OREGON STATE BOARD OF HIGHER EDUCATION
COMMITTEE ON BUDGET AND FINANCE
Smith Memorial Student Union, Room 327/8/9
Portland State University
June 21, 2002
8:00-8:30 a.m.

AGENDA

Call to Order

Roll Call

Action Items
  Approval of April 19, 2002, meeting minutes
  FCC Licensing: Policy and Procedure
  Nonresident and Graduate Tuition Rate Adjustment 2002-03

Consent Items
  OSU Parking Lot Easement
  OSU Budgeted Operations—E&G Funds Summary Report
    Through March 31, 2002
  UO Many Nations Longhouse Project—Expenditure Limitation

Report Items
  OSU Athletics Financial Report

Adjournment
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Policy and Procedures for the Administration of FCC Licenses
Operated Within the Oregon University System

Executive Summary
(Action Item)

Purpose:
The Chancellor's Office seeks Board approval of new Policy and Procedures for the administration of Federal Communication Commission (FCC) licenses operated within the Oregon University System to cover the way the FCC now conducts business with its licensees.

Background:
The most recent count lists 176 active FCC licenses operated within OUS in four basic categories: 1) Broadcast Radio – AM/FM stations, translators and relays (109 licenses); 2) 2-way Radio (34 licenses); 3) ITFS - Instructional Television, Fixed Service - Oregon WIN (24 licenses); and 4) Other (7 licenses).

In the past four years, the FCC has made a series of changes to the way they conduct business that has moved the administration of FCC licenses beyond the bounds of our current policy and procedures. Key to these changes is the recent required use of an on-line, Web-based process for submission of FCC documents.

These changes have created a set of issues that requires the Board's action to address, including: on-line filings using the Internet without delegated signature; and no formal process to oversee the FCC licenses owned by the Board.

Policy and Procedures:
The Chancellor's Office, with the assistance of the OUS institutions, has drafted a new policy and the underlying procedures for the administration of FCC licenses operated within OUS. These documents reflect how we currently do business with the FCC and they clearly establish the oversight function the Chancellor's Office has with these licenses.

In general, the policy states the ownership of the licenses rests with the Board, and that the Chancellor, as the administrative officer of the Board, may delegate responsibility for administration of FCC licenses to the campuses of OUS.

The procedures then delegate administration to the campuses, and specify what the reporting standards will be on a daily and annual basis. In addition, a signature authorization request is required for all administrators of FCC licenses.

Staff Recommendation:
Staff recommends that the Board approve a new policy and the underlying procedures for the administration of FCC licenses operated within OUS. Once approved, the Chancellor's Office will begin processing the delegation of FCC licenses to the institutions.
Proposed Board Policy on Administration of FCC Licenses

Oregon's public universities operate a variety of wireless telecommunications services that are licensed by the Federal Communications Commission (FCC).

As the legal owner of the FCC licenses, the Oregon State Board of Higher Education (Board) has the responsibility to see that the licenses are administered accurately and in accordance with FCC regulations. In addition, the Board has the authority to delegate these administrative functions within OUS.

The Chancellor, as the administrative officer of the Board, is delegated the oversight for those administrative functions required by FCC licensure. The Chancellor is the repository for such license documentation deemed necessary to protect the rights of the Board. The Chancellor is authorized to further delegate responsibility to the institutions of OUS. In this capacity, the institutions would serve as agents of the Board.

It is the institutions’ responsibility for those functions delegated to them, to provide capable management of those functions, to conduct business with the FCC in accordance with FCC regulations, to report such business proceedings to the Chancellor, and to provide necessary documentation concerning these licenses to the Chancellor as required.
Proposed Procedures for the Administration of FCC Licenses
Within the Oregon University System

1. Purpose

The purpose of these procedures is to provide standards for the administration of FCC licenses within the Oregon University System consistent with the adopted Oregon State Board of Higher Education (Board) policy regarding FCC licenses.

2. Delegation of FCC License Administration

Pursuant to the Board policy on FCC Licenses, and in accordance with the Chancellor's authority as the administrative officer of the Board, the administration of all FCC licenses owned by the Board and operated by the institutions of the Oregon University System (OUS) is hereby delegated to the institution presidents. This delegation includes the signature authority to conduct business with the FCC as a legal agent of the Board.

3. Chancellor's Oversight Function

In accordance with the Chancellor's authority to provide oversight of these administrative functions, the Chancellor shall specify the data to be reported and the frequency of reporting. The Chancellor has determined that a current copy of each FCC license owned by the Board will be required for storage within the Chancellor's Office files and for each group of FCC licenses the institution decides to administer as a unit (a unit is defined as one or more FCC licenses administered by the same person), the institution must provide the following information to the Chancellor:

- A list of the FCC Call Signs being assigned to the unit.
- The FCC Registration Number (FRN) for each Call Sign in the unit.
- The position that has been delegated the responsibility, by the institution president, for administering the unit. Include the name, title, phone number, and e-mail address of the person in that position.
- The name of the engineer that maintains the licensed equipment in the unit. If more than one engineer performs the maintenance, list the call signs with which each is responsible. Engineer is defined as the lead OUS engineer, or if other than OUS staff, the name of the firm contracted to perform the maintenance.
- A completed Signature Authorization Request form signed by the person administering the unit.

4. Reporting Requirements

a. Maintenance of Information: It will be the responsibility of the institution to keep the information listed under Chancellor's Oversight Function current with the Chancellor. This means that whenever changes occur to a call sign, a copy of the final status that is granted by the FCC for each filing will be forwarded to the Chancellor. For example, when a license is renewed, a copy of the document granting the renewal must be forwarded. Likewise, when an application for a new license is made, a copy of the granted license (e.g., a construction permit, license, etc.) must be forwarded.
In addition, if the engineer or the administrator of the group has changed, that information must be relayed to the Chancellor as well as a completed Signature Authorization Request form in the case of a change in the administrator.

b. **Annual Reporting**: On a fiscal year basis, in July of each year, the institution will report the following information to the Chancellor for each FCC license administered by that institution:

- A current list of the FCC Call Signs assigned to each unit.
- A letter from the institution president to the Chancellor certifying that all information required by these procedures is current and correct.

5. **Signature Authorization Request**

A Signature Authorization Request must be submitted to the Chancellor and must be signed by the institution president for each unit of licenses to be administered by each person administering FCC licenses for the institution. The following information must be included:

- Name, title, department name, phone number, and e-mail address of the person who will administer and perform the online entry and submission of FCC documents for the group of licenses.
- The following paragraph, signature block and signature:

  I, __________ (print the proposed administrator's name) ________, agree to perform the duties in a timely manner required by the Federal Communications Commission (FCC) and the policies of the Board in the administration of the FCC licenses I have been assigned in accordance with the FCC rules and regulations. I also acknowledge that, in this capacity, I am acting for and on behalf of the Oregon State Board of Higher Education.

  __________ (the proposed administrator's signature)__________
Nonresident and Graduate Student Tuition Rate Adjustment

Executive Summary
(Action Item)

Purpose:
In response to Senate Bill 5524, the Oregon University System and each affected university must report to the Emergency Board tuition increases in 2002-03 that exceed the legislatively approved 3%. Staff seeks State Board of Higher Education approval to increase tuition for nonresidents and graduates of up to 5% beyond the 3% rate already in the approved budget.

Background:
The 2001 Legislature requires that OUS bring to the Emergency Board in the second year of the biennium tuition increases that would exceed 3% annually. The OUS, in light of extreme financial conditions, is supporting universities' flexibility to increase nonresident and graduate tuition up to 5% beyond the 3% presently budgeted for 2002-03. The primary factor influencing the request is the reduction in General Fund support for instruction and support programs adopted during the Special Session. The combination of increased demand (enrollment) and reduced resources make the request unavoidable. Resident rates are not increased in recognition of the Board's priority to maintain access to Oregon residents. However, if there are further reductions, the universities may not be able to avoid rate increases for all student classifications.

The rate increase chosen by each university will vary based on their individual conditions. The number of nonresident enrollments differs significantly between universities, with the impact of increases varying, as well.

We will make the Emergency Board aware specifically that the Oregon State Board of Higher Education has authorized the University of Oregon to implement a pilot program that will offer reduced costs to students taking courses during off-peak hours, and increased rates to students choosing classes during prime time. The University projects a net 3% increase in revenues from resident students. Nonresident and graduate student rates are projected to increase by 5%, or 2% beyond the 3% budgeted and as such will require Board approval. Use of funds will run the gamut from maintaining libraries and computer lab hours, to necessary student support programs, to class section availability, to addressing campus safety needs, and other programs and services.

The OUS is focused on being as accessible to students and the public as possible. Any additional funding will help to minimally keep key instructional and administrative programming at reasonable levels of accessability.

Staff Recommendation:
Staff recommends that the Board approve the tuition report for submission to the Emergency Board. The Report includes the flexibility for universities to increase nonresident and graduate tuition up to 5% beyond approved levels.
Purpose:
Oregon State University (OSU) requests Board approval for a parking lot easement to be granted to Corvallis Hospitality, LLC, a Washington corporation. The non-exclusive parking easement would allow access to OSU owned parking lots for overflow parking occasioned by special events at the adjacent 3.62 acres leased to Corvallis Hospitality, LLC, for the development of a hotel. OSU also requests approval to grant a 35 year non-exclusive parking easement for the area identified on Exhibit A as future parking, which is located south of the current softball field.

Staff Report to the Board:
The easement would require Corvallis Hospitality, LLC to provide 45-days notice of any special event which requires use of OSU's parking lots. The parties shall enter into a separate agreement that addresses parking control issues at the parking lots controlled by each party.

Also included is a 35 year non-exclusive parking easement for the area identified on Exhibit A as future parking, which is located south of the current softball field, and is subject to the following provisions:

- The easement is solely for the use of patrons at a restaurant, should one be developed by Corvallis Hospitality, LLC.
- The restaurant is open and operating within 10 years of the recorded date of the Easement.
- Corvallis Hospitality, LLC constructs a paved parking lot of 139 spaces, at its sole cost and in accordance with all applicable governmental orders and regulations and in a good workmanlike manor, at the same time the restaurant is constructed.
- The maximum number of parking spaces granted by this easement is 41 and shall be identified by OSU when Corvallis Hospitality, LLC paves the lot.

Staff Recommendation to the Board:
Staff recommends that a parking easement be granted to Corvallis Hospitality, LLC.
A Map of the Site is available in the Board's Office
Introduction:
The purpose of this report is to communicate the fiscal status of the budgeted operating funds (Education and General Funds [E&G]) of Oregon State University for the first nine months of fiscal year 2002 in accordance with the Fiscal Accountability Process (OSU) that was presented to the Joint Committees on Budget and Finance and System Strategic Planning in December 2001. As a part of that process, OSU’s financial management was to provide the following information on a quarterly basis:

- A balance sheet and a report of actual revenues and expenditures compared to targeted revenues and expenditures.
- Explanations for material variances from targets.
- Management plans to address material variances.
- Future quarterly targets.
- Explanations for adjustments to future targets.

The attached financial statements, which were prepared by OSU, and accompanying notes, which were prepared by the Chancellor’s Office, present the Balance Sheet and the Statement of Revenues, Expenditures, and Other Changes in fund balance for the nine-month periods ending March 31, 2002, and 2001. Future quarterly targets (projections) for the year ending June 30, 2002, which were prepared by OSU, are also presented with the attached financial statements. In addition, a statement regarding the results of operations, projections, and material variances was provided by OSU and is included below.

University’s Analysis of Operations:
OSU budgeted operations show revenues of $167.4 million for the nine months ended March 31, 2002, compared to $153.5 million for the nine months ended March 31, 2001; expenditures incurred for the same periods total $139.3 million and $130.9 million. The gain from budgeted operations for the nine months ended March 31, 2002, has improved by $5.5 million over the prior year ($28.2 million versus $22.7 million). Estimated revenue for government appropriations reflects the latest OUS allotment plan after the March 13 announcement from the Governor.

Variance of actual results through March 31, 2002, from targets set for the same period that were in excess of $1 million were identified for further analysis. The amounts reported for Enrollment Fees, Fee Remissions, and Net Transfers varied from their respective targets by over $1 million and we have provided explanations for these variances below:

- Enrollment fees totaled $83.9 million compared to the target of $60.7 million through March, 2002, resulting in a variance of $23.2 million. The variance is due to Spring Term activity being included in the third quarter actuals but not in the third quarter targets. Spring Term enrollment fees totaled $24 million.

- Fee remissions totaled $5.5 million compared to a target of $3.9 million through March 2002 resulting in a variance of $1.6 million. The variance is due to spring term activity being included in the third quarter actuals but not in the third quarter targets. Spring term fee remissions totaled $1.6 million.
• Net Transfers totaled $1.2 million compared to a target of $0 through March 2002 resulting in a $1.2 million variance. The variance is due to the volatility of this amount and the difficulty in utilizing trend analysis to determine targets.

The projected results through June 30, 2002, have been updated and variances of these projected results from targets set previously for the same period that were in excess of $1 million were identified for further analysis. The amounts projected for Government Appropriations and Net Transfers varied from their respective targets by over $1 million and we have provided explanations for these variances below and in the footnotes to the financial statements:

• Projected Government Appropriations total $94.4 million compared to the target of $88.9 million through June 2002 resulting in a variance of $5.5 million. The variance is due to establishing an overly-conservative target earlier in the year.

• Projected Net Transfers total $1.1 million compared to the target of $0 through June 2002 resulting in a $1.1 million variance. The variance is due to the volatility of this amount and the difficulty in utilizing trend analysis to determine targets.

### Chancellor's Office Review

**Process:**
As stated in the Fiscal Accountability Process (OSU) noted above, the Chancellor’s Office was to review the reports prepared by OSU to test the reasonableness of the amounts reported, the projections, and management’s assumptions. This review was to include the following:

- Reconciliation of amounts reported to the accounting records.
- Selected review of material journal entries made by OSU that affect the amounts reported.
- Selected review of material interfund transfers.
- Selected review of unusual amounts, trends, etc.
- Review of management’s explanations of material variances for reasonableness.
- Review of fiscal targets and material changes in such for reasonableness.

**Analysis:**
In general, the fiscal condition of the budgeted operating funds of OSU at March 31, 2002, remains stable. As in the previous year, revenues outpaced expenditures and cash and fund balances have grown. Fund balance was also increased through a redistribution of $5.4 million of the liability for compensated absences to the Statewide service functions and the self-supporting operations (see Note 4 to the financial statements).

The University’s projections indicate that the fund balance will show an increase of $5.3 million for the year ended June 30, 2002. The Chancellor’s Office prepared projections based on trend analysis from prior years. These projections also show an increase in fund balance for FY 2002.

The amounts reported in the financial statements reconciled to the accounting records without exception. We performed a review of material journal entries and interfund transfers made by OSU that affect the amounts reported and noted no reportable conditions.

The explanations provided by OSU for the material variances between actual amounts reported through March 31 and the targets for the same time period, as well as the variances between the projected results through June 30 and the targets for the same period were reasonable. We would, however, encourage
OSU management to develop a methodology to predict the net transfer amounts as these amounts can be material and it is important for management to understand and be able to better plan for these significant financial transactions.

Summary:
The fiscal condition of OSU’s Budgeted Operating Funds at March 31, 2002, is positive. Revenues have outpaced expenditures by $28.2 million for the first nine months of the fiscal year, which is a $5.5 million improvement over the prior fiscal year. The University's projections indicate that the fund balance will show an increase of $5.3 million for the year ended June 30, 2002. The Chancellor's Office projections, based on prior years trend analysis, also indicate an increase in fund balance for FY 2002.
### Oregon State University

#### Balance Sheet

Budgeted Operating Funds Excluding State-Wide Activities

March 31, 2002 and 2001

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Assets</strong></td>
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<td>Cash</td>
<td>$27,468,645</td>
<td>$22,045,414</td>
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<td>Accounts Receivable</td>
<td>20,992,149</td>
<td>18,597,677</td>
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<td>Allowance for Doubtful Accounts</td>
<td>(2,120,519)</td>
<td>(2,110,942)</td>
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<td>Inventories</td>
<td>587,324</td>
<td>511,454</td>
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<td>Prepaid Expenses and Deferred Charges</td>
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<td>160,315</td>
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<tr>
<td>Due From Other Funds</td>
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<td></td>
</tr>
<tr>
<td>- Athletics (Note 3)</td>
<td>3,000,000</td>
<td></td>
</tr>
<tr>
<td>- Other</td>
<td>18,163</td>
<td>1,927,245</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td>$50,268,455</td>
<td>$41,131,163</td>
</tr>
</tbody>
</table>

| **Liabilities**      |               |               |
| Accounts Payable     | 1,374,771     | 871,222       |
| Salaries and Wages Payable | 837,993   | 794,404       |
| Liability for Compensated Absences (Note 4) | 9,382,573 | 14,078,674 |
| Deposits             | 152,694       | 169,370       |
| Deferred Revenues    | 479,448       | 392,935       |
| **Total Liabilities**| 12,227,479    | 16,306,605    |

| **Fund Balance**     | 38,040,976    | 24,824,558    |

| **Total Liabilities and Fund Balance** | $50,268,455 | $41,131,163 |

*UNAUDITED - Prepared for Management Purposes Only*

The Accompanying Notes are an Integral Part of These Statements
Oregon State University  
Statement of Revenues, Expenditures, and Other Changes  
Budgeted Operating Funds Excluding State-Wide Activities  
For Nine Months Ending March 31, 2002 and 2001  

<table>
<thead>
<tr>
<th>Revenue:</th>
<th>FY 02</th>
<th>FY 01</th>
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<tr>
<td>Enrollment Fees (Note 2)</td>
<td>$83,853,677</td>
<td>$72,180,675</td>
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<td>Fee Remissions (Note 2)</td>
<td>(5,521,068)</td>
<td>(5,052,711)</td>
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<td>Government Appropriations</td>
<td>75,962,209</td>
<td>73,060,715</td>
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<td>Gifts, Grants, and Contracts (Indirect Cost Recoveries)</td>
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<td>Investments</td>
<td>957,896</td>
<td>940,494</td>
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<td>Sales &amp; Services</td>
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<td>2,689,480</td>
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<td>Other Revenue</td>
<td>361,351</td>
<td>290,668</td>
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<td><strong>Total Revenue</strong></td>
<td><strong>167,428,587</strong></td>
<td><strong>153,534,536</strong></td>
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<table>
<thead>
<tr>
<th>Expenditures:</th>
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<tbody>
<tr>
<td>Total Salaries and OPE</td>
<td>109,166,234</td>
<td>101,191,435</td>
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<td>Service and Supplies</td>
<td>23,861,930</td>
<td>24,597,632</td>
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<td>Capital Outlay</td>
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<td>Student Aid</td>
<td>465,215</td>
<td>109,389</td>
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<td><strong>Total Expenditures</strong></td>
<td><strong>139,257,780</strong></td>
<td><strong>130,853,903</strong></td>
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</tbody>
</table>

| Net Operations                               | 28,170,807 | 22,680,633 |
| Total Transfers                               | 1,157,339  | 466,129 |
| Net Change in Fund Balance                   | 29,328,145 | 23,146,762 |
| Beginning Fund Balance at Previous July 1    | 3,282,302  | 1,677,796 |
| Increase from Distribution of Prior Years' Compensated Absences Liability (Note 4) | 5,430,529 | - |
| **Ending Fund Balance**                      | **$38,040,976** | **$24,824,558** |

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The Accompanying Notes are an Integral Part of These Statements
## Oregon State University
### Projected Revenues, Expenditures, and Other Changes
#### Budgeted Operating Funds Excluding State-Wide Activities
##### Fiscal Year 2002

<table>
<thead>
<tr>
<th></th>
<th>Projected Twelve Months Ending 6/30/2002</th>
<th>Targets Twelve Months Ending 6/30/2002</th>
<th>Actuals vs. Targets</th>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Favorable</td>
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<tr>
<td><strong>Revenue:</strong></td>
<td></td>
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<td>(Unfavorable) Variance</td>
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<tr>
<td>Enrollment Fees (Note 2)</td>
<td>$85,230,966</td>
<td>$86,042,517</td>
<td>$(811,551)</td>
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<tr>
<td>Fee Remissions (Note 2)</td>
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<td>$(5,707,260)</td>
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<td>5,532,942</td>
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<td>13,700,000</td>
<td>13,900,000</td>
<td>$(200,000)</td>
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<td>Investments</td>
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<td>1,361,382</td>
<td>0</td>
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<tr>
<td>Sales &amp; Services</td>
<td>3,837,237</td>
<td>3,857,599</td>
<td>$(20,362)</td>
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<td>Other Revenue</td>
<td>617,971</td>
<td>766,539</td>
<td>$(148,568)</td>
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<td><strong>193,527,104</strong></td>
<td><strong>189,131,770</strong></td>
<td><strong>4,395,334</strong></td>
</tr>
</tbody>
</table>

| **Expenditures:**       |                                          |                                        |                |
| Total Salaries and OPE  | 145,365,919                              | 144,676,604                            | $(689,315)  | -0.48%  |
| Service and Supplies    | 34,707,981                               | 34,804,221                             | 96,240       | 0.28%   |
| Capital Outlay          | 6,620,218                                | 6,767,750                              | 147,532     | 2.18%   |
| Student Aid             | 468,232                                  | 644,488                                | 176,256     | 27.35%  |
|                         | **187,162,350**                          | **186,893,063**                        | **(269,287)**| **-0.14%**|

| Net Transfers (Note 5)   | $(1,077,494)                             | 0                                      | $(1,077,494) | -       |

| Net Change in Fund Balance | $5,287,260                               | 2,238,707                              | 3,048,553    | 136.17% |

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The Accompanying Notes are an Integral Part of These Statements
### Oregon State University

**Actual and Projected Revenues, Expenditures, and Other Changes**

**Budgeted Operating Funds Excluding State-Wide Activities**

**Fiscal Year 2002**

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Enrollment Fees (Note 2)</td>
<td>$83,853,677</td>
<td>$60,658,129</td>
<td>$23,195,548</td>
<td>38.24%</td>
</tr>
<tr>
<td>Fee Remissions (Note 2)</td>
<td>(5,521,068)</td>
<td>(3,895,442)</td>
<td>(1,625,626)</td>
<td>41.73%</td>
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<td>Government Appropriations</td>
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<td>76,305,890</td>
<td>(343,681)</td>
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<td>Gifts, Grants, and Contracts (Indirect Cost Recoveries)</td>
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<td>8,139,076</td>
<td>784,652</td>
<td>9.64%</td>
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<td>Investments</td>
<td>957,896</td>
<td>876,366</td>
<td>81,530</td>
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<td>Sales &amp; Services</td>
<td>2,890,794</td>
<td>2,647,490</td>
<td>243,304</td>
<td>9.19%</td>
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<td>Other Revenue</td>
<td>361,351</td>
<td>396,808</td>
<td>(35,457)</td>
<td>-8.94%</td>
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<td><strong>Total</strong></td>
<td><strong>167,428,587</strong></td>
<td><strong>145,128,317</strong></td>
<td><strong>22,300,270</strong></td>
<td><strong>15.37%</strong></td>
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</thead>
<tbody>
<tr>
<td>Total Salaries and OPE</td>
<td>109,166,235</td>
<td>109,393,339</td>
<td>227,104</td>
<td>0.21%</td>
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<tr>
<td>Service and Supplies</td>
<td>23,861,930</td>
<td>23,533,785</td>
<td>(328,145)</td>
<td>-1.39%</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>5,764,401</td>
<td>6,079,660</td>
<td>315,259</td>
<td>5.19%</td>
</tr>
<tr>
<td>Student Aid</td>
<td>465,215</td>
<td>519,317</td>
<td>54,102</td>
<td>10.42%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>139,257,781</strong></td>
<td><strong>139,526,101</strong></td>
<td><strong>268,320</strong></td>
<td><strong>0.19%</strong></td>
</tr>
</tbody>
</table>

| Net Transfers (Note 5)                                                  | 1,157,339                           | 0                                    | 1,157,339           | -           |

| Net Change in Fund Balance                                              | $29,328,145                          | 5,602,216                            | 23,725,929          | 423.51%     |

**UNAUDITED - Prepared for Management Purposes Only**

The Accompanying Notes are an Integral Part of These Statements
1. **Basis of Presentation**  
The statements include only the operations of the Education and General Funds (Fund Group 001000-019999). These funds primarily include general operations, cost sharing on research grants, summer session, and continuing education for credit. The operations of the Statewide service functions—Agricultural Experiment Station, Extension Service, and Forest Research Laboratory—are excluded. These statements are for internal use; they are not purported to be presented in accordance with generally accepted accounting principles.

2. **Spring Term Tuition, Fees, and Remissions**  
The results of operations through March 31 of each fiscal year presented include spring term enrollment tuition and fees assessed in March but not considered earned until April when the term begins. As a result of including such tuition and fee activity in the third quarter activity, amounts reported for enrollment revenues, and fee remissions in the fourth quarter will be minimal. Spring term enrollment tuition and fees assessed in March totaled $24.0 million in the current fiscal year, and $19.5 million in the prior fiscal year. Spring term fee remissions totaled $1.6 million in the current fiscal year, and $1.5 million in the prior fiscal year.

Per OSU management, enrollment fees as of March 2002 were $23.2 million higher than the target for the same time period due to Spring Term activity not being included in the third quarter targets.

Per OSU management, fee remissions as of March 2002, were $1.6 million higher than the target for the same time period due to spring term activity not being included in the third quarter targets.

3. **Athletics Advances**  
The University has advanced $3 million, as of March 31, 2002, from its E&G funds to Athletics to cover Athletics’ cash shortages and operating expenditures. The advances are treated as interest bearing loans and are to be paid back on or before September 30, 2002.

4. ** Redistribution of Liability for Compensated Absences and Increase in Fund Balance**  
During Fiscal Year 2001-02, the University has distributed a portion of its liability for compensated absences from E&G funds to the Statewide service functions and self-support operations, including Athletics. The effect of this redistribution was to decrease the liability and increase the fund balance of the E&G funds by $5.4 million. The adjustment has been reflected in the accompanying statements as a restatement of beginning fund balance.

5. **Net Transfers**  
Net Transfers through March 31, 2002, totaled $1.2 million compared to a target of $0 resulting in a $1.2 million variance. Projected Net Transfers through June 30, 2002, total ($1.1 million) compared to the target of $0, resulting in a ($1.1 million) variance. Per OSU management, the reason for the large variances is due to the volatility of this amount and the difficulty in utilizing trend analysis to determine targets.
6. **Projections**  
Projected revenues from Government Appropriations for Fiscal 2002 are estimated at $94 million. Per OSU management, this estimate is based on the 2002 allotment plan which has been adjusted for the Governor’s reductions announced March 13, 2002.

*Unaudited—Prepared for Management Purposes Only*
The University of Oregon  
Many Nations Longhouse Revision

(Consent Item)

Summary:
The University of Oregon (UO) seeks Board approval to authorize the Vice Chancellor for Finance and Administration to seek State Emergency Board approval to revise the expenditure limitation for the Many Nations Longhouse Replacement Project, originally approved during the 2001 Legislative session. This spring, the UO Student Government voted to allocate $350,000 from their student building fee allotment to the project in the form of Article XI-F(1) bonds. However, the current $1.5 million project limitation only allows gift funds to be used to construct the project, therefore we are requesting the establishment of a $350,000 Article XI-F(1) bond limitation to replace an equal amount of Gift Fund limitation for the project.

Staff Report to the Board

Background:
The Longhouse Project scope of work would remain the same, which includes building a small 3,000 square foot facility to provide meeting space, kitchen, offices, and an outdoor space for gatherings and celebrations. The Longhouse is now a temporary building that has been identified by the institution for eventual demolition and was not intended to be used for meetings of large groups. It provides less than one-third the space needed for the Native American community’s activities and programs. The project will provide a structure of sufficient size to accommodate meetings of up to 200 persons seated at tables. A food preparation area, offices, a conference room, an arts and crafts shop, and storage space would be provided. An outdoor meeting area of about 20,000 square feet would be developed adjacent to the building.

Staff Recommendation:
Staff recommends that the Board approve the request to seek the establishment of a $350,000 expenditure limitation of Article XI-F(1) bonds, from the State Legislative Emergency Board, to replace an equal amount of Gift Funds for the construction of the University of Oregon's Many Nation's Longhouse building.
Introduction:
The purpose of this report is to communicate the fiscal status of the Intercollegiate Athletics Department (Athletics) of Oregon State University (OSU) in accordance with the request of the Budget and Finance Committee (Committee). In their April 19, 2002, meeting, wherein the Committee requested monthly reports on the financial condition of OSU Athletics in order to more closely monitor the progress being made by Athletics in meeting their deficit reduction commitments.

The attached financial statement presents the revenues, expenses, and changes in fund and cash balances of Athletics as of April 30, 2002 and 2001. The year-to-date amounts as of April 30, 2002, were compared to the results as of April 30, 2001, and explanations for material variances between the year-to-date amounts were provided by OSU (see below). Footnotes to the financial statement are also attached to provide additional disclosure and explanation. In addition, OSU management provided information, detailed below, relative to Athletic's ability to meet the Board mandated fiscal year-end target for June 30, 2002.

University's Analysis of Operations:
Variances in the operating results through April 30, 2002, from the operating results through April 30, 2001, that were in excess of $0.5 million were identified for further analysis. The amounts reported for Gifts, Foundation, and Booster revenues, Operating expenses, and Scholarship expenses varied from the prior year results by over $0.5 million and explanations have been provided below for these variances:

- Gifts, Foundation, and Booster revenues totaled $4.7 million through April 2002, compared to the prior year amount of $3.8 million, resulting in an increase of $0.9 million. The variance is due to an increase in gifts from the foundation.

- Operating expenses totaled $18.0 million through April 2002, compared to the prior year amount of $20.5 million, resulting in a decrease of $2.5 million. The variance is due to expenses related to the football team's participation in the Fiesta Bowl in the prior fiscal year. The football team did not participate in a bowl game in the current fiscal year. Operating revenues were not similarly impacted due to receipt of PAC-10 monies in February and March of the current fiscal year totaling $2 million. No PAC-10 monies were received until June in the prior fiscal year.

- Scholarship expenses totaled $4.9 million through April 2002, compared to the prior year amount of $4.4 million, resulting in a $0.5 million increase. The variance is due to an increase in the number of scholarship athletes who attended summer school, coupled with tuition and room and board increases.

It is expected that additional operating revenues, additional PAC-10 revenues of $4 million, and unbudgeted gift revenues of $1 million to be received by this fiscal year end, will provide the necessary revenues to cover the remaining operating expenses through year end and meet the Board's mandated target fund deficit of $5.6 million at fiscal year end June 30, 2002.
Chancellor’s Office Review

Process: The Chancellor’s Office has reviewed the financial statement and analysis prepared by OSU to test the reasonableness of the amounts reported, the projections presented, and management’s assumptions. This review included the following:

- Reconciliation of amounts reported to the accounting records.
- Selected review of unusual amounts, trends, etc.
- Review of management’s explanations of material variances for reasonableness.
- Review of fiscal projections for reasonableness.

Analysis: The fiscal condition of OSU Athletics as of April 30, 2002, has improved over the prior year. The net loss from operations has decreased by $2.6 million from the prior year. However, Athletics has received $2 million in advances from the PAC-10 on their year-end revenue distribution. No such advances were received as of April 30 of the prior year. Adjusting for this change, the improvement in operating results amounts to $0.6 million over the prior year. This corresponds with the $0.8 million reduction in the cash overdraft, net of borrowed funds.

The beginning fund deficit was increased through a redistribution of $0.3 million of the liability for compensated absences from the budgeted operating funds (see note 2 to the financial statement). This change was incorporated in Athletic's deficit reduction plan approved by the Committee on April 19, 2002.

The amounts reported in the financial statements reconciled to the accounting records. In addition, the explanations provided by OSU for the material variances between actual amounts reported through April 30 and the prior year amounts for the same time period were reasonable.

The University's projections indicate that the fund deficit will be at or below the $5.6 million fund deficit target for the year ended June 30, 2002. Realization of the incremental PAC-10 and gift revenues cited above, and Athletic's ability to control expenses over the last two months of the fiscal year will be key to achieving the target.

Summary: The fiscal condition of OSU Athletics at April 30, 2002, has improved over the prior year by $0.6 million, after adjusting for the $2 million in PAC-10 revenue advances received in the current fiscal year. The University's projections indicate that the fund deficit will be at or below the $5.6 million fund deficit target established by the Board for the year ended June 30, 2002.
Oregon State University Intercollegiate Athletics  
Fund Balance, Revenue, Expense, and Cash Analysis  
Fiscal Year-to-Date April 30, 2002 and 2001  

<table>
<thead>
<tr>
<th>Description:</th>
<th>4/30/2002</th>
<th>4/30/2001</th>
<th>(Unfavorable) Variance</th>
<th>Favorable %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Fund Balance (Deficit)</td>
<td>$ (5,324,305)</td>
<td>$ (5,849,822)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior Period Adjustment:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued Vacation Liability (note 2)</td>
<td>(308,715)</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted Beginning Fund Balance (Deficit)</td>
<td>(5,633,020)</td>
<td>(5,849,822)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td>9,286,042</td>
<td>9,154,670</td>
<td>131,372</td>
<td>1.44%</td>
</tr>
<tr>
<td>Student Fees</td>
<td>678,415</td>
<td>760,057</td>
<td>(81,642)</td>
<td>-10.74%</td>
</tr>
<tr>
<td>Lottery</td>
<td>432,727</td>
<td>443,621</td>
<td>(10,894)</td>
<td>-2.46%</td>
</tr>
<tr>
<td>Gifts, Foundation, and Booster (note 3)</td>
<td>4,746,338</td>
<td>3,778,495</td>
<td>967,843</td>
<td>25.61%</td>
</tr>
<tr>
<td>Other</td>
<td>82,700</td>
<td>159,319</td>
<td>(76,619)</td>
<td>-48.09%</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>15,226,222</td>
<td>14,296,162</td>
<td>930,060</td>
<td>6.51%</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating (note 3)</td>
<td>17,960,037</td>
<td>20,510,752</td>
<td>2,550,715</td>
<td>12.44%</td>
</tr>
<tr>
<td>Scholarships (note 3)</td>
<td>4,933,839</td>
<td>4,373,396</td>
<td>(560,443)</td>
<td>-12.81%</td>
</tr>
<tr>
<td>Other</td>
<td>322,501</td>
<td>58,760</td>
<td>(263,741)</td>
<td>-448.84%</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>23,216,377</td>
<td>24,942,908</td>
<td>1,726,531</td>
<td>6.92%</td>
</tr>
<tr>
<td>Net Income (Loss) from Operations</td>
<td>(7,990,155)</td>
<td>(10,646,746)</td>
<td>2,656,591</td>
<td>-24.95%</td>
</tr>
<tr>
<td>Fund Balance (Deficit) Before Subsidy</td>
<td>(13,623,175)</td>
<td>(16,496,568)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutional Funds Subsidy</td>
<td>3,731,608</td>
<td>3,596,447</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ending Fund Balance (Deficit)</td>
<td>$ (9,891,567)</td>
<td>(12,900,121)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash (Overdraft)</td>
<td>$ (5,844,907)</td>
<td>(8,448,466)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans Outstanding Due General Fund (note 4)</td>
<td>2,000,000</td>
<td>145,330</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash (Overdraft) - Net of Borrowed Funds</td>
<td>$ (7,844,907)</td>
<td>(8,593,796)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Unaudited - Prepared for Management Purposes Only
Oregon State University Intercollegiate Athletics  
Notes to Financial Statement  
Fiscal Year-to-Date April 20, 2002 and 2001

1. Basis of Presentation  
The statement includes only the operations of OSU Intercollegiate Athletics. This statement is for internal use only; it is not purported to be presented in accordance with generally accepted accounting principles.

2. Redistribution of Liability for Compensated Absences and Increase in Fund Deficit  
During fiscal year 2001-02, the University has distributed a portion of its liability for compensated absences from the Education and General (E&G) funds to the Statewide service functions and self-support operations, including Athletics. The effect of this redistribution was to increase the liability and increase the fund deficit of Athletics by $0.3 million. The adjustment has been reflected in the accompanying statement as a restatement of beginning fund deficit.

3. Material Variances from Prior Year Amounts  
Variances in the operating results through April 30, 2002, from the operating results through April 30, 2001, that were in excess of $0.5 million were identified for further analysis. The amounts reported for Gifts, Foundation, and Booster revenues, Operating expenses, and Scholarship expenses varied from the prior year results by over $0.5 million and explanations provided by OSU Management are summarized below for these variances:

- **Gift, Foundation, and Booster Revenues**  
  Gift, foundation, and booster revenues as of April 2002 were $0.9 million higher than the prior year amount for the same time period due to an increase in gifts from the foundation.

- **Operating Expenses**  
  Operating expenses as of April 2002, were $2.6 million lower than the prior year amount for the same time period due to expenses relating to the football team's participation in the Fiesta Bowl in the prior fiscal year. The football team did not participate in a bowl game in the current fiscal year. Operating revenues were not similarly impacted due to receipt of PAC-10 monies in February and March in the current fiscal year totaling $2 million. No PAC-10 monies were received until June in the prior fiscal year.

- **Scholarships**  
  Scholarship expenses as of April 2002, were $0.6 million higher than the prior year amount for the same time period due to an increase in the number of scholarship athletes who attended summer school, coupled with tuition and room and board increases.

4. Loans Outstanding Due General Fund  
As of April 30, 2002, the University had advanced $2 million from its E&G funds to cover Athletics' cash shortages. The advances are treated as interest bearing loans and are to be paid back on or before September 30, 2002.

Unaudited—Prepared for Management Purposes Only
Oregon State Board of Higher Education
Board Committee on Budget and Finance
April 19, 2002

Minutes

Meeting Participants: Tom Imeson, chair, Geri Richmond, Don VanLuvanee, and Tim Young.

OUS University Presidents: Phillip Creighton, EOU; Martha Anne Dow, OIT; Dan Bernstine, PSU; and Betty Youngblood, WOU.

Chancellor’s Office staff: Joe Cox, Chancellor; Tom Anderes, Vice Chancellor for Finance and Administration; Michael Green, Controller; and Bob Simonton, Director of Capital Planning and Budget.

Meeting attendees also included other institutional representatives, other members of the Chancellor’s Office staff, and interested observers.

The meeting was called to order at 8:15 a.m.

MINUTES FROM February 15, 2002
A motion was made by Director Richmond and seconded by Director Young to accept the minutes from the February 15, 2002, and the motion was approved.

ACTION ITEMS

Policy Covering Approval of Chancellor’s Transactions
Vice Chancellor Anderes advised that current System policies do not require independent review of the time reporting, travel expense reimbursements, vacation payoffs, and procurement card purchases made relative to the Chancellor. This places the Chancellor in the awkward position of approving payments/transactions that directly benefit the Chancellor. The proposed policy would strengthen internal controls by providing an independent review and approval of these transactions by the Vice Chancellor for Finance and Administration. Should there be unresolved exceptions arising from this review and approval process, the policy requires the Vice Chancellor to report such exceptions directly to the Board President.

The Board is responsible for this policy and delegates the review and approval responsibilities set forth in the policy to the Vice Chancellor for Finance and Administration. While the Vice Chancellor for Finance and Administration reports to the Chancellor, the Vice Chancellor for Finance and Administration has full authority to report any unresolved exceptions arising from this policy directly to the President of the Board of Higher Education, as necessary.

Anderes advised this policy is in response to a state-level policy implemented as a result of improprieties within another state agency. Director Richmond made a motion to accept the proposed policy; Director Young seconded and the motion carried.

New Student Housing and Renovation Project (OIT)
Bob Simonton, Director of Capital Planning and Budget, advised that Oregon Institute of Technology (OIT) requests Board Authorization to seek approval from the State Emergency Board (E-Board) for an Article XI-F(1) Bond Expenditure Limitation to construct a new on-campus student housing facility and to renovate
the current residence hall. The University’s goal is to construct new apartment and suite style units and renovate the current facility by the fall of 2003. Sheldon Nord, Vice President for Student Affairs at OIT, advised that the one residence hall on campus was built in 1968 and that housing options are limited in Klamath Falls. The new residence hall would meet student needs on the campus and would increase on-campus housing by 225 students (or 60%). Students are enthusiastic about the proposal.

Director Young made a motion to authorize the Vice Chancellor for Finance and Administration to seek authorization from the E-Board for a new project expenditure limitation of $10.4 million for issuance of Article XI-F(1) bonds to finance the OIT residence hall project; Director Richmond seconded and the motion carried.

**University Center Renovation (PSU)**

Simonton advised that Portland State University (PSU) is seeking Board approval authorizing the Vice Chancellor for Finance and Administration to obtain authorization from the E-Board to revise the scope of work and expenditure limitation for the Smith Memorial Student Center (SMSC) and Student Health Center Project. This project was previously approved in the 2001 legislative session for $9.5 million. The original plan was to add a fifth floor to the student center to house a student health center; however, the elevators could not accommodate emergency equipment. A study was conducted of the project. It concluded that the fifth floor should not be added, and that the student health center should be located on the ground floor of the Student Center. This restructuring of the project will shorten the project by 15 months, and require less funding.

Director Young made a motion to authorize the Vice Chancellor for Finance and Administration to seek E-Board authorization to revise the project limitation from $9.5 million to $9 million of Article XI-F(1) Bond expenditure limitation, and change the scope of the project to allow for the renovation of space in the Student Center building for the Student Health and Counseling Center in lieu of constructing an additional floor; Director Richmond seconded and the motion carried.

**Revision to Approved COP Project: Administrative Systems Upgrade (OSU)**

Anderes advised that Oregon State University (OSU) seeks Board approval to revise the use of Certificates of Participation (COP) funds from the upgrade of the SCT Banner Administrative Systems software, approved by the Board and the legislature in the 2001-2003 biennial budget, to an upgrade of the administrative systems hardware used to run the SCT Banner production systems, the data warehouse and testing system, and for the acquisition of a job-scheduling product to automate submission of Banner production jobs. The estimated cost of the revised project is $1,000,000, which matches the existing $1,000,000 expenditure limitation adopted by the 2001-2003 legislature for the original project scope.

The Department of Administrative Services has indicated that this revised project needs the approval of the Board before it may be financed with COPs. Currently, this project is scheduled as part of a May 2002 COP financing sale pending approval of the Board.

Director Young made a motion to approve OSU’s request to revise the scope of the proposed upgrade of the administrative systems at OSU, to be financed by COPs in the amount of $1,000,000, using existing COP expenditure limitation; Director Richmond seconded and the motion carried.
Intercollegiate Athletic Department (OSU) Deficit Reduction Plan, April 19, 2002

Anderes advised that, as an outcome of discussion at the February 2002 board meeting, the Intercollegiate athletic deficit reduction plan at OUS has been revised. It provides an annual commitment of approximately $500,000 to $1 million, with a date of completion of June 2009. Staff recommends acceptance of the plan and continued oversight with interim reviews and annual reports to the Board provided. If revisions to the plan are deemed appropriate, they would be subject to Board approval.

Discussion
Director Imeson stated that the interim reports are important but he would like assurance that if it appears there is a problem in staying on-schedule, the Committee would have early warning rather than waiting until the end of the year report. Anderes agreed and stated that he believes an annual report will be sufficient but, depending on activity during the year, a report will be provided during the year.

Director Richmond asked if Education and General (E&G) funds are utilized in this plan. Anderes stated that funding would include E&G funds, revenues realized from sales and programs (e.g., football, basketball, etc.), and tuition allocated. Director Young asked that definitions of funding sources be provided to the Committee. Director Richmond stated that she would like clarification of, if at some point in the next few years the Board decides that E&G funds cannot be used for athletics, how the reduction plan would be affected. Anderes advised that currently E&G funds are used to support athletics at most institutions. Discussion has begun at campuses on what level of funding is needed to support athletics but that can be dependent on the success of the university’s athletic programs. Richmond stated she would recommend, as a part of the ongoing campus discussions, that the use of E&G funding be minimized and other funds be increased. Chancellor Cox stated for the record that small institutions are dependent on the use of E&G funds to support athletic programs.

Director VanLuvanee stated he would appreciate a five-minute monthly update on the status of the reduction plan until it is paid off. Director Imeson said that he agreed with Director VanLuvanee’s request for monthly updates and would recommend adopting the proposed plan with the additional monthly reporting to the Board. Director VanLuvanee made the motion to accept the staff recommendation with the caveat of a monthly update being provided to the Board; Director Young seconded the motion and the motion was carried as amended.

REPORT ITEM

Fiscal Status of Budgeted Operating Funds
Michael Green, Controller, advised the purpose of the report is to assure the Board that the major operating funds of the campuses are stable. Cash and fund balances have grown and, as of December 31, 2001, there is indication that the campuses are reducing expenditures in anticipation of budget reductions.

Significant decisions impacting the OUS operating budget have not yet impacted fiscal operations. However, early in FY 2001-02, the Governor implemented a 2% budget reduction which began impacting the revenue stream in November 2001. The remainder of the 2% reduction this fiscal year will be taken in the last six months. In addition, the results through December do not incorporate any further budget reduction actions by the Legislature and/or the Governor. Those actions will impact fiscal results in the second half of the fiscal year.
Green advised employee benefit cost increases took effect in December 2001 and will drive costs up for the second half of the fiscal year. In addition, selected salary increases went into effect in January 2002, increasing costs for the second half of the fiscal year.

While the fiscal condition was stable on December 31, the final results of any budget reduction action, as well as the increased costs in the second half of the fiscal year noted above, will likely cause a reversal in the revenue/expenditure trends for the second half of the fiscal year and reduce cash and fund balances. Institution management anticipates the balances will remain positive at year-end.

In conclusion, Green advised that as a result of the accountability framework project recommendation, OUS is in the process of developing a managerial reporting system. This system should be implemented next year and will provide more information to university managers and the Board.

The report was accepted without discussion.

**MEETING ADJOURNMENT**
The meeting adjourned at 8:43 a.m.