence halls referenced in section 6.300(1)(a).
 - (b) The number of students for purposes of (a) shall be determined by the prior year three-term average residence hall occupancy as of the fourth week of each term. (An "occupant" is any student living in a residence hall who is not a residence hall director.)
 - (c) Institutional payments to the Reserve will be made by May of each year beginning in fiscal year 1999-2000. All payments to the Reserve will be monitored by the Chancellor's Office with a record kept of payments made by each institution.
- (2) Institutional payments to the Reserve will be made for eight (8) fiscal years, 1999-00 through 2006-07. In 2006, the Board will review the provisions and status of the Reserve.
- (3) Interest earnings of the Reserve through June 30, 2007, will accrue to the Reserve. Distribution of interest earnings thereafter will be determined by the Board.
- (4) Authorization for use of funds from the Reserve shall require a written application and comprehensive business plan from the requesting institution. The application and business plan shall be submitted to the Vice Chancellor for Finance and Administration for approval.

may waive charges for selected education-related business activities.

3. An institution may make its services and facilities available to nonprofit or community organizations without recovering all direct costs, provided there is sufficient inventory or capacity. An institution may also make its services and facilities available to for-profit community businesses and organizations provided there is sufficient capacity and availability. Charges to profit-making organizations shall cover the direct and indirect costs of the use of the facilities and services provided. Services, products, and facilities may similarly be provided to federal, state, and political subdivisions, subject to negotiated charges, terms, and conditions.
4. An institution may promote and market in off-campus public media only those services and events which are of interest to the general public, such as cultural presentations, intercollegiate athletics contests, and educational programs.
5. Following approval by the institution president to provide goods, services, and facilities referenced above, the institution shall adopt a fee schedule or, in cases where prices fluctuate, a pricing markup policy for those services, products, and facilities.

6.510

Responsibilities and Authorities

- (1) The Vice Chancellor for Finance and Administration, or designee, is responsible for establishing and maintaining Systemwide fiscal policies and monitoring and reporting processes; and reporting to the Board as needed regarding compliance with fiscal policies and fiscal results.
- (2) Each institution president, or designee, is responsible for establishing and maintaining institution-specific fiscal policies and monitoring and reporting processes; reporting to institutional management and the Chancellor's Office as required regarding compliance with fiscal policies and fiscal results; and strategic planning and operational management.

6.520

Budgeting for Auxiliary Enterprises and Other Self-Liquidating Activities

- (1) Each institution shall prepare and submit budgets for auxiliary enterprise and other self-liquidating activities (housing, student centers, intercollegiate athletics, health services, parking, bookstores, other rentals, other auxiliaries, service departments,

designated operations) as a part of the annual operating budget development process.

- (2) The budgets shall be prepared based on the flow of economic resources measurement focus as required for financial reporting by the Governmental Accounting Standards Board.
- (3) The budgets shall conservatively anticipate income from user fees and other sources to provide for all operating expenses (including depreciation) and for the establishment and maintenance of bond sinking funds, including the repayment of any outstanding obligations, the establishment and maintenance of building/IOTB repair and equipment replacement reserves, and the elimination of prior year cash overdrafts and/or negative net asset balances, subject to policies governing service departments approved by the institution's federal cognizant agency. If income has been or appears likely to be insufficient for these purposes, the proposed budget shall identify the sources from which needed resources are required to eliminate such deficiencies
- (4) If any auxiliary enterprise or other self-liquidating activity ends a fiscal year with a cash overdraft, a negative working capital position, or a negative net asset balance, the institution will submit a revised budget plan for eliminating the cash overdraft(s), the negative working capital position, and/or the negative net asset balance(s) to the Vice Chancellor for Finance and Administration or designee for approval. If the Vice Chancellor for Finance and Administration or designee determines that the cash overdraft(s), negative working capital position, and/or negative net asset balance(s) are material, the revised budget plan will be submitted to the Board for approval after consultation with institution management.
- (5) Exceptions to the requirements of sections (1) through (4) may be granted by the Vice Chancellor for Finance and Administration or designee.

Equality of Opportunity

Equality of opportunity shall be established and judged within each of the two categories of intercollegiate athletics, "major revenue-producing" and "other."

If the institution identifies any athletic activity as major revenue-producing, it must also identify at least one such activity for men and one for women even though one of the activities may not satisfy the definition of major revenue-producing.

Provision must be made for an activity to move from one category to the other.

8.016

Financing

(1) Major Revenue-Producing Athletic Activities

Major revenue-producing athletic activities are those that, by definition, are estimated to be self-supporting from gate receipts, television and radio income, conference income, contributions, and other revenues generated through the operation of those activities. Any incidental fees used to support major revenue-producing athletic activities will be deemed to be for the purpose of financing student admissions. No state tax funds, appropriated for education and general purposes, are to be used either for operating or capital expenditures, except as provided in (3) below. "Operating expenses" include both salaries and applicable physical plant costs.

(2) Other Athletic Activities

Other athletic activities are to be financed from student incidental fees, gate receipts, and contributions. State funds appropriated for Education and General purposes may be used only to fund the salaries of coaches at the regional universities and Oregon Institute of Technology.

(3) Proportionate Financing of Joint Use Facilities

State funds are used and may continue to be used for physical plant and other operating costs applicable to spaces within athletic facilities that are utilized for Educational and General purposes, such as lectures, convocations, physical education activity classes, concerts, and commencement exercises.

(4) Resources for Capital Construction and Improvements

Expenditures for capital construction and capital improvements for athletics are to be financed from resources available for auxiliary enterprises such as gifts, bond borrowings under the provisions of Article XI-F(1) of the Oregon Constitution, and excess sinking fund reserves from commingled student building fees.

8.021 Levels of Competition

Institutions should seek the highest feasible level of competition for each activity, recognizing that financial and/or ethical considerations may force reductions in the competitive levels.

8.026 Cost Containment

The presidents of Oregon State University and the University of Oregon are instructed to work with each other and to pursue within the Northwest region, the Pac-10, and the NCAA appropriate cost containment measures such as grants based only on need, fewer grants, reduced recruiting efforts, smaller coaching staffs, and other appropriate measures.

If such efforts, over a five-year period, are unsuccessful, the Board will reassess its position and instruct the University of Oregon and Oregon State University whether or not to implement those cost containment policies even in the absence of Pac-10, NCAA, and regional action.

Portland State University, Oregon Institute of Technology, and the three regional universities are instructed to adopt similar cost containment measures, as appropriate.

8.031 Academic Progress and Degree Attainment

The presidents of institutions having intercollegiate athletics programs are instructed to establish policies and procedures that commit student athletes, counselors, coaches, and athletic program administrators to pursuing the dual student athlete goals of maintaining normal progress toward completion of the baccalaureate degree and attainment thereof, usually in not more than five years after the date of initial registration. Such policies shall require:

- (1) Minimum academic term carrying loads of 12 hours during seasons of competition, in prescribed courses leading to a baccalaureate degree selected by the student athlete; and compliance with normal progress rules established by the institution; and