THURSDAY, JULY 13, 2006

- 5th Site Advisory Board, 7:30–9:00 a.m., SMSU Browsing Lounge (Room 238)
- Administrative Council, 9 a.m. – 1 p.m., SMSU Browsing Lounge (Room 238)
- Provosts’ Council, 12–3 p.m., Cramer Hall (Room 307)
- Presidents Council, 1–3 p.m., SMSU Cascade Room (Room 236)
- Full Board, 3–5 p.m., SMSU Rooms 327/8/9

FRIDAY, JULY 14, 2006

- Board Executive Session, 7–8 a.m., SMSU Room 326
- F&A Committee, 8–9 a.m., SMSU Rooms 327/8/9
- Full Board, 9 a.m. – 1:30 p.m., SMSU Rooms 327/8/9
AGENDA

1. CALL TO ORDER/ROLL CALL/WELCOME

2. REPORTS
   a. Chancellor’s Report
   b. Presidents’ Reports
   c. Provosts’ Council
   d. Interinstitutional Faculty Senate (IFS) President
   e. Oregon Student Association (OSA) Chair

3. ACTION ITEM
   a. UO, Sale of Land and Improvements, Westmoreland Apartments – Approval (Pernsteiner)

4. ADJOURNMENT

AGENDA

1. CALL TO ORDER/ROLL CALL/WELCOME

2. DISCUSSION ITEMS
   a. University Foundation Supplements
   b. Terms of Chancellor’s Employment

3. ADJOURNMENT
MEETING OF FINANCE & ADMINISTRATION COMMITTEE OF THE STATE BOARD OF HIGHER EDUCATION
SMITH MEMORIAL STUDENT UNION, ROOMS 327/8/9
JULY 14, 8–9 A.M.

AGENDA

1. CALL TO ORDER/ROLL CALL/WELCOME

2. APPROVAL OF MINUTES ...........................................(APPENDIX A UNDER SEPARATE COVER)

3. ACTION ITEM

   a. OIT, Center for Health Professions, Phase I (Simonton) ........................................... 1
      OIT seeks Board approval to authorize the Chancellor, or designee, to seek state Legislative Emergency Board approval of an additional Other Funds limitation of $1.0 million for a revised total project cost of $12.2 million.

4. REPORT ITEM

   a. OUS, Internal Audit Progress Report (Snopkowski)................................................... 3

5. ADJOURNMENT

REGULAR MEETING OF THE STATE BOARD OF HIGHER EDUCATION
SMITH MEMORIAL STUDENT UNION, ROOMS 327/8/9
JULY 14, 9 A.M. TO 1:30 P.M.

AGENDA

1. CALL TO ORDER/ROLL CALL/WELCOME

2. APPROVAL OF MINUTES  (APPENDIX A UNDER SEPARATE COVER)

3. RESOLUTIONS

4. CONSENT ITEMS

   a. OIT, Center for Health Professions, Phase I (Simonton) ........................................... 1
b. **PSU, Ph.D. in Technology Management** ................................................................. 7
   Portland State University seeks Board approval to offer a Ph.D. in Technology
   Management.

c. **SOU, Dr. Cullinan Contract Date Change** (Rawlins) ............................................ 9

5. **REPORT ITEM**
   a. **Access and Affordability Working Group Update** (Nesbitt) ................................. 89

6. **ACTION ITEMS**
   a. **An Investment in Oregonians for Our Future**: Oregon University System
      2007-2009 Operating Budget Request (Kenton/Nelson) ........................................... 21

   b. **Capital Construction Budget Request**, 2007-2013 (Kenton/Simonton) .................. 63

   c. Foundation Salary Supplements (Pernsteiner/Rawlins)

   d. **Adoption of Permanent Administrative Rules** OAR 580-043-0060 through
      0095, University Venture Development Funds (Rawlins) (roll call vote) ................. 81

7. **REPORT ITEMS (CONTINUED)**
   a. Long-Range Planning Update (Weeks)

   b. Statewide Outreach Plan for Higher Education (Saunders) ................................. 113

8. **COMMITTEE REPORTS**
   a. Standing Committee

   b. Working Groups

   c. Other Board Committees

9. **PUBLIC INPUT**

10. **BOARD COMMENTS**

11. **DELEGATION OF AUTHORITY TO BOARD’S EXECUTIVE COMMITTEE**
“Pursuant to Article II, Section 5 of the Bylaws of the Board of Higher Education, the Board delegates to the Executive Committee authority to take final action as here designated or deemed by the committee to be necessary, subsequent to the adjournment of this meeting and prior to the Board’s next meeting. The Executive Committee shall act for the Board in minor matters and in any matter where a timely response is required prior to the next Board meeting.”

12. ADJOURNMENT

Note: All docket materials are available on the OUS website at: http://www.ous.edu/board/meetingmaterials.htm. Please contact the Board’s office at (541) 346-5749 if you have any questions regarding these materials. This agenda may be amended at any time prior to 24 hours before the Board meeting. Estimated starting times for the agenda items are indicated; however, discussions may commence, or action may be taken, before or after the suggested times. Any item on the agenda may be considered at any time out of order at the discretion of the President of the Board. During the meeting, the Board may convene in Executive Session to receive legal advice regarding any item on the agenda or for any reasons permitted under Oregon law.
Table of Contents

Action Item
OIT, Center for Health Professions, Phase I ................................................................. 1

Report Item
OUS Internal Audit Progress Report ............................................................................. 3
(This page intentionally left blank.)
OIT, Center for Health Professions, Phase I

Summary:
The Oregon Institute of Technology (OIT) seeks Board approval to authorize the Chancellor, or designee, to seek state Legislative Emergency Board approval of an additional Other Funds limitation of $1.0 million for a revised total project cost of $12.2 million for construction of the Center for Health Professions, Phase I Project. The project was approved by the January 20, 2006, Legislative Emergency Board. The additional Other Funds limitation will be used to offset construction-related inflationary increases in the cost of the project and will consist entirely of gifts. There is no General Fund impact associated with this request.

Staff Report to the Board

Background:
The Legislative Emergency Board granted permission to spend $11.2 million to construct Phase I of the Center for Health Professions facility on the OIT campus in Klamath Falls. Phase I includes a new, 42,000-square foot building that will house laboratories, classrooms, and faculty offices for OIT's academic health profession training programs. The new building will allow OIT to expand enrollments in these programs, which currently operate at capacity, by an additional 36 percent (or 420 students).

The project will help OIT address the shortage of healthcare professionals in Oregon. This shortage is expected to worsen as the state's population ages and many current health care workers retire. OIT has had to turn away approximately 200-300 qualified applicants from these programs each year because of its limited capacity to serve them.

Increases in Project Cost:
The original project authorized anticipated a 15 percent rate of inflation for materials, not the 40 to 50 percent increase that is occurring in some of the basic building materials due to pressures on domestic supplies of steel and other materials brought on by construction in China and other events such as hurricane Katrina.

Much time was spent during the design phases in an effort to reduce cost. The project is well into its design phases and has identified cuts to stay within the original budget of $11.2 million, including the reduction of the building size. However, without the requested additional Other Funds limitation, the project will proceed with a subsequent reduction in the number of students admitted into the programs as originally planned.

Fundraising completed to date:
The University has raised the additional $1 million of private gift funds.

Staff Recommendation to the Board:
Staff recommends that the Board approve the request to increase the Other Funds limitation for the previously approved Center for Health Professions, Phase I Project and
that the Chancellor, or designee, be asked to seek an authorization from the State Emergency Board for an additional Other Fund expenditure limitation of $1.0 million for a total project cost of $12.2 million. Staff requests the Board Finance and Administration Committee approve the staff recommendation and recommend it to the full Board for their approval.

(Board action required.)
OUS Internal Audit Progress Report

Background:
As outlined in the Oregon State Board of Higher Education Audit Charter, the Oregon State Board of Higher Education (the Board) has oversight responsibility to ensure that Oregon University System (OUS) management is performing their duties of financial reporting, ensuring effective and efficient internal controls, and complying with laws, regulations, and ethics. This report provides information regarding the following audit charter provisions:

- The Board shall approve annually the Internal Audit Division’s audit plans and budget.
- The Board shall review, at least semi-annually, the results of Internal Audit recommendations and follow-up procedures. More frequent meetings will be held as deemed necessary.
- The Board shall have and exercise all other powers, as it shall deem necessary, for the performance of its duties.
- The Board has delegated these audit duties to the Finance and Administration Committee. The F&A Committee shall report the results of internal and external audit findings to the full Board at least once a year.

Scheduled Audits Issued – March 27, 2006, through June 30, 2006

<table>
<thead>
<tr>
<th>Institution</th>
<th>Title</th>
<th>Risk Rating (as of 6/30/06)</th>
<th>Management Action Addresses Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>PSU</td>
<td>Restricted Fund Expenditures</td>
<td>Low</td>
<td>Yes</td>
</tr>
<tr>
<td>SOU</td>
<td>Office of Admissions</td>
<td>Low</td>
<td>Yes</td>
</tr>
<tr>
<td>OSU</td>
<td>Accounts Payable and Purchasing</td>
<td>Medium</td>
<td>Yes</td>
</tr>
<tr>
<td>WOU</td>
<td>Office of Admissions</td>
<td>Medium</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Ratings – The rating relates to the selected financial, compliance, and operational areas tested. The rating is NOT a global performance rating.

- **High** – Some controls exist, but they are generally not functioning as intended and additional controls are needed.
- **Medium** – Controls exist, but some controls are not functioning and additional controls are needed.
- **Low** – Controls are in place and functioning effectively except for the recommendations outlined in the report.

The Internal Audit Division issued six reports related to special requests and no follow-up reports between March 27, 2006, and June 30, 2006.
REGULAR MEETING OF STATE BOARD OF HIGHER EDUCATION

Table of Contents

Consent Items
OIT, Center for Health Professions, Phase I ................................................................. 1
PSU, Ph.D. in Technology Management ....................................................................... 7
SOU, Dr. Cullinan Contract Date Change ..................................................................... 9

Action Items
UO, Sale of Land and Improvements, Westmoreland Apartments – Approval............ 11
An Investment in Oregonians for Our Future: Oregon University System 2007-2009 Operating Budget Request ................................................................. 21
Capital Construction Budget Request, 2007-2013 ...................................................... 63
Adoption of permanent Administrative Rules OAR 580-043-0060 through 0095, University Venture Development Funds ................................................................. 81

Report Items
Access and Accountability Working Group Update ..................................................... 89
Statewide Outreach Plan for Higher Education .......................................................... 113
PSU, Ph.D. in Technology Management

The proposed Ph.D. in Technology Management is a 99 credit hour program, including 20 credits of core required graduate courses, 20 credits of graduate electives in specialization area(s), chosen collaboratively by the student and advisor, 20 credits of methodological coursework, 12 credits of independent study, and 27 credits of dissertation research. The curriculum emphasizes research preparation through early research experiences prior to the comprehensive exam. The external evaluator report attests to the breadth and strength of the departmental faculty. Major research areas of the department include decision analysis, project management, technology transfer, technology forecasting, and new product development.

The ETM department’s master’s programs are targeted for engineers and scientists moving into positions of greater managerial responsibility from the project manager level to the executive level. The Ph.D. program in Technology Management will provide further skills in these areas as graduates advance the state of knowledge in this developing field. Graduates of a current joint program offered through Systems Science have been gainfully employed in a mix of academia and industry both in Oregon and outside of Oregon. As such, future graduates of this more targeted program are expected to also be in strong demand.

It is expected that the program will draw new students to the University. The proposed program is for students who are interested in a Ph.D. in Technology Management with a strong identity in that field. The students attracted to the program will be those who are interested in pursuing their Ph.D. without the Systems Science component. They will be new students even though the course offerings by the ETM will remain the same. It will be a supplement, but not a substitute, for the existing Ph.D. in SySc/Engineering Management and will attract new students who otherwise would go to other institutions out of state.

A steady state enrollment of 30 students is expected in the department with approximately six graduates per year from this program.

All appropriate University committees and the OUS Provosts’ Council have positively reviewed the proposed program. The external review team report provided additional positive support.

Recommendation to the Board:
The OUS Provosts’ Council recommends that the Board authorize Portland State University to offer the Ph.D. in Technology Management, effective immediately.

(Board action required.)
(This page intentionally left blank.)
SOU, Dr. Cullinan Contract Date Change

For the purposes of timely implementation of benefits, the Board is requested to amend Dr. Mary Cullinan's contract to begin on August 31, 2006, instead of the original September 1, 2006, date.

Staff Recommendation to the Board:
Staff recommends Dr. Cullinan's contract date to begin on August 31, 2006.

(Board action required.)
UO, Sale of Land and Improvements, Westmoreland Apartments – Approval

**Summary:**
The University of Oregon (UO) seeks Board approval to sell the Westmoreland Village Apartment Complex (Westmoreland). At its November 4, 2005, meeting, the Board authorized UO to undertake actions intended to result in the sale of Westmoreland on commercially reasonable terms with the understanding UO would seek Board approval of the sale once a buyer was identified and terms were negotiated.

Since that time, UO has worked with current residents and others to help mitigate the negative effects the sale might have on student tenants. The UO offered Westmoreland residents the opportunity to move to the UO’s other family housing facilities, Spencer View, Agate, and Moon Court Apartments, and East Campus Houses. In addition, all residents who have moved since the potential sale was announced in October 2005 will receive $150 to assist with relocation expenses and those who moved to other UO housing were excused from payment of the standard $100 move-out fee. The prospective buyer will allow current Westmoreland residents to remain at least through June 2008. The UO will provide financial assistance on behalf of eligible current residents who wish to remain, paying on behalf of these tenants the amount of any rent increases through June 30, 2008. Additionally, UO has an adequate number of vacant units to provide housing to any current Westmoreland residents with children who prefer to rent from the University. The UO has increased its childcare capacity at other locations to ensure current tenants have adequate child care opportunities at no increased cost.

The offered sale price is $18.45 million dollars. The UO intends to use the net proceeds to retire its share of the OUS Consolidated Housing Debt obligations (approximately $10.2 million), mitigate effects on residents through June 2008, purchase the Romania property from the UO Foundation, and use remaining funds toward the purchase of Oregon Department of Transportation property northeast of campus along Franklin Boulevard. Relief from debt obligations will save more than $1.1 million annually, which may be used to support debt on new and renovated housing facilities.

The prospective buyer, Michael O’Connell, Sr., owns commercial and investment real estate. Bell Real Estate, an experienced property management company, will manage the property on his behalf. Mr. O’Connell expects to perform modest renovations that will upgrade a large number of units and the common areas but not result in substantial rent increases.

The University has asserted that approval of the sale of Westmoreland by the Board would allow the institution to accomplish a number of key strategic initiatives, including offering housing in closer proximity to campus to better meet current student demand and providing opportunities to be responsive to future student housing needs.
Background:
Westmoreland is located between Arthur and Garfield Streets and 13th and 18th Avenues in Eugene, approximately three miles west of the main UO campus. It consists of approximately 20.57 acres and is composed of 404 apartments and duplexes designed for use as family housing. The units were constructed between 1960 and 1964. Westmoreland has no outstanding bonded indebtedness.

Westmoreland was intended to provide housing for families, with the highest priority given to students living with their dependent children. At the time the UO announced it would request permission to work toward a potential sale, the University estimates that about 12 percent of the residents had children living with them.

After the Board authorized UO to proceed in November, UO offered the property to other state agencies and local public entities, as required by ORS Chapter 270. No offer was received and the UO issued a Request for Proposals on February 6, 2006. No proposals were submitted prior to the May 8 deadline. On May 8, UO issued a public notice indicating its continued interest in selling the property and inviting offers. UO received three offers from which it selected Mr. O'Connell's as the one that best met UO's needs. UO accepted Mr. O'Connell's offer subject to Board approval and fulfillment of standard contingencies; e.g., securing financing and an opportunity for inspection. During the due diligence period, Mr. O'Connell has discovered the need for additional renovation and the parties have negotiated an amendment to the original sale agreement. Mr. O'Connell has continued to work with UO to respond to requests regarding mitigation and thus far has fulfilled all of his obligations.

The UO has worked with the Oregon Department of Justice (DOJ) throughout the process. Assistant Attorney General Eric Iverson has approved the legal documents related to the sale. The UO hired consultants to assist it with the sale and is not paying a commission to them.

The Chancellor, at the direction of the Board president, held three hearings, two during the day on June 5th and one the evening of June 12th, providing approximately 10 hours for students, local leaders, and community members to express their opinions on the sale. Everyone who was present and wished to speak did so.

In addition to the hearings' comments summarized in a separate report sent to Board members in late June and those written comments received at those times by those testifying, two written comments were received by the Chancellor's Office by July 3, 2006. Both were from University employees. One asked that a decision be delayed for at least three years in order to allow current tenants time to adjust and also noted that the sale of Westmoreland would harm diversity. The other raised legal concerns with the sale, noted the potentially negative impact on students who were veterans, and proposed that the property remain in the Board's custody but be provided to a foundation or to another public entity for use as housing for veterans. This proposal was received late on July 3, 2006, 56 days after the May 8th deadline the University had set for proposals and after the University’s acceptance of Mr. O’Connell’s proposal.
Mitigation:
The University of Oregon has stated its intentions regarding the mitigation of impacts of the proposed sale on student tenants of Westmoreland. It has said that no student residents of Westmoreland will be displaced by the sale. The University consulted with students to develop a mitigation plan for current student residents of the complex. UO estimates that it will spend about $500,000 for mitigation efforts related to the Westmoreland sale. The precise amount will depend on variables that are not known at this time, such as how many current residents will choose to remain at Westmoreland and how long they will remain as students.

As of June 19, 2006, 187 of 404 units at Westmoreland were occupied; 31 residents reported that they have minor children. All residents with children could be accommodated in other UO housing suitable for families with children, including Spencer View, Agate, Moon Court Apartments, or East Campus Houses. The University does not anticipate the sale of Westmoreland will result in rental increases at these other locations beyond what otherwise would be required for the operation, maintenance, management, and renovation of those facilities. (For example, the University will increase rent at Spencer View by 2.2 percent to 2.6 percent for 2006-07 in order to cover operating costs at that complex, regardless of whether Westmoreland is sold.)

University student-tenants residing at Westmoreland as of May 25, 2006, may continue to live in their leased units through June 30, 2008, provided they are not in default of their leases. UO will subsidize the rent paid by these student residents so they will continue to pay rent at the 2005-06 rates until June 30, 2008, as long as they remain eligible for UO housing. This is one year longer than originally had been anticipated, but the University extended the period in response to comments made at the June public hearings. UO estimates 100 to 150 UO student-tenants will remain at Westmoreland after August 31, 2006, the date the sale is scheduled to close.

University student-tenants who moved out of Westmoreland after the sale proposal was announced in October 2005 but before May 25, 2006, will receive $150 to cover relocation expenses. Approximately 100 UO students will be eligible for this benefit. Westmoreland residents who moved to another UO housing facility after October 2005, when the UO’s intent to sell was announced, already should have received a waiver of the $100 move-out fee. Student tenants can contact the vice president for finance and administration if they believe they qualify for any of the mitigation funds.

University officials have asserted that providing adequate financial aid to students with financial need is a better practice than “…providing low-rent/low-aid that is not part of a financial aid package, is not based on financial need, and retains units that are not filled. The University’s current capital campaign, “Campaign Oregon: Transforming Lives,” has a goal of raising $100 million for student scholarships. These funds, along with the achievement of the Governor’s and the Board’s goals of increasing financial aid, provide the best method for assuring that a University of Oregon education is affordable for all Oregonians.”
University officials believe the sale of Westmoreland will provide the University of Oregon with the financial capacity to build and renovate units that will attract students, help keep them enrolled, and meet their needs. UO believes offering quality academic programs and providing adequate financial assistance are key factors in attracting and retaining students, especially graduate students. Because the prospective buyer expects to raise rents by 10 to 12 percent (approximately $50 per month), the property still will remain in the low cost rental inventory in the Eugene-Springfield market. In fact, because the units would become available to others in addition to UO students, the sale could have a positive effect on the availability of housing for the community.

Westmoreland also houses one of the University’s three child care centers. As of fall 2005, seven of the 39 children enrolled at the Westmoreland Child Care Center were children of Westmoreland residents. The UO purchased and installed a modular child care unit that will be connected to the UO Vivian Olum child care facility by a covered walkway to guarantee child care services to Westmoreland residents.

UO students with one or more children at the Westmoreland child care facility as of June 2006 and who continue at a University-operated child care facility (Moss Street or the Olum Center) at the start of fall term 2006 or sooner are guaranteed a spot for each child for as long as the UO student remains eligible for student child care. The UO will place a cap on the child’s tuition at the Moss Street student rate (historically equal to that charged at the Westmoreland facility) as determined each year for as long as the UO student is eligible for the student rate. The cap applies whether the child is placed at Moss Street or Olum (which does not offer a student rate).

The potential buyer is considering operating a child care facility at Westmoreland.

Terms of the Sale:
The sale price is $18.45 million dollars with a closing date of August 31, 2006. The buyer has until July 12, 2006, to complete due diligence review, but has fully funded the earnest money requirement. The buyer intends to increase rental rates by 10 to 12 percent. However, through June 2008, UO will fund the difference between those rates and the 2005-06 UO rates for UO student-tenants residing at Westmoreland as of May 25, 2006, and remaining in their units while continuing as students at the University.

The UO expects to net approximately $17.4 million. In addition to closing costs, the net amount assumes credits to the prospective buyer, including about $575,000 to reflect repairs that the prospective buyer determined were necessary after making due diligence inspections. If the Board approves the sale, the buyer will begin investing approximately $1 million to renovate units and common areas. If the UO defaults on the transaction after Board approval, it will pay costs to cover buyer-made repairs up to $500,000 (83 units at $6,000 per unit).

The Board is authorized to sell property under ORS 351.060. The UO has proceeded consistent with the Board’s guidance and seeks Board approval to complete the sale.
Terms offered by the potential buyer are commercially reasonable and provide an opportunity for current residents to remain without rent increases until June 30, 2008. The UO is undertaking mitigation to subsidize relocation costs for eligible students, provide university housing for residents with minor children, and ensure adequate child care is available for current residents whose children attend the Westmoreland child care facility. The University believes that Board approval of the sale will allow it to accomplish key initiatives that will benefit UO students long into the future.

_Staff Analysis:_

a. **Process.** The University sought and received approval from the Board in November 2005 to begin efforts leading to a possible sale of the Westmoreland property. The University did so in accordance with appropriate state and OUS procedures and is now presenting a proposal to the Board for its approval.

b. **Current Occupancy.** More than half the units at Westmoreland are vacant. In addition, another 81 units of family housing owned and operated by the University are vacant. This suggests that demand for the kinds of units offered at Westmoreland is not overwhelming. Further, just 31 families at Westmoreland are said to have dependent children, the category of student for which preference at Westmoreland and most other non-residence hall housing at the University is provided. This suggests that all such students now at Westmoreland could be accommodated in other appropriate but now vacant University housing.

c. **Financial considerations.**

1. **Purchase price.** The purchase price of $18,450,000 is above the targeted sale price and the prices the University said were offered by other potential purchasers of the property. Reductions in the price due to the condition of the facility (about $575,000) still keep the net amount well above the March 2005 as-is appraisal of $16,500,000.

2. **Demand for family housing.** As noted previously, demand for this type of housing seems weak throughout the University’s housing system, as witnessed by the high vacancy rates at University of Oregon facilities other than Westmoreland. Therefore, the demand for such housing would not seem to warrant a large investment at this time. It should be noted, however, that most of the University’s other family housing is priced higher than is Westmoreland. However, Westmoreland currently has 217 vacancies itself. Some of the vacancies probably are due to the uncertainty about future ownership of the property. About 10 percent of Westmoreland’s units were vacant before the University began efforts to sell the property.

3. **Use of Proceeds.**

   (a) **Mitigation.** The University is proposing to use about $500,000 of the proceeds over the next two years to mitigate the impact of the sale on the student residents of Westmoreland. This mitigation takes several forms, including rent subsidies to ensure that
residents who remain at Westmoreland pay no more in rent per month over the next two years than they do today; a $150 cash payment to students who move from Westmoreland after October 2005 in order to help defray moving costs; waiver of the $100 fee for early termination of leases for those moving from Westmoreland to other University housing; and reduction of child care charges for current customers of the Westmoreland Child Care Center who choose to use other University child care centers.

(b) Retirement of Consolidated Residence Hall Pool Debt. The University is proposing to pay off its share of the Systemwide Consolidated Residence Hall Pool bonds. The UO’s portion of these bonds totals about $10.2 million. Repaying those bonds, which were used to construct and renovate residence halls at all seven OUS campuses, will reduce the University Housing Office’s annual debt service payments by $1,100,000. This will relieve costs attributable to residence halls. The retirement of this debt would require shifting the proceeds of the sale from one category of housing (family housing) to another (residence halls); investigations will be undertaken into how such a transfer should be made. OAR 580-11-0030 suggests that the Chancellor might need to approve such a transfer.

(c) Acquisition of Romania property from the University of Oregon Foundation. The University is expected to seek Board approval to acquire the former Romania automobile dealership site from the UO Foundation at a price of about $5 million. The University has not targeted any specific use for the property, which it now leases for about $400,000 per year and uses for parking and storage. The University believes ownership of this parcel is essential for the long term development of the campus. The University has stated that it will provide the $400,000 per year it now pays for rent at Romania to the Housing Auxiliary.

(d) Acquisition of property from the Oregon Department of Transportation. The University has suggested that it will use the balance of the sale proceeds to help pay for the acquisition of the nearby ODOT property if that parcel becomes available. No details of such a transaction have been provided. It should be noted that the University, for many years, has discussed this acquisition as part of its long range development. Until and unless such a proposal is made, the portion of the Westmoreland proceeds that might be used in this way will remain in Housing Auxiliary accounts for the benefit of housing.

(e) The University has indicated that it will use the $1.1 million per year freed up from the retirement of the Consolidated Residence Hall Pool debt and the $400,000 per year it now pays to lease the
Romania property to pay debt service on bonds for new housing or housing renovations, in accordance with its housing plans. The University expects this will provide sufficient support for it to issue $20 million of bonds without affecting housing rates.

4. **Use of Reserve Fund Balances.** About $540,000 remained in repair and equipment reserve fund balances attributable to Westmoreland as of June 30, 2005. The University has committed that funds in these accounts at the time of sale will be used for similar purposes at its other family housing facilities.

5. **Effect on Spencer View Housing Complex.** The other large family housing complex owned and managed by the University is at Spencer View, located on East 24th Avenue, about a half mile from the campus. Spencer View was constructed about ten years ago and continues to carry bonded debt. For 2006-07, the debt service is expected to be about $472,000. In 2004-05, about $336,000 of the Spencer View debt was paid via a transfer from Westmoreland. The University has assured the Chancellor's Office that Spencer View can stand on its own financially with no more than a 2.6 percent increase in its rental rates for next year. The main reason is that the University believes it can fill the 48 vacant units now available with rent-paying students.

6. **Other Financial Considerations.** Westmoreland contributed $578,000 in net income to the Housing Auxiliary in 2004-05. As noted above, about $336,000 of that amount was transferred in order to help pay debt service on bonds issued to construct Spencer View. Another $41,000 was used to pay overhead and assessments and $201,000 was shown as net income. This is a substantial contribution to the Housing Auxiliary's financial health. The entire Housing Auxiliary showed net income of more than $2 million in 2004-05, so it had considerable net income even without Westmoreland.

7. **Westmoreland Renovation Costs.** If the University were to retain Westmoreland, its administration estimates that it would need to invest a considerable sum over the next few years to replace and upgrade the plumbing and sewer systems, connect the site to the University’s network, and repair and upgrade the units. The cost of these efforts undoubtedly would exceed the balances in the reserve funds, would utilize much of the net income currently earned at Westmoreland, and might require a rental rate increase there. However, it is likely that rents at Westmoreland still would be lower than those in other University family housing facilities.

8. **Westmoreland is a community asset.** Many students and community members and leaders have emphasized the important role Westmoreland plays in the life of the University and of the Eugene-Springfield community. The facility has had an undeniably positive impact on many current and former students. Many members of the
local community have lived there over the years. It always has been known for providing an inexpensive home for students. It also is said to have had a positive effect on its neighborhood. The University notes that financial aid, not housing rates, is a more efficient and cost-effective way to provide financial assistance to students and that the complex will remain and be renovated by the potential purchaser.

9. Other alternatives. Some have suggested that the University has other means at its disposal to acquire the property it wants and to build the kinds of housing it needs. Many suggested donations as a source for such acquisitions. The reliability of being able to find donors willing to provide gifts to the University for property-acquisition at a time when the desired property is available is questionable. With respect to constructing and renovating housing, it is true that the University could issue bonded debt for such work and raise housing rental rates to pay the debt service. The University has sufficient capacity under Board debt policies to do so for the housing it is thinking about at this time. However, it should be noted that the sale of Westmoreland allows the University to issue up to $20 million of such debt without raising rental rates. Further, retaining Westmoreland might require the University to issue additional bonds to renovate that facility, sparking the need for a rate hike at Westmoreland. Finally, it should be noted that there does not appear to be strong demand for University-provided family housing at this time.

10. Role of management. The Board has delegated considerable authority and autonomy to the presidents of its universities. The president of the University of Oregon has made a proposal that, despite criticism from many on the campus and in the community, has merit. It might not be the same proposal that community leaders, the Chancellor, or members of the Board might make; however, it is a well conceived proposal and one that fits with a long term vision of the University and its future.

11. Housing plan. The University has embarked on a housing plan. The Chancellor believes it highly desirable for the University to seek Board endorsement of that plan within the next few months, prior to legislative consideration of the University's requested housing projects in the State's 2007-2013 Capital Construction Program for the Oregon University System. That plan should explicitly address the University's intentions and processes for evaluating the need for and provision of each type of student housing, including housing for students with families, international students, graduate students, and students from diverse backgrounds. It also should detail the role and availability of financial aid in assisting students with need.

**Staff Recommendation to the Board:**
The staff recommends that the Board approve the request of the University of Oregon to sell the Westmoreland property to Michael O'Connell, Sr., as outlined in the amended
purchase and sale agreement entered into by the University of Oregon and that the Board authorize the Board President and the Secretary of the Board to execute the necessary documents to effect the sale.

(Board action required.)
An Investment in Oregonians for Our Future: Oregon University System 2007-2009 Operating Budget Request

Background and Needs:
Higher education can positively transform the lives of all Oregonians and is vital to the future of our state and the well-being of our citizens and economy. Greater levels of educational attainment create new opportunities for Oregonians for their own personal benefit, and, more importantly, for the collective benefit of all our diverse communities. Oregon’s people are the state’s most important asset and must be nurtured to their full potential, just as we would develop any natural resource that provides a source of capital and economic stability.

College graduates earn substantially more than high school graduates; an income gap that has been widened. Over the next ten years, nearly 80 percent of high wage job openings in Oregon will require at least a bachelor’s degree. Lesser skilled jobs are increasingly being outsourced in a globally competitive marketplace, creating limited job opportunities for those with no postsecondary education or training. Because college graduates earn more, they contribute more in federal, state and local taxes – on average, 78 percent more than high school graduates over a lifetime, an important factor for an income tax-dependent state like Oregon. More highly educated citizens also require fewer state resources for social services (welfare, healthcare, incarceration) while contributing more as volunteers, voters, and healthy citizens who also raise more highly educated children. Thus, there is a tangible and direct return on the investment made in publicly supported higher education. In addition to those students directly served, OUS works closely with K-12, community colleges, and private providers of educational services in Oregon to provide affordable, accessible educational programs for students throughout the state.

Higher education plays a significant role in defining and developing Oregon’s future workforce. This workforce must be highly educated to ensure that Oregon citizens and businesses are competitive in an economy no longer defined by our state border or completely reliant on natural resources. We must learn to use our strategic resources (location, natural resources, growing population, sustainable methods, and creative energies) to our advantage to ensure that Oregon is well positioned in this global marketplace. Higher education develops, builds, and maintains connections for this state that otherwise would not exist. Many of Oregon’s relationships with other countries and businesses begin through collaborative efforts involving our universities, their faculties, and students.

Institutions of higher education also are magnets for business investment and lead to the creation of new companies and jobs. In addition to its roles as educator, workforce developer, and cultural amenity, higher education’s research and service functions provide direct benefits to Oregon businesses and its citizens. Creating and discovering new knowledge and applying that unique knowledge to Oregon’s businesses to gain commercial and workforce advantage is critical to the future of the state. These
elements of the OUS mission must be supported and given greater priority as they create leverage for Oregon’s future benefit.

The Oregon University System itself is a significant contributor to the state’s economic development. Our universities are major employers in eight Oregon cities, supporting more than 12,000 full-time employees, many with high wage jobs, and with total payroll in excess of $746 million annually, including student pay and other part-time employee payrolls. OUS institutions have purchasing programs that strive to buy Oregon first and support Oregon’s minority, woman-owned, and emerging small businesses. OUS manages more than 50 percent of the state’s facilities and its institutions are major real estate developers and economic engines in their communities.

Higher education is vital to the current and future economic, social, and cultural vitality of Oregon. The level of state investment in higher education will have a direct impact on the standard of living of the citizens of this state.

In short, higher education creates great positive energy for the economic, social, and cultural vitality of Oregon. Higher education is a public good that must be supported through public investment. Higher education can create the spark to ignite the economic engines of the state. However, for any fire to burn brightly it needs two essential ingredients: fuel (e.g., resources) and oxygen, or in this case flexibility to exercise its creative talents and develop valuable outputs–highly educated citizens and innovation that creates and attracts companies and jobs—that benefit the entire state. Innovators do not work at optimum levels in inflexible or highly regulated environments. Rather, these creative individuals succeed as contributing, valuable Oregonians when given the flexibility and adequate resources to support their creative endeavors. OUS faculty is its most valuable asset. In addition to educating Oregonians, faculty are discovering new knowledge and developing new technologies, including discoveries that have not been contemplated, let alone accomplished to date. This type of work requires a specialized, flexible environment to ensure maximum productivity and benefit to the state.

Today, Oregon ranks 46th in the U.S. in state funding per student in postsecondary education. To meet the national average (even if enrollment did not increase), Oregon higher education would need an investment of $264 million (in 2004-05 dollars) each biennium, or a billion dollar General Fund budget. Our students now pay about two-thirds of the cost of their education in public higher education institutions when ten years ago they paid about one-third of that cost, with the state providing the other two-thirds. Students have seen the number of faculty diminish over this period so that now the student-faculty ratio is among the nation’s highest (expected to be about 27:1 in 2006-07) and students have seen the number of program, course, and class offerings decline, even though they pay more in tuition and fees each year. In fact, Oregon received the grade of “F” for overall college affordability and ranked 46th among U.S. states in the ability of families to pay the cost of a public education. Five of our seven universities are designated as “Title III” institutions by the U.S. Department of Education for having high concentrations of students from low-income families. Affordability is a critical concern and, in many cases, a barrier to college for Oregon students.
Today, OUS is spending more than it receives or generates. While the demand for higher education is growing, the marginal costs of serving this rising demand are growing faster than the marginal revenues available to finance the growth. During 2005-2007, OUS reserves have been reduced to the point where some institutions are financially unstable. OUS facilities also have a deferred maintenance backlog that is currently estimated at $600 million and growing each year.

In short, Oregon has deferred the maintenance on some of the state’s highest-returning assets: its students, faculty members, and facilities.

Despite these troubling facts, Oregon universities and the faculty and staff within them are amazingly productive. Oregon’s public universities produce more degrees relative to the state’s population than do those in most other states. Our faculty compete well for federal research support, especially in the natural resource areas where Oregon ranks in the top quarter of federal R&D funds. Similarly, our staffs are working hard to maximize efficiencies while providing quality services, despite the fact that staffing levels are less than in most other states. These people are committed to their professions and, with increased support and greater flexibility, can do even more to support students, foster economic growth, increase scholarly production, serve their communities’ needs, increase revenues, and improve outcomes while demonstrating greater accountability for outcomes.

Now is the time to make the investments needed to fulfill the future dreams of Oregon’s citizens by supporting and sustaining a vibrant public system of higher education. Now is the time for Oregon to demonstrate its creativity and flex its competitive muscles for the direct benefit of current and future Oregonians.

With its attention on building a prosperous, successful, diverse society for Oregon’s future, higher education is different from many other state agencies that primarily provide services to meet today’s needs. Similarly, funding provided to OUS must be viewed differently than the resources provided to some other state agencies. Higher education is a strategic investment with significant future return. An investment in higher education can create direct and measurable outcomes that provide absolute, tangible benefits for the state and its citizens. OUS institutions provide economic stimulus by creating a high quality workforce, offering high wage employment, making significant purchases of goods and services, developing real estate, developing new technologies, and providing a conduit to opportunities for Oregon’s citizens. Higher education changes lives and can lead to the creation of something that does not exist today, such as new technologies, a sustainable and robust economy, or another Oregonian who is equipped to deal with the competitive tumult of the future.

Bottom line: a high quality, fiscally stable higher education system is essential to the future success of Oregon and all Oregonians.
Budget Request

The State Board of Higher Education takes its responsibilities seriously and is committed to the future welfare of Oregon and its citizens. This Board was personally selected by the Governor and was charged with changing the direction of OUS to better serve the needs of Oregonians and the state. The Board has demonstrated its commitment to this charge and stands prepared to embrace the Executive and Legislative branches of government as full partners in making continuous improvements in this regard. This Board has high expectations and will work with its partners to accomplish its objectives for Oregon. It fully understands that Oregon higher education has been under-funded for many years and is in a fragile and precarious financial position that is not sustainable over the long term. This situation must change or Oregon’s future will be compromised.

OUS is seeking three basic items in its 2007-2009 operating budget request:

1. State funding adequate to fund the OUS base budget to rebuild quality levels, maintain affordable tuition, and place OUS on a more stable and sustainable funding base;

2. Policy package funding needed to engage the other educational sectors, business/industry, and other partners to create synergies around a common goal of a student-centered, efficient delivery and support system for postsecondary education, and to maintain Oregon’s quality of life and economic vitality; and

3. Legislative relief to manage OUS revenues and expenses in a more responsible manner and to create an environment needed to encourage knowledge creation and maximum creativity.

Main Policy Package: Enhance Quality and Maintain Affordability and Access

The first priority for OUS is seeking a more stable and sustainable base budget that will allow the System to enhance quality and maintain access and affordability. One principle upon which this base is founded is that tuition should not increase faster than students’ ability to pay, so the increases in tuition rates in this proposal are restricted to the expected growth in Oregon’s median family income in each year of the upcoming biennium (3.3 percent and 3.4 percent per year, respectively). To accomplish the objectives of this proposal to enhance quality and maintain access and affordability, OUS is seeking a base state General Fund budget of $920 million (an increase of $188 million above 2005-2007 levels). This funding, combined with an estimated $76 million in Other Funds Limited revenues, would provide OUS with $264 million in added revenues (see Appendix A for funding details). These additional revenues will be used to stabilize the existing System, begin to restore quality, and begin to shift more of the financial burden for higher education funding from students by:

- **Funding the essential budget level of OUS**
- **Funding debt service on previously approved capital projects**
- **Supporting regional campuses** at a sustainable level. Oregon’s three regional campuses (EOU, SOU and WOU), OIT, and OSU-Cascades all face significant
financial challenges that call into serious question their long-term financial viability. All these campuses are cutting budgets for 2006-07 despite anticipated growth in FTE enrollment. As a step toward ensuring that these important educational and community assets can remain in operation to serve students, their region, and the state, OUS is seeking an increase to the “small school subsidy.”

- **Enhancing faculty salaries** to remain competitive with other universities around the nation. Low faculty salaries in Oregon have been a perennial problem, one that will be exacerbated as more of our current faculty retire. The ability to recruit and retain the best faculty in a national or international marketplace has been hampered by salaries that are well below the national average and the salaries paid by peer institutions around the country. In fact, faculty salaries for six campuses rank last among the lists of their respective peers while those paid at OIT rank 11th among the 12 institutions on its peer list. At the larger universities, salaries for faculty at the University of Oregon rank at the 17th percentile among all public doctoral universities, while those for faculty at Oregon State University and Portland State University weigh in at the 15th and 10th percentile, respectively. OUS is requesting the first biennial installment in a ten-year effort to bring OUS faculty salaries to national market standards.

- **Reducing student-faculty ratios** to ensure that adequate numbers of faculty and courses are available to serve student enrollment. Reducing the student:faculty ratio will increase student success by reducing average class sizes and increasing class availability, expanding faculty and staff advising support, and extending outreach to and improving curricular alignment with community colleges and high schools. Lower student:faculty ratios mean that faculty can provide a better classroom learning environment, more intellectually demanding assignments for students, more opportunities for student research, more time outside the classroom for advising and mentoring students, and, ultimately, enhanced student completion and success. Lower student:faculty ratios will also improve faculty morale and increase research and service productivity. The intention for 2007-2009 is to secure sufficient funding from the state General Fund to reduce the student-to-faculty ratio by about 0.7, as a start toward meeting the Board’s target of a ratio of 24:1 within ten years or less. (The current national average is 22:1.)

- **Funding projected enrollment growth.** Current projections indicate that OUS should expect to serve another 4,049 FTE students in 2007-2009 (see Appendix B for enrollment history and projections). Providing OUS with at least the same level of resources to serve these new students as it receives from the state to serve those currently enrolled is essential. Note: This enrollment estimate does not include support for the 1,150 additional students who might enroll by 2009 if the increase proposed for the Oregon Opportunity Grant is approved.

- **Funding facilities maintenance** at a level to stop the growth of the deferred maintenance backlog. Currently OUS receives approximately $12 million per
year ($24 million per biennium) for maintenance. However, our facilities need maintenance funding of $41 million per year ($82 million per biennium) to avoid adding to our deferred maintenance backlogs.

**Return on this Investment: Improved Outcomes and Better Educational Alignment**

This level of funding will allow OUS to take the first steps toward advancing the Board’s goals of: improved educational attainment and opportunity for Oregonians, provision of high quality learning leading to student success, creation of new knowledge and innovation through research, and securing economic and civic benefits for Oregon and its communities.

Key to improved educational attainment and student success outcomes is more effective alignment among Oregon’s K-12, community college, and public university sectors. To that end, the requested level of funding will permit OUS to contribute broadly to the K-20 instructional mission, from teacher training to student preparation, to new avenues for college participation, and strategies for successful completion. Specifically, the proposed funding will enable improved student outcomes through the following initiatives:

1. **Preparing teachers to better meet Oregon's K-12 educational needs**
   - *Education Pathways for Teachers*, a multi-sector approach to enhance early advising and recruitment of excellent students as prospective teachers; ensure that these students select General Education coursework that effectively prepares them for licensure exams; and introduce these prospective teachers to the profession via core education courses that share goals and expectations of student performance, even though they may vary in design and delivery.
   - *Partnerships for Bilingual Teaching*, collaboration among Portland area schools and colleges to respond to the critical shortage of bilingual/ESL teachers in the Portland area.
   - *University initiatives*, developed by OUS institutions to respond to Oregon’s need for teachers with particular skills in bilingual teaching and math/science specialization.

2. **Promoting college readiness in literacy, writing, mathematics, and science**
   - Align the content and level of mathematics, science, and writing courses that are at the high school/college interface.
   - Enhance the pipeline for future engineers and applied scientists.
   - Apply the new outcomes framework to facilitate the transferability of General Education courses at the college/university interface.

3. **Extending access to higher education: the Virtual University Center for Rural Oregonians**
Increase the number of rural Oregon students able to access and succeed in distance learning programs, linking online degrees and degree completion programs offered by EOU and other OUS institutions with the community college online network of programs and with the Virtual High School initiative.

4. Increasing retention and degree completion

- Pilot projects carried out at OUS institutions to identify and test a suite of methods to retain students to graduation, with outcomes documented to guide future allocation of resources to improve productivity within OUS.
- Center for Student Success in College, collaboration between OUS and Oregon’s community colleges, providing a statewide resource for campuses in identifying and implementing best practices that support successful student learning and program completion.
- Improve advising and student support in order to increase retention of first-year and other at-risk students.

In addition to these initiatives to address critical student outcomes, the requested level of funding will provide for significant and often measurable returns in other areas:

- Allow OUS to retain exceptional faculty and employ additional excellent faculty and staff who will increase research and service activities for the direct benefit of Oregon’s businesses and citizens;
- Improve student retention/persistence rates and reduce time to degree;
- Increase the number of graduates;
- Increase the number of students served for the long-term benefit of Oregon and Oregonians;
- Increase research funding and service activities to benefit Oregon businesses and citizens;
- Ensure that the state's physical facilities that have served its students and citizens well will be adequately protected for future generations of Oregon students while lowering long-term maintenance costs; and
- Allow OUS to provide leadership in an integrated and synergistic system of educational entities equipped to serve the changing demographics of Oregon and its people and to meet the changing nature of our increasingly global economy and society.
Other Policy Packages to Create Greater Synergies

At its June 2006 meeting, the Board discussed numerous policy option packages for possible inclusion in the OUS budget request. Following comments that this approach was too complex with too many options to consider and was funding programs and services that were once part of the core of OUS’ support of students and its mission, many of these packages have been subsumed into the basic budget request of $920 million. For a complete listing of the disposition of each policy request that was discussed in June, please refer to Appendix C.

Funding the System of Higher Education at this level would still leave Oregon well below the national average in terms of state funding per student, but would reverse the years of disinvestment. In addition to the amount needed to fund basic operations, OUS and its partners are seeking about $80 million of state funds (including $68 million from the state General Fund) for the following policy option packages (see attached Appendix D for a complete description of these policy packages):

- **Healthcare Workforce Initiative** – $7.4 million
- **ETIC** – $34.4 million of General Fund and $13.4 million of Certificates of Participation
- **Statewide Public Services at OSU** – $15 million
- **Investments in information systems and other activities to facilitate greater PK-20 collaborations** – $1.3 million
- **Expanding participation of and service to rural Oregonians** – $4.6 million
- **Manufacturing 21 Initiative** – $3.4 million
- **National Transportation Research Center** – $2 million

Funding these policy option packages will allow OUS to respond to the opportunities that present themselves each year and will provide capital to invest in the following initiatives:

- Providing increased research capabilities in Portland;
- Providing specialized education and economic development opportunities for rural Oregon students and diverse students across the state;
- Better meeting workforce and professional requirements (e.g., engineering, healthcare technicians, etc.);
- Capitalizing on Oregon’s competitive advantages (e.g., nano-science/technology, transportation, and manufacturing).
Statutory Changes to Create Opportunities

Statutory changes are needed in the following areas to increase revenue opportunities available to the System, reduce the ongoing costs of maintaining the System, and create the type of environment needed to stimulate maximum creativity and output of our faculty and System:

1. Ability to manage employee healthcare insurance and costs differently for our faculty (a recent study conducted by AON, a consultant to Oregon’s Public Employees Benefits Board, concluded that OUS faculty and their families cost the state’s medical insurance plans an average of $1,681 less per employee per year than do other state employees. If OUS incurred the true cost of these medical benefits, it would save about $12 million per year);

2. Retention of investment earnings on all funds earned by or entrusted to OUS;

3. Relief from Department of Justice oversight over contracts and business transactions, especially for those matters dealing with intellectual property development and dissemination;

4. Changes in the capital budgeting process and the way in which debt issuances are structured;

5. Exemption from certain state assessments, especially in areas where lesser cost alternatives are available or where OUS is exempt from DAS oversight, leading to the assignment to OUS of actual or “fair share” costs for services actually received;

6. Clarification of rates for optional retirement programs; and

7. Greater degrees of freedom in working with community colleges and other educational partners.

While these requests represent a departure from past practice, they may also be viewed as an extension of the elements and intent of the Higher Education Efficiency Act passed in 1995 and reinforced by the provisions of Senate Bill 437 passed in 2003. In addition to the direct benefits referenced above, these proposed changes demonstrate the commitment of this Board to manage OUS in a more cost effective, sustainable, and accountable manner. They demonstrate to the public and business community an entrepreneurial, business-like approach to making difficult decisions, such as those affecting employee total compensation. They also propose a change in the State’s financial and administration models to permit progressive state-of-the-art business practices (e.g., new ways of issuing bonded indebtedness that can save millions, better ways to manage our cash flows for maximum returns, and better contracting practices to leverage opportunities). Giving Higher Education more flexibility to manage its affairs, while insisting on accountability for results, will have tangible returns for Oregonians. This is the time to act for Oregon.

The Board recognizes that this 2007-2009 budget request represents a significant increase in state funding. As stewards for Oregon’s public university system and
advocates for the welfare of the citizens of the state, the Board believes these resources are needed and vital for the future of Oregon and all Oregonians. Recognizing that the Governor and legislature must ultimately decide how to allocate the state’s resources, the Board has also considered other alternatives to maintain the health of the Oregon University System and work towards achievement of its educational mission. While these alternatives are less desirable approaches to achieving financial stability, the Board believes that in the absence of adequate funding from the state, they must be given serious consideration. Such alternatives include:

1. **Tuition growth above the change in Median Family Income (MFI)** coupled with significant increases in need-based fee remissions. (This alternative probably is not available for our smaller campuses since they already face access and affordability challenges at current rates of tuition.) As a result, this alternative may lead to significantly greater differences among our institutions’ tuition rates than currently exist.

2. **Restricting enrollment.** Based on the minimum quality standards sought by this Board, as measured by improved student-faculty ratios, faculty salaries, and maintenance funding, OUS estimates that it is now serving about 7,800 full-time-equivalent students (approximately 10,000 headcount students) more than current levels of state funding provide. This fact, coupled with anticipated enrollment growth of 4,409 FTE students by 2009, could lead to discussion and implementation of enrollment restrictions (e.g., higher admission standards and/or reduced courses or programs).

3. **Structural changes to the System,** including possibly converting some regional campuses to branches or merging one or more campuses into local community college districts. This would require a commitment from the Governor and legislature to allow resource redeployment within OUS and would result in significant changes to the character and offerings of our regional universities. No specific proposals are being advanced at this time.

**Other Agencies’ Policy Packages for Board Endorsement**

In addition, the Board will be asked to endorse budget packages being requested by partner agencies. These include:

1. The Shared Responsibility Model, developed by the Board’s Access and Affordability Working Group, but being requested in the budget of the Oregon Student Assistance Commission;

2. Those portions of the efforts for student retention and success, the healthcare workforce initiative, and data systems being sought in the budgets of the Oregon Department of Community Colleges and Workforce Development and the Oregon Department of Education. The $3 million student retention program request from the community colleges is similar in purpose to an OUS retention request developed by the Provosts’ Council (included in the OUS base budget proposal) and represents critical alignment of student support in the two sectors; and
3. Items that may be sought in September by the Oregon Innovation Council either directly or through the budget of the Oregon Economic and Community Development Department.

Further, a subcommittee of the Joint Boards of Education, including some members of the State Board of Higher Education, will work through October to integrate the budgets of the various education enterprise agencies (Oregon Department of Education, Oregon Department of Community Colleges and Workforce Development, Oregon Workforce Investment Board, Oregon Student Assistance Commission, and the Oregon University System).

Taken together, these joint proposals, along with those advanced singly by the State Board of Higher Education, provide a sound, strategic plan for both the investment needed to ensure a vibrant economy and society for Oregonians and the integrated framework and approach to service embodied in the Governor’s proposal for a closely knit education enterprise for Oregon and Oregonians.

**Mandatory Ten Percent Reduction Plan**

In addition to submitting the budget request as outlined above, OUS is required by State law to submit a 10 percent reduction plan. As stated above, the System is already woefully underfunded and failure to secure additional funding may precipitate tuition increasing at rates greater than the increase in Median Family Income, restrict enrollment, and/or force structural changes within the System, including a number of cuts across all programs, severely limiting access to higher education and limiting the services received by Oregonians. The actions outlined in Appendix E represent a summary of the cuts that would need to be made. If a 10 percent reduction were imposed, the Board would consider the items in Appendix E as well as other significant actions.

**Staff Recommendation to the Board:**

Staff recommends that the Board approve the 2007-2009 OUS Biennial Operating Budget request, including Policy Packages reflecting the Board’s budget priorities, Essential Budget Level funding requirements, and 10 percent reduction options. The Vice Chancellor for Finance and Administration is given authority to make funding adjustments if revisions in the estimates for the Essential Budget Level, revenue projections, or student enrollment information are necessary.

*(Board action required.)*
## APPENDIX A - Page 1

Summary Comparison of proposed EBL vs LAB - Preliminary Estimates

<table>
<thead>
<tr>
<th></th>
<th>LAB 2005-07</th>
<th>Compensation</th>
<th>Total</th>
<th>EBL 2007-09</th>
<th>Increase</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GENERAL FUND</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E&amp;G</td>
<td>565,051,859</td>
<td>25,661,856</td>
<td>590,713,715</td>
<td>631,043,281</td>
<td>40,329,566</td>
<td>6.8%</td>
</tr>
<tr>
<td>AES</td>
<td>51,860,395</td>
<td>2,808,209</td>
<td>54,668,604</td>
<td>57,368,459</td>
<td>2,699,855</td>
<td>4.9%</td>
</tr>
<tr>
<td>ES</td>
<td>37,194,367</td>
<td>2,218,357</td>
<td>39,412,724</td>
<td>41,588,230</td>
<td>2,175,506</td>
<td>5.5%</td>
</tr>
<tr>
<td>FRL</td>
<td>5,258,370</td>
<td>278,282</td>
<td>5,536,652</td>
<td>5,722,942</td>
<td>186,290</td>
<td>3.4%</td>
</tr>
<tr>
<td><strong>Total Statewides</strong></td>
<td>94,313,132</td>
<td>5,304,848</td>
<td>99,617,980</td>
<td>104,679,631</td>
<td>5,061,651</td>
<td>5.1%</td>
</tr>
<tr>
<td><strong>OUS - GF</strong></td>
<td>659,364,991</td>
<td>30,966,704</td>
<td>690,331,695</td>
<td>735,722,912</td>
<td>45,391,217</td>
<td>6.6%</td>
</tr>
<tr>
<td>Debt Services</td>
<td>30,297,888</td>
<td>-</td>
<td>30,297,888</td>
<td>40,000,000</td>
<td>9,702,112</td>
<td>32.0%</td>
</tr>
<tr>
<td>Capital Repair/Construction</td>
<td>11,796,329</td>
<td>-</td>
<td>11,796,329</td>
<td>12,162,015</td>
<td>365,686</td>
<td>3.1%</td>
</tr>
<tr>
<td><strong>Total - GF</strong></td>
<td>701,459,182</td>
<td>30,966,704</td>
<td>732,425,912</td>
<td>787,884,927</td>
<td>55,459,015</td>
<td>7.6%</td>
</tr>
<tr>
<td><strong>OTHER FUNDS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E&amp;G</td>
<td>1,031,588,659</td>
<td>49,467,642</td>
<td>1,081,056,301</td>
<td>1,130,234,503</td>
<td>49,178,202</td>
<td>4.5%</td>
</tr>
<tr>
<td>AES</td>
<td>16,399,999</td>
<td>305,916</td>
<td>16,705,915</td>
<td>14,652,620</td>
<td>(2,053,295)</td>
<td>-12.3%</td>
</tr>
<tr>
<td>ES</td>
<td>22,838,785</td>
<td>938,045</td>
<td>23,776,830</td>
<td>24,735,049</td>
<td>958,219</td>
<td>4.0%</td>
</tr>
<tr>
<td>FRL</td>
<td>9,760,398</td>
<td>535,161</td>
<td>10,295,559</td>
<td>4,986,748</td>
<td>(5,308,811)</td>
<td>-51.6%</td>
</tr>
<tr>
<td><strong>Total Statewides</strong></td>
<td>48,999,182</td>
<td>1,779,122</td>
<td>50,778,304</td>
<td>44,374,417</td>
<td>(6,403,887)</td>
<td>-12.6%</td>
</tr>
<tr>
<td><strong>OUS - OFL</strong></td>
<td>1,080,587,841</td>
<td>51,246,764</td>
<td>1,131,834,605</td>
<td>1,174,608,920</td>
<td>42,774,315</td>
<td>3.8%</td>
</tr>
<tr>
<td>Grand Total - GF+OFL</td>
<td>1,782,047,049</td>
<td>82,213,468</td>
<td>1,864,260,517</td>
<td>1,962,493,847</td>
<td>98,233,330</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

Note: 2005-2007 LAB excludes funding for comp. increases $22,684 difference between initial Legislatively Adopted Budget and ORBITS.
### Appendix A - Page 2

**Itemization of Budget Request by Fund Type**  
(Amounts in millions)

<table>
<thead>
<tr>
<th>Budget Request</th>
<th>General Fund</th>
<th>Other Funds Limited</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislatively Approved Budget from 2005-2007</td>
<td>$732.4</td>
<td>$1,131.8</td>
<td>$1,864.2</td>
</tr>
<tr>
<td><strong>Base Budget Request:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBL</td>
<td>$45.0</td>
<td>$42.8</td>
<td>$87.8</td>
</tr>
<tr>
<td>Capital</td>
<td>$10.0</td>
<td>$0.0</td>
<td>$10.0</td>
</tr>
<tr>
<td>Student:Faculty Ratios</td>
<td>$17.0</td>
<td>$7.1</td>
<td>$24.1</td>
</tr>
<tr>
<td>Enrollment Growth</td>
<td>$16.0</td>
<td>$26.0</td>
<td>$42.0</td>
</tr>
<tr>
<td>Regional University Support</td>
<td>$13.0</td>
<td>$0.0</td>
<td>$13.0</td>
</tr>
<tr>
<td>Faculty Salaries</td>
<td>$29.0</td>
<td>$0.0</td>
<td>$29.0</td>
</tr>
<tr>
<td>Facilities Maintenance</td>
<td>$58.0</td>
<td>$0.0</td>
<td>$58.0</td>
</tr>
<tr>
<td><strong>Subtotal Base Budget Request</strong></td>
<td>$188.0</td>
<td>$75.9</td>
<td>$263.9</td>
</tr>
<tr>
<td><strong>Policy Packages:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ETIC</td>
<td>$34.3</td>
<td>$0.0</td>
<td>$34.3</td>
</tr>
<tr>
<td>Manufacturing 21</td>
<td>$3.4</td>
<td>$0.0</td>
<td>$3.4</td>
</tr>
<tr>
<td>Healthcare Initiative</td>
<td>$7.4</td>
<td>$0.0</td>
<td>$7.4</td>
</tr>
<tr>
<td>Statewide Public Services</td>
<td>$15.0</td>
<td>$0.0</td>
<td>$15.0</td>
</tr>
<tr>
<td>Information Systems</td>
<td>$1.3</td>
<td>$0.0</td>
<td>$1.3</td>
</tr>
<tr>
<td>Service to Rural Oregonians</td>
<td>$4.6</td>
<td>$0.0</td>
<td>$4.6</td>
</tr>
<tr>
<td>Transportation Center</td>
<td>$2.0</td>
<td>$0.0</td>
<td>$2.0</td>
</tr>
<tr>
<td><strong>Subtotal Policy Packages</strong></td>
<td>$68.0</td>
<td>$0.0</td>
<td>$68.0</td>
</tr>
<tr>
<td><strong>Total Request (excludes new capital items)</strong></td>
<td>$256.0</td>
<td>$75.9</td>
<td>$331.9</td>
</tr>
<tr>
<td><strong>Total Requested Budget for 2007-2009</strong></td>
<td>$988.4</td>
<td>$1,207.7</td>
<td>$2,196.1</td>
</tr>
</tbody>
</table>
### Appendix A - Page 3

#### Analysis of Tuition Required to Fund Proposed 2007-09 Budget

<table>
<thead>
<tr>
<th></th>
<th>2006-07 Proj. Amount</th>
<th>2007-08 Rate Increase</th>
<th>2008-09 Rate Increase</th>
<th>Biennial Total 2007-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition/Fees Base from 2006-07</td>
<td>$456,654,984</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resource Fees</td>
<td>$36,541,665</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Enrollment Fees</td>
<td>$493,196,649</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Revenues</td>
<td>$85,954,352</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less. Fee Remissions @ 8% tuition/fees</td>
<td>($36,651,969)</td>
<td>$32,550,979</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Revenues</td>
<td>$542,499,032</td>
<td>2.25%</td>
<td>2.46%</td>
<td></td>
</tr>
<tr>
<td>Projected Portland CPI Change</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected Change in Median Family Income</td>
<td></td>
<td>3.30%</td>
<td>3.40%</td>
<td></td>
</tr>
<tr>
<td>Projected FTE Enrollment</td>
<td>72,944</td>
<td>74,268</td>
<td>75,670</td>
<td></td>
</tr>
<tr>
<td>Incremental FTE</td>
<td>1,324</td>
<td>1,402</td>
<td>2,726</td>
<td></td>
</tr>
<tr>
<td>Average Net Tuition/Fees/FTE</td>
<td>$6,259</td>
<td>$6,349</td>
<td>$6,442</td>
<td></td>
</tr>
</tbody>
</table>

**Increase on Current Base due to Tuition Increases as noted above**

- 2007-08 Increase @ 3.3% MFI: $16,275,489
- 2008-09 Increase @ 3.4% MFI: $17,322,053

Less: 8% remissions

- 2007-08: ($1,302,039)
- 2008-09: ($2,687,803)
- Biennial Total: ($3,989,843)

Net Income Based on Tuition Increase

- 2007-08: $14,973,450
- 2008-09: $30,909,739
- Biennial Total: $45,883,189

**Enrollment Growth @ net tuition in effect when growth occurs**

- 2007-08: $8,405,908
- 2008-09: $17,560,470
- Biennial Total: $25,966,378

**Inflation on Other Revenues @ PDX CPI**

- 2007-08: $1,933,973
- 2008-09: $2,162,053
- Biennial Total: $4,096,026

<table>
<thead>
<tr>
<th>Total Incremental Revenues</th>
<th>$25,313,332</th>
<th>$50,632,261</th>
<th>$75,945,593</th>
</tr>
</thead>
</table>

---

Oregon State Board of Higher Education

Full Board

Page 34

ACTION ITEMS
Appendix B - Page 1
Fall 4th Week Headcount: 1995 to 2020

<table>
<thead>
<tr>
<th></th>
<th>EOU</th>
<th>OIT</th>
<th>OSU</th>
<th>Casc.</th>
<th>PSU</th>
<th>SOU</th>
<th>UO</th>
<th>WOU</th>
<th>System</th>
<th>annual growth since 2003</th>
<th>growth since 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>2,306</td>
<td>2,441</td>
<td>14,457</td>
<td>-</td>
<td>15,842</td>
<td>4,963</td>
<td>17,512</td>
<td>4,093</td>
<td>61,614</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>2,403</td>
<td>2,339</td>
<td>14,083</td>
<td>-</td>
<td>16,843</td>
<td>5,104</td>
<td>17,803</td>
<td>4,272</td>
<td>62,847</td>
<td>2.0%</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>2,461</td>
<td>2,475</td>
<td>14,507</td>
<td>-</td>
<td>17,165</td>
<td>5,436</td>
<td>17,587</td>
<td>4,500</td>
<td>64,131</td>
<td>2.0%</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>2,460</td>
<td>2,679</td>
<td>15,197</td>
<td>-</td>
<td>17,303</td>
<td>5,465</td>
<td>17,366</td>
<td>4,519</td>
<td>64,989</td>
<td>1.3%</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>2,611</td>
<td>2,814</td>
<td>16,061</td>
<td>-</td>
<td>18,317</td>
<td>5,751</td>
<td>17,278</td>
<td>4,515</td>
<td>67,347</td>
<td>3.6%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>2,784</td>
<td>2,842</td>
<td>16,777</td>
<td>-</td>
<td>19,029</td>
<td>5,502</td>
<td>17,843</td>
<td>4,731</td>
<td>69,506</td>
<td>3.2%</td>
<td>3.2%</td>
</tr>
<tr>
<td>2001</td>
<td>2,978</td>
<td>3,088</td>
<td>18,032</td>
<td>245</td>
<td>19,008</td>
<td>4,878</td>
<td>73,883</td>
<td>6.3%</td>
<td>3.6%</td>
<td>9.7%</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>3,418</td>
<td>3,139</td>
<td>18,774</td>
<td>387</td>
<td>21,841</td>
<td>5,478</td>
<td>20,044</td>
<td>5,032</td>
<td>79,558</td>
<td>2.1%</td>
<td>18.1%</td>
</tr>
<tr>
<td>2003</td>
<td>3,287</td>
<td>3,236</td>
<td>18,974</td>
<td>373</td>
<td>23,117</td>
<td>5,505</td>
<td>20,339</td>
<td>4,772</td>
<td>80,988</td>
<td>3.9%</td>
<td>21.8%</td>
</tr>
<tr>
<td>2004</td>
<td>3,338</td>
<td>3,373</td>
<td>19,159</td>
<td>438</td>
<td>23,486</td>
<td>5,161</td>
<td>20,339</td>
<td>4,879</td>
<td>80,066</td>
<td>1.6%</td>
<td>26.7%</td>
</tr>
<tr>
<td>2005</td>
<td>3,533</td>
<td>3,351</td>
<td>19,236</td>
<td>491</td>
<td>24,015</td>
<td>4,898</td>
<td>20,394</td>
<td>4,879</td>
<td>80,888</td>
<td>1.0%</td>
<td>20.1%</td>
</tr>
</tbody>
</table>

2 year % Change: 4.8% 2.2% 2.9% 6.4% 5.1% 2.7% 2.1% 13.0% 4.0% 21.8%

Source: OUS Institutional Research, enrollment forecast June 15, 2006
### Annual FTE Summary: 1995-96 to 2020-21

<table>
<thead>
<tr>
<th>Year</th>
<th>EOU</th>
<th>OIT</th>
<th>OSU</th>
<th>Casc.</th>
<th>PSU</th>
<th>SOU</th>
<th>UO</th>
<th>WOU</th>
<th>System</th>
<th>one-year growth</th>
<th>two-year growth</th>
<th>five-year growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-96</td>
<td>1,926</td>
<td>1,897</td>
<td>13,676</td>
<td>-</td>
<td>12,224</td>
<td>3,946</td>
<td>17,440</td>
<td>3,731</td>
<td>54,840</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996-97</td>
<td>1,945</td>
<td>1,826</td>
<td>13,635</td>
<td>-</td>
<td>12,639</td>
<td>4,191</td>
<td>17,625</td>
<td>3,943</td>
<td>56,952</td>
<td>2.3%</td>
<td>3.9%</td>
<td></td>
</tr>
<tr>
<td>1997-98</td>
<td>2,042</td>
<td>2,087</td>
<td>14,767</td>
<td>-</td>
<td>13,276</td>
<td>4,475</td>
<td>17,625</td>
<td>3,897</td>
<td>57,755</td>
<td>1.4%</td>
<td>3.7%</td>
<td></td>
</tr>
<tr>
<td>1998-99</td>
<td>2,155</td>
<td>2,143</td>
<td>15,780</td>
<td>-</td>
<td>14,027</td>
<td>4,646</td>
<td>17,182</td>
<td>4,096</td>
<td>60,029</td>
<td>3.9%</td>
<td>5.4%</td>
<td></td>
</tr>
<tr>
<td>1999-00</td>
<td>2,322</td>
<td>2,311</td>
<td>16,477</td>
<td>133</td>
<td>15,972</td>
<td>4,647</td>
<td>19,284</td>
<td>4,526</td>
<td>67,056</td>
<td>7.3%</td>
<td>11.7%</td>
<td>20.4%</td>
</tr>
<tr>
<td>2000-01</td>
<td>2,495</td>
<td>2,427</td>
<td>17,572</td>
<td>172</td>
<td>17,491</td>
<td>4,648</td>
<td>20,862</td>
<td>4,417</td>
<td>71,284</td>
<td>5.4%</td>
<td>13.1%</td>
<td>24.1%</td>
</tr>
<tr>
<td>2001-02</td>
<td>2,640</td>
<td>2,463</td>
<td>18,435</td>
<td>172</td>
<td>17,491</td>
<td>4,648</td>
<td>20,862</td>
<td>4,417</td>
<td>71,284</td>
<td>5.4%</td>
<td>13.1%</td>
<td>24.1%</td>
</tr>
<tr>
<td>2002-03</td>
<td>2,565</td>
<td>2,499</td>
<td>18,470</td>
<td>229</td>
<td>17,965</td>
<td>4,659</td>
<td>20,334</td>
<td>4,497</td>
<td>70,673</td>
<td>5.4%</td>
<td>13.1%</td>
<td>24.1%</td>
</tr>
<tr>
<td>2003-04</td>
<td>2,558</td>
<td>2,486</td>
<td>18,488</td>
<td>260</td>
<td>18,204</td>
<td>4,418</td>
<td>20,862</td>
<td>4,277</td>
<td>71,554</td>
<td>0.4%</td>
<td>1.2%</td>
<td>19.2%</td>
</tr>
<tr>
<td>2004-05</td>
<td>2,610</td>
<td>2,401</td>
<td>18,632</td>
<td>262</td>
<td>18,865</td>
<td>4,264</td>
<td>20,785</td>
<td>4,202</td>
<td>72,021</td>
<td>1.0%</td>
<td>1.0%</td>
<td>15.2%</td>
</tr>
<tr>
<td>2005-06</td>
<td>2,659</td>
<td>2,394</td>
<td>18,763</td>
<td>272</td>
<td>19,539</td>
<td>4,271</td>
<td>20,810</td>
<td>4,234</td>
<td>72,944</td>
<td>1.3%</td>
<td>1.9%</td>
<td>8.8%</td>
</tr>
<tr>
<td>2006-07</td>
<td>2,717</td>
<td>2,413</td>
<td>19,019</td>
<td>279</td>
<td>20,136</td>
<td>4,297</td>
<td>20,946</td>
<td>4,460</td>
<td>74,268</td>
<td>1.8%</td>
<td>3.1%</td>
<td>5.1%</td>
</tr>
<tr>
<td>2007-08</td>
<td>2,768</td>
<td>2,439</td>
<td>19,302</td>
<td>287</td>
<td>20,626</td>
<td>4,378</td>
<td>21,156</td>
<td>4,714</td>
<td>75,670</td>
<td>1.9%</td>
<td>3.7%</td>
<td>6.2%</td>
</tr>
<tr>
<td>2008-09</td>
<td>2,855</td>
<td>2,504</td>
<td>19,807</td>
<td>298</td>
<td>21,252</td>
<td>4,522</td>
<td>21,625</td>
<td>4,991</td>
<td>77,854</td>
<td>2.9%</td>
<td>4.8%</td>
<td>8.8%</td>
</tr>
<tr>
<td>2009-10</td>
<td>2,947</td>
<td>2,580</td>
<td>20,403</td>
<td>306</td>
<td>21,927</td>
<td>4,671</td>
<td>22,333</td>
<td>5,346</td>
<td>80,300</td>
<td>3.1%</td>
<td>6.1%</td>
<td>11.5%</td>
</tr>
<tr>
<td>2010-11</td>
<td>3,006</td>
<td>2,635</td>
<td>20,877</td>
<td>313</td>
<td>22,378</td>
<td>4,768</td>
<td>22,716</td>
<td>5,386</td>
<td>82,079</td>
<td>2.2%</td>
<td>5.4%</td>
<td>12.5%</td>
</tr>
<tr>
<td>2011-12</td>
<td>3,028</td>
<td>2,660</td>
<td>21,157</td>
<td>314</td>
<td>22,565</td>
<td>4,807</td>
<td>22,988</td>
<td>5,457</td>
<td>82,976</td>
<td>1.1%</td>
<td>3.3%</td>
<td>11.7%</td>
</tr>
<tr>
<td>2012-13</td>
<td>3,018</td>
<td>2,659</td>
<td>21,229</td>
<td>312</td>
<td>22,522</td>
<td>4,796</td>
<td>23,024</td>
<td>5,463</td>
<td>83,023</td>
<td>0.1%</td>
<td>1.2%</td>
<td>9.7%</td>
</tr>
<tr>
<td>2013-14</td>
<td>3,012</td>
<td>2,657</td>
<td>21,242</td>
<td>310</td>
<td>22,489</td>
<td>4,787</td>
<td>22,999</td>
<td>5,458</td>
<td>82,955</td>
<td>-0.1%</td>
<td>0.0%</td>
<td>6.6%</td>
</tr>
<tr>
<td>2014-15</td>
<td>3,015</td>
<td>2,660</td>
<td>21,259</td>
<td>311</td>
<td>22,516</td>
<td>4,791</td>
<td>22,995</td>
<td>5,461</td>
<td>83,009</td>
<td>0.1%</td>
<td>0.0%</td>
<td>3.4%</td>
</tr>
<tr>
<td>2015-16</td>
<td>3,061</td>
<td>2,697</td>
<td>21,481</td>
<td>317</td>
<td>22,848</td>
<td>4,861</td>
<td>23,240</td>
<td>5,529</td>
<td>84,035</td>
<td>1.2%</td>
<td>1.3%</td>
<td>2.4%</td>
</tr>
<tr>
<td>2016-17</td>
<td>3,127</td>
<td>2,749</td>
<td>21,842</td>
<td>325</td>
<td>23,317</td>
<td>4,962</td>
<td>23,651</td>
<td>5,632</td>
<td>85,606</td>
<td>1.9%</td>
<td>3.1%</td>
<td>3.2%</td>
</tr>
<tr>
<td>2017-18</td>
<td>3,194</td>
<td>2,806</td>
<td>22,267</td>
<td>333</td>
<td>23,808</td>
<td>5,068</td>
<td>24,134</td>
<td>5,748</td>
<td>87,358</td>
<td>2.0%</td>
<td>4.0%</td>
<td>5.2%</td>
</tr>
<tr>
<td>2018-19</td>
<td>3,283</td>
<td>2,880</td>
<td>22,826</td>
<td>343</td>
<td>24,448</td>
<td>5,207</td>
<td>24,762</td>
<td>5,900</td>
<td>89,648</td>
<td>4.7%</td>
<td>6.7%</td>
<td>8.0%</td>
</tr>
<tr>
<td>2019-20</td>
<td>3,383</td>
<td>2,965</td>
<td>23,473</td>
<td>353</td>
<td>25,179</td>
<td>5,364</td>
<td>25,480</td>
<td>6,075</td>
<td>92,272</td>
<td>5.6%</td>
<td>7.8%</td>
<td>11.2%</td>
</tr>
</tbody>
</table>

Source: OUS Institutional Research, enrollment forecast June 15, 2006
## Appendix C
### 2007-2009 POLICY PACKAGE DISPOSITION

<table>
<thead>
<tr>
<th>Policy Packages</th>
<th>Owner</th>
<th>Board Liaison</th>
<th>Work Group</th>
<th>Disposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Endorsement of Opportunity Grant</td>
<td>OSAC</td>
<td>Nesbitt</td>
<td>AAWG</td>
<td>OSAC request</td>
</tr>
<tr>
<td>2. Healthcare Workforce Initiative (Nursing/Health Profession)</td>
<td>Martha Anne Dow</td>
<td>Dyess</td>
<td>AEED</td>
<td>Policy Pkg. #3</td>
</tr>
<tr>
<td>May include a capital component as well as operating funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. SB 853 ($10M Tax Credit)</td>
<td>Ben Rawlins</td>
<td>Dyess</td>
<td>AEED</td>
<td>Dropped</td>
</tr>
<tr>
<td>4. Sustainability</td>
<td>Susan Bragdon/Ben Rawlins</td>
<td>Dyess</td>
<td>AEED</td>
<td>Dropped</td>
</tr>
<tr>
<td>6. ETIC</td>
<td>Bruce Schafer</td>
<td>Dyess</td>
<td>AEED</td>
<td>Policy Package</td>
</tr>
<tr>
<td>7. Economic Development--Statewide Public Service Programs</td>
<td>Nancy Heiligman/OSU</td>
<td>Dyess</td>
<td>AEED</td>
<td>Policy Pkg. SWPS</td>
</tr>
<tr>
<td>8. Veterinary Diagnostic Lab</td>
<td>Nancy Heiligman/OSU</td>
<td>Dyess</td>
<td>AEED</td>
<td>Policy Pkg. SWPS</td>
</tr>
<tr>
<td>9. Institute for Ecosystem and Climate Change</td>
<td>Nancy Heiligman/OSU</td>
<td>Dyess</td>
<td>AEED</td>
<td>Policy Pkg. SWPS</td>
</tr>
<tr>
<td>10. General Education Outcomes</td>
<td>Karen Sprague</td>
<td>Schuette</td>
<td>EDP</td>
<td>Base</td>
</tr>
<tr>
<td>11. Math/Science/Bilingual Education</td>
<td>Yvette Webber-Davis</td>
<td>Schuette</td>
<td>EDP</td>
<td>Base</td>
</tr>
<tr>
<td>12. OTM and AAOT Related Items</td>
<td>Robert Mercer</td>
<td>Schuette</td>
<td>EDP</td>
<td>Base</td>
</tr>
<tr>
<td>13. ATLAS</td>
<td>Mark Endsley</td>
<td>Schuette</td>
<td>EDP</td>
<td>Policy Pkg. Technology</td>
</tr>
<tr>
<td>14. P-20 Virtual Student Data Warehouse</td>
<td>Bob Kieran</td>
<td>Schuette</td>
<td>EDP</td>
<td>Policy Pkg. Technology</td>
</tr>
<tr>
<td>15. Pre-Engineering and Applied Science Strategy</td>
<td>Bruce Schafer</td>
<td>Schuette</td>
<td>AEED/EDP</td>
<td>Base</td>
</tr>
<tr>
<td>16. Rural Outreach/Distance Education</td>
<td>Khosrow Fatemi</td>
<td>Schuette</td>
<td>EDP</td>
<td>Policy Pkg. w/ additions</td>
</tr>
<tr>
<td>17. First Generation Student Support</td>
<td>Robert Mercer</td>
<td>Schuette</td>
<td>EDP</td>
<td>Dropped</td>
</tr>
<tr>
<td>19. Advising/Tutoring for First Year Students</td>
<td>Robert Mercer</td>
<td>Schuette</td>
<td>EDP</td>
<td>Base</td>
</tr>
<tr>
<td>21. Bilingual Teacher Pathway</td>
<td>Yvette Webber-Davis</td>
<td>Schuette</td>
<td>EDP</td>
<td>Base</td>
</tr>
<tr>
<td>22. Center for Student Success in College</td>
<td>Robert Mercer</td>
<td>Schuette</td>
<td>EDP</td>
<td>Base</td>
</tr>
<tr>
<td>23. K-16</td>
<td>Mark Endsley</td>
<td>Schuette</td>
<td>EDP</td>
<td>Base</td>
</tr>
<tr>
<td>24. Education Pathways for Teachers</td>
<td>Yvette Webber-Davis</td>
<td>Schuette</td>
<td>EDP</td>
<td>Base</td>
</tr>
<tr>
<td>25. ATLAS-IDTS Implementation</td>
<td>Mark Endsley</td>
<td>Schuette</td>
<td>EDP</td>
<td>Policy Pkg. Technology</td>
</tr>
<tr>
<td>26. Enrollment Growth</td>
<td>Bob Kieran</td>
<td>Blair</td>
<td>Finance</td>
<td>Base</td>
</tr>
<tr>
<td>27. Tuition Buydown to Median Family Income</td>
<td>Jay Kenton</td>
<td>Blair</td>
<td>Finance</td>
<td>Base</td>
</tr>
<tr>
<td>28. Policy Consensus Institute</td>
<td>Lindsay Desrochers</td>
<td>Blair</td>
<td>Finance</td>
<td>In EBL per Legis.</td>
</tr>
<tr>
<td>29. Regional University Support</td>
<td>Jay Kenton/George Pernsteiner</td>
<td>Blair</td>
<td>Finance</td>
<td>Base</td>
</tr>
<tr>
<td>30. Chancellor’s Office $3M to Improve Accountability</td>
<td>Jay Kenton</td>
<td>Blair</td>
<td>Finance</td>
<td>Base</td>
</tr>
<tr>
<td>5. Faculty Salaries--Market Adjustment</td>
<td>Susan Weeks/Glen Nelson</td>
<td>Blair</td>
<td>Finance</td>
<td>Base</td>
</tr>
<tr>
<td>18. Student Retention/Graduation</td>
<td>Provosts’ Council</td>
<td>Blair</td>
<td>Finance</td>
<td>Base</td>
</tr>
<tr>
<td>31. Aquatic Bio-invasion Research and Policy Institute</td>
<td>PSU</td>
<td>Dyess</td>
<td>AEED</td>
<td>Dropped</td>
</tr>
<tr>
<td>32 National University Transportation Center</td>
<td>PSU</td>
<td>Dyess</td>
<td>AEED</td>
<td>Policy Pkg.</td>
</tr>
<tr>
<td>34. Reductions in student:faculty ratios</td>
<td>Blair</td>
<td>Finance</td>
<td>Base</td>
<td></td>
</tr>
</tbody>
</table>
Appendix D

2007-2009 Policy Packages

I. Healthcare Initiative

**Title:** Enhancement and expansion of the Nursing and Allied Healthcare Workforce to meet the Critical Shortage of Healthcare Workers in Oregon

**Total 2007-2009 Budget Request:** $7,396,000

The Oregon University System, the Oregon Department of Community Colleges and Workforce Development, and the Oregon Health & Science University have been working together to develop a coordinated and integrated approach to address some of the key healthcare workforce shortages in the state. While each agency budget process requires individual submissions for additional funds, the three agencies will be submitting them as part of an overall strategy to ensure that there is a comprehensive approach to addressing the workforce shortage problem and that funding needed across agencies is identified and provided collectively. This coordinated approach has been reviewed and supported by the newly formed Oregon Healthcare Workforce Institute, a private/public partnership with representatives from the healthcare industry. These policy packages address the infrastructure to develop and sustain an ongoing supply of healthcare workers; but does not include scholarship funding supported by the Oregon Opportunity Grant and industry scholarships focused on increasing and diversifying the applicant pool.

The budget summary included is only the OUS component, although overall dollar amounts are provided for the other sectors. While this proposal is presented as a linked, cross-sector initiative, the OUS component can positively affect healthcare worker shortages in Oregon as a discrete proposal as well.

**Background:**
Oregon has a healthcare professional shortage today, with a projected state need for 59,000 healthcare workers between 2004 and 2014, according to the Oregon Employment Department. More than half (31,000) of these projected openings are attributed to growth, with the balance for replacement of current workers. This total is equivalent to needing to recruit 45 percent of the 2004 workforce over this 10-year period. The aging boomers and retirement of current healthcare workers will only worsen the situation in the future if investments are not made in the educational infrastructure.

When Oregon has a shortage, hospitals and patients depend on the recruitment of talent from other states, temporary staff, or simply less care. These alternatives are expensive to Oregon businesses, to patients, and to state sponsored programs including Medicaid. There are many qualified students in Oregon who want to pursue healthcare professions, but their aspirations are limited by inadequate offerings of science classes at Oregon’s public university and community college campuses, and
limitations on enrollment at the state’s medical, dental, nursing, and allied health programs due to insufficient funding levels. The healthcare industry, aware of these critical shortages, has joined together with public leaders to develop initiatives to address these shortages over the long term.

The proposals represent the collaboration of OHSU, OUS, and the community colleges to address the nursing and allied health shortage. A separate OHSU proposal will address the medical and dental professional shortage. The proposals request a total of nearly $17 million from the state for 2007-2009 for all the institutions to address the nursing and allied health shortage. For OUS alone, the total request for the 2007-2009 biennium is $7.4 million. This investment would increase the pipeline of qualified students and begin to provide the additional supply of healthcare professionals so desperately needed in Oregon. The OUS total includes some funding for community colleges for clinical laboratory partners and dental hygiene.

The data from the Employment Division and industry feedback support the expansion of these professional areas. These include professions where the volume of demand is high but current supply insufficient, including those more specialized areas of high need, where only one or two institutions train and graduate these professionals. The increased supply is closely related to the investment of $2.5 million for the community college partners to set the foundation for a coordinated statewide effort to integrate general education and pre-requisite courses for nursing and allied health into distance education delivery.

Policy Initiative(s) Supported:
This proposal will support the Governor’s Healthcare Workforce Initiative, the Oregon Healthcare Workforce Institute, the Oregon Consortium for Nursing Education, and the OUS Academic Excellence and Economic Development Working Group initiatives for the healthcare workforce.

Description:
This initiative is a comprehensive, inclusive approach to meeting the highest demand workforce needs in allied health and the continuing capacity expansion in nursing. This project emphasizes partnerships between community colleges, universities, and the private medical sector. The proposal is based on extensive current needs assessment data from the Oregon Employment Department and also regional data from the Oregon Association of Hospitals and Health Systems.

Expected Outcomes:
The allied health initiative will create partnerships that allow regional workforce needs to be met using both on-site and distributive models that demonstrate economic efficiencies and serve both the rural and urban environments:

1. Adequate capacity will be developed to provide the core basic sciences and general education courses required in the OCNE curriculum at EOU, SOU, OIT, WOU, and community college partners.
2. A timely impact on the allied healthcare workforce needs will be assured by building capacity in three priority programs based on statewide and regional needs assessment data that includes rural and urban Oregon. The programs identified are sonography, clinical lab science, and dental hygiene.

3. A model for allied health programs will be developed based on the successful N2K model for building nursing training capacity in Oregon. This model will add capacity by working with the hospital industry that has requested OIT to offer these programs in Portland and provide both the opportunity for incumbent health workers, with an emphasis on ethnic diversity, to advance into Sonography and also recruit new students. The incumbent worker sonography program will be the demonstration project.

4. Geographic area needs for healthcare workers will be addressed through collaboration and articulation between the community colleges and universities and the sharing of courses and curriculum using distance delivery and on-site models which encourages shared use of facilities, IT infrastructure, and equipment.

**Performance Indicators:**
Increased output of allied health workers to meet the state and regional workforce needs will have the following targets:

1. Sonography graduate output will be an additional 15-21 graduates per year by 2011.
2. Clinical lab technician (two year degree) and clinical lab technologist (four year program) output will be an additional 18 and 24 graduates, respectively, by 2011.
3. The dental hygiene partnership program at community colleges will produce an additional 24 graduates per year by 2011.

Collectively, investment in these programs will begin to move the state forward in meeting its long-term healthcare workforce needs, will support economic development through the expansion of high paying jobs, and will provide relief to Oregonians in the costs of healthcare by having an adequate number of qualified workers.

**Budget Summary:**
The comprehensive policy package on this healthcare initiative involves budgets policy proposals that will be in separate agency budgets for OHSU, CCWD, and OUS. The following is a summary only of the OUS budget detail and with just the overall budget request of the other agencies:
OUS (OIT, EOU, SOU, WOU) with community college partners policy package includes:

Total biennium request: $7,396,000*

- Enhancement and expansion of nursing pre-requisite courses to support the goals of the OCNE nursing expansion $2,785,500
- Building capacity in three allied health programs: Sonography, CLS and Dental Hygiene based on statewide needs assessment that includes serving rural and urban Oregon $4,610,500*

* Includes some funds for community colleges for clinical laboratory partnership program and dental hygiene program.

The OUS policy package is intended to enhance capacity in the pre-nursing programs that are part of the Oregon Consortium of Nursing Education and the expansion of allied health programs with OUS-OIT partnerships.

OHSU policy package total 2007-09 biennium estimated request for nursing: $7.1 million plus additional funds for medical and dental initiatives (this is an estimate from OHSU; they are still completing their analysis). Community college policy package total biennium request: $2.5 million

II. ETIC Initiative

Title: Enhancing Engineering & Technology Education and Research

Total 2007-2009 Budget Request: $34,440,000 of General Fund and $13,410,000 of Certificates of Participation

Policy Initiative(s) Supported:
Access, Academic Excellence, Excellence in Delivery and Productivity, Economic Development

Description:
ETIC Vision: Oregon’s engineering and technology education and research programs are strategic assets for Oregon’s economy and Oregon’s residents that:

- Provide unique programs of the highest quality that meet the needs of Oregon's industry clusters;
- Attract resources to Oregon from throughout the world;
- Double the number of bachelors, masters, and Ph.D.s receiving a globally competitive engineering education; and
• Perform innovative research that gives existing and new businesses a competitive advantage in the global economy.

ETIC works with all seven OUS campuses plus the OGI unit of OHSU to assure access to high quality programs statewide. Students, young and old, gain knowledge and skills that help the full range of Oregon industries to enhance their competitiveness and productivity. ETIC investments are providing faculty and facilities that will double the number of Oregonians that will receive engineering and technology degrees each year.

The ETIC public-private partnership brings in $2.4 million in private funds for scholarships and fellowships a year and helps leverage over $6 million in federal dollars per year. In addition, engineering internship programs give students real-world experience at the same time they receive professional salaries that defray their educational costs.

Since 1999, ETIC has sponsored pre-college programs that increase young people’s interest in technical careers at the time they prepare them for challenging college courses. Recent work with deans of community colleges is enhancing pre-engineering programs at both high schools and colleges, creating more efficient paths to technical careers.

Faculty hired with ETIC funds are bringing in record amounts of federal research dollars at the same time they enhance the quality of engineering programs based on aggressive goals and measurable results. These same programs help keep Oregon’s brightest students in the state and prepare them for high-paying careers in Oregon.

The investments in 2007-2009 are targeted in the areas that will bring the largest economic benefit to Oregon. These investments in research and teaching faculty will enhance Oregon’s ability to innovate in all industries by providing:

• Highly educated work-ready graduates that can immediately help their employers create new products and services as well as enhance existing ones;
• New technologies that can be put to use by both high-tech and other types of companies; and
• New businesses based on new ideas and the people that create them—leading to new industries that diversify Oregon’s economy.

The ETIC public-private partnership has created a cultural change that has:

• Created new and stronger connections between industry and academia;
• Established aggressive and measurable goals that have been consistently achieved;
• Produced private-to-public investment matches of more than 1.5-to-1 for operating expenses and 2-to-1 in the case of capital projects;
• Increased annual graduation rates by 1.4 times over five years; and
• Increased annual externally sponsored research by more than $14 million.

**Budget Request:**
The overall budget request, above the current ETIC base, is $97.1 million. This includes nearly $50 million of industry and other non-state support and $13.4 million of certificates of participation. The balance ($34.4 million) is being requested from the state General Fund to support efforts at three campuses: OSU, PSU, and the UO.

OSU is proposing to increase its engineering faculty to levels comparable to those in the nation’s top 25 engineering schools through the recruitment of 114 engineering professors between 2007 and 2012. The proposed $35.1 million will enable the hiring of 50 new faculty members (37.5 FTE over the biennium) and allow OSU to educate 570 work-ready B.S. level engineers per year (on the way to 650 by 2020), increase doctoral program enrollment to 350 (with a 2020 goal of 600), increase externally funded research to $40 million (with $120 million the 2020 goal), and spin out six new commercially viable ideas (a first step toward a level of ten such spin outs per year). OSU’s proposal would require $29 million of state General Fund support in 2007-2009 plus $10 million in COPs and will be matched by $35.1 million of industry and other non-state funds.

PSU is proposing investments of $4.8 million of state General Fund and $3.4 million of COPs (as well as four FTE new faculty) to support initiatives in materials engineering, computer science, microfluidics, and biomedical engineering and the establishment of a Center for Remote Sensing and Environmental Monitoring. The PSU initiatives will be matched by industry and other non-state sources in the amount $13.8 million.

The UO intends to use $600,000 of State General Fund support to match a National Science Foundation grant to support graduate students in research into how to best link and communicate science and technology values and methods with and to the general public. The University anticipates that industry will support this effort with another $300,000 of private funds.

**Expected Outcomes:**
Additional faculty and facilities funded by ETIC will:

- Enhance the cooperation between academic programs and between these programs and industry;
- Double number of work-ready graduates available to Oregon industry clusters;
- Triple the amount of federally funded research serving as a source of innovation for Oregon’s clusters;
- Increase the quality and diversity (ethnic, geographic, gender) of students graduating from these programs; and
- Increase the global competitiveness of Oregon’s programs and thus Oregon’s industry clusters.
Performance Indicators:

- Percent of graduates employed and/or continuing education;
- Percent of employed graduates working in Oregon;
- Sponsored research dollars per faculty at research/doctoral universities;
- Total number of degrees granted in engineering and computer science;
- Average rating of overall quality of engineering/computer science graduates by Oregon employers;
- Percent of bachelor’s graduates completing an OUS-approved internship;
- Number of inventions disclosed per year;
- License income per $100 million research per year; and
- Number of start-up/spin-off companies per year (developmental).

ETIC Budget Summary 2007-2009:

<table>
<thead>
<tr>
<th>Budget Category</th>
<th>Requested Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Request</td>
<td>$34,440,000</td>
</tr>
<tr>
<td>Certificates of Participation</td>
<td>13,410,000</td>
</tr>
<tr>
<td>Expected private support</td>
<td>49,250,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$97,100,000</td>
</tr>
</tbody>
</table>

III. Manufacturing 21 Initiative

Title: Leading Innovation: Strengthening Oregon’s Manufacturing Enterprise

Total 2007-2009 Budget Request: **$3,372,000**

Policy Initiative(s) Supported:
This package is a central component of the Governor’s strategy to increase the level of investment in support for Oregon’s manufacturing cluster and his statewide workforce strategy. The initiative is part of the Oregon Business Plan and the Portland Metro Area Business Plan and has been advocated for and supported by Oregon’s manufacturing industry, which has played a leading role in its development.

Background:
Manufacturing has been an important part of Oregon’s landscape since the mid-19th century. Isolated from the rest of the nation, pioneer craftspeople, and entrepreneurs married the region’s abundant natural resources and energy with their own innovation to create a diverse and self-reliant manufacturing economy. Manufacturing became a major underpinning of Oregon’s economy and a hidden economic giant, producing high-wage jobs, wealth, and civic commitment in urban and rural communities alike. Our state’s manufacturers have made huge strides in productivity – adding value to products in ways that allow them to compete with companies in lower-wage economies around the world. The state’s manufacturing sector is still shaped by this pioneer spirit and
commitment to place. But today our companies are no longer isolated: they are competitors in a global economy.

Oregon companies are challenged by an aging workforce and declining numbers of workers with the necessary skills to replace retirees. In the Portland area, in the metals and fabrication industry alone, it is estimated that 16,000 replacement craftspeople and professionals will be needed within the next six to ten years. Expected employment growth will drive the need for even more skilled craftspeople across the manufacturing cluster. Yet there are not enough young people entering the training pipeline or receiving the right mix of skills to meet this impending need.

Manufacturing companies are technology and innovation companies that share a set of core technology needs. These include large scale dynamic testing, thermal and joining processing, systems health, surface engineering, component performance and production prototyping. These industries' needs do not fall comfortably into established technical or engineering disciplines, but are interdisciplinary. Like manufacturing itself, they must be organized and delivered by people and organizations that understand how to draw upon and integrate knowledge into useful innovations for companies focused on delivering high value products to customers every day. This is the unique role for faculty and university research programs and the objective of this initiative.

Description:
This proposal targets the innovation needs of Oregon’s manufacturing cluster, composed of 2,200 companies and 200,000 employees, by expanding the Oregon University System’s capacity to deliver applied technology research, and providing new education and training opportunities to the state’s manufacturing cluster. The outcomes will have statewide impact and will be fully aligned with plans to establish a Center for Manufacturing and Infrastructure Engineering in the Portland metropolitan area. The investment is linked to collaborative activities with the Pacific Northwest National Laboratory (PNNL), located in Richland, Washington, and Oregon’s nanotechnology agenda.

This initiative will create a significant new pathway for the transfer of OUS-created technology to Oregon companies capable of producing products and creating jobs around nano-applications. Its three components, which build on existing capabilities that have been repeatedly identified by Oregon companies as highly responsive to their needs, are:

1. Create three new senior faculty positions at Portland State University in the following areas: environmentally benign nano-structured surface engineering; materials joining; and non-destructive analysis of engineered materials. One of these new faculty positions will provide a solid bridge between Oregon’s nanotechnology initiative and its metals and materials fabrication clusters. The cost of these positions is $952,000 for the biennium.

2. Acquire three new critical pieces of equipment for use in existing laboratories. These include: a dynamic physical thermal mechanical simulation test system; a
controlled-atmosphere, high-temperature programmable furnace; and an automated micro-hardness test system. The cost of this equipment is $1.42 million.

3. Expand an existing matching applied research grant program, the Oregon Metals Initiative, to create stronger collaboration with Oregon University System research faculty and the manufacturing cluster. This policy package includes funds for a small business set-aside to allow smaller manufacturing companies to participate in the applied matching grant program. The increase being sought is $1 million.

These investments will be tied to those made in the manufacturing cluster by Oregon's Economic and Community Development Department and the Governor's Office of Workforce Development, and are supported and complemented by investments and participation by industry groups, including the Manufacturing 21 Coalition, the Pacific Northwest Defense Coalition, and the Oregon Recreational Vehicle Consortium.

**Expected Outcomes:**

Expected outcomes include:

- Increased number of technicians and engineers produced and available for the manufacturing sector;
- Increased research productivity due to new collaborations between industry, national laboratories, and faculty;
- Increased monetary contributions by industry to university research; and
- Improved connectivity with community college engineering and applied technology programs.

**Performance Indicators:**

- Increased production of technicians and engineers available to manufacturing companies:
  - Ten percent increase in enrollment in mechanical/civil engineering and materials science at PSU within five years.
  - Steady state goal of 35 additional bachelor’s degrees awarded annually over current levels in mechanical/civil engineering and materials science at PSU within seven years.
  - Increased research production in mechanical/civil engineering and materials science
  - Fifty percent increase in R&D expenditures over current levels after four years.
- Increased industry monetary contribution to university research programs;
  - $750,000 increase in contributions from industry and expanded participation from small businesses over a two-year period.
This will produce a total applied research fund value of $3.7 million for the 2007-2009 biennium.

- Improved connectivity with community college engineering and applied technology programs.
  - Ten community college students involved in upper-division engineering research projects prior to transfer into OUS engineering programs within three years.

### IV. OSU Statewide Public Services Policy Package

**Title:** Enhancing Oregon’s Economy with Research, Innovation, and Education in the Natural Resources Sector

**Total 2007-2009 Budget Request:** $15,000,000

**Policy Initiative(s) Supported:**
- Economic Development; Agriculture, Forestry, Fisheries, Food and Wine Production; Sustainability and Renewable Energy

**Description:**
The Statewide Public Service Programs (Agricultural Experiment Station, Forestry Research Laboratory, and Extension Service) are the primary sources of research, technology, and education for Oregon's natural resources sector, supporting the social and economic infrastructure and resource management in every county in Oregon. The Agricultural Experiment Station and Forestry Research Laboratory conduct research and develop practical applications for Oregon’s natural resource industry clusters of forestry, agriculture, wood products, and food processing. The Extension Service is the primary delivery system to connect research with the industry clusters and bring these innovations to Oregonians. These clusters generate more than $24 billion in annual economic activity and about 345,000 jobs in Oregon.

The policy package request integrates SWPS initiatives to promote sustainable economic development and community vitality across Oregon. The proposal focuses on sustainability through bio-based energy production; preservation of water, watersheds, water quality, aquatic resources, and fish habitat; and ecological services. Initiatives to support innovation in foods and wood products, increase agriculture and forest productivity, support viticulture and enology, and promote coastal and forest-based tourism will spur economic development across the state. The strategic expansion of research-based outreach work through Extension education will strengthen local capacity to improve the economy, the environment, and social systems.

**Agricultural Experiment Station – Budget Request: $7.8 million**

**Programs/Projects include:**
• Viticulture and Enology.
• Bio-based Health-promoting Products.
• Sustainable Production and Marketing Systems.
• Food Innovation.
• Water, Watersheds, and Aquatic Resources.
• Ecological Services.

Forestry Research Laboratory – **Budget Request: $2.2 million**
Programs/Projects include:

- Enhancing Planted Forest Productivity and Value.
- Sustaining Water, Water Quality, and Fish Habitat.
- Wood Products Innovation.
- Forest-based Tourism.

(A portion of the FRL request could potentially be funded with an increase in the forest products harvest tax. However, the desirability of using this source either for the current base budget or for expanded efforts has been questioned recently.)

Extension Service – **Budget Request: $5 million**
Programs/Projects include:

- Community Sustainability Initiative.
- Agriculture and Food Systems.
- Family and Community Development.
- Youth Development.
- Forestry.
- Coastal Tourism and Recreation.
- The 24-7 Initiative (online community support).

**Expected Outcomes:**

- Increased profits and sustainability within the agricultural sector of Oregon's economy;
- Substantially increased capacity of the Forest Research Lab and OSU College of Forestry in key areas vital to the economic health and development in Oregon;
• Oregon’s natural resource based economy will be stimulated and sustained and economic stability added to communities while simultaneously improving the environment;
• Improved skills of individuals and families in maintaining optimal health;
• Twelve counties will initiate or expand science and technology programming;
• Youth will acquire knowledge and skills in key areas of science and technology;
• Youth will increase aspirations for post-secondary education;
• Increased high-school retention rates among 4-H program participants;
• Enhanced economic and forest health in Coos County and enhanced wood-based manufacturing in Oregon;
• Improved knowledge of innovative solutions to existing, persistent and emerging tourism/recreation business problems;
• Expanded collaborative and entrepreneurial programming to address prioritized tourism issues; and
• More individual Oregonians and Oregon communities using Extension information and educational programming available on demand (online) to make decisions with a positive impact on the state’s economy, environment, and social systems.

**Performance Indicators (specific targets TBD):**

• Increases in bio-based energy production; Oregon wine industry profits; sales of bio-based, health-promoting products; use of sustainable production and marketing systems; food-related microenterprises; stewardship of water, watersheds, and aquatic resources; the size of the ecological services industry in Oregon;
• Increased output and wage income in the forestry sector;
• Increase in the cost-effective use of bio-based energy systems and more bio-based energy businesses;
• Improved skills and competencies in the number and percent of youth mastering key science and technology concepts and principles, exhibiting changes in attitudes about learning, changed aspirations for post-secondary education; the number and percent of program youth graduating from high school;
• Increase in wood-based manufacturing jobs;
• Demonstrable private, public, and private-public collaborative efforts to address prioritized issues affecting the viability and sustainability of the tourism industry;
• Increase in engagement by institutions of higher education in coastal tourism and recreational issues; and
• Increase in research-based Extension information and educational programming available to Oregonians online.

V. Integrated Data System Initiative  
**Title:** K-16 Student Data Transfer, Alignment, and Information Infrastructure  

**Total 2007-2009 Budget Request:** $1,275,000  

**Policy Initiative(s) Supported:**  
Excellence in Delivery and Productivity: Student-Centered Alignment

**Description:**  
This package contains four components, each needed to build the technology necessary to support the work of PK-20 alignment. Collectively, these elements assist students in transitioning successfully among the sectors, provide for the transfer of accurate and timely communication of academic planning information for the transfer of student information, and a means for the collection and development of cross-sector analysis. The package includes funding for the following four projects:

1. Expansion of IDTS; ATLAS training cross-sector academic advising and admissions personnel: $363,000  
2. ATLAS Phase II: $296,000  
3. Statewide financial aid data exchange system: $438,000 (including $329,000 for community colleges)  
4. Proof of concept and pilot testing of Oregon P-20 Education Information System: $178,000

1. Integrated Data Transfer System (IDTS) and Articulated Transfer Linked Audit System (ATLAS) training  

A. Expansion of high school use of IDTS  
The purpose of this activity is to continue the data integration begun in the 2005-2007 biennium, adding additional high schools to the statewide infrastructure for the electronic submission of high school transcripts to take full advantage of the system’s capabilities.

This package will allow needed enhancements of existing IDTS capabilities required to build extracts for the KIDS data warehouse models under development by ODE. A position will be added to serve as a combination system administrator and help desk operator and will be responsible for recruiting additional high schools into the system and assisting those schools with access, testing, and utilization of IDTS.
B. Advisor training for using both IDTS and ATLAS

The purpose of these activities is for the training of transfer advisers and admissions professionals at all publicly-funded higher education institutions to fully use ATLAS resources. This funding would bring together OUS and community college advisers to receive training on the functionality of each system.

This package will allow for the training of high school counselors in providing appropriate advising for high school students anticipating college and facilitate the use of ATLAS by those students accumulating college credits prior to high school graduation. This training would be provided in cooperation with ODE and with ESDs around the state.

**Outcomes:**

- Trained transfer and academic advisers at all OUS and community college campuses;
- A population of high school counselors conversant with IDTS and ATLAS for advising purposes; and
- Improved advising for high school students regarding college preparation, course articulation, and degree pathways.

**Performance Indicators:**

- Transfer Completion—Percentage of Oregon community college transfers completing a bachelor's degree at an OUS university; and
- Community College Transfers Time to Degree—Average time to degree for community college transfers.

2. ATLAS: Phase II

The purpose of this activity is to enhance work completed through Chancellor’s Office funding in 2005-2007 in the implementation of ATLAS, an internet interface allowing students and advisors to efficiently evaluate courses, credits, and degree requirements. The limited funding from the Chancellor’s Office was used to purchase and install the software and to begin the process of updating course articulation tables and practices, and degree audit pathways. Campuses then used remaining funds to bring up high volume degree programs and critical system functions.

Phase II will build on the work begun in 2005-2007. In the 2007-2009 biennium, all seven OUS institutions hope to complete the “receive” mode, allowing potential transfer students to evaluate course articulation and conduct unofficial degree audits at any OUS institution. The system should allow students to link coursework among OUS institutions and between OUS institutions and community colleges.
A. Provide funding to move toward completion of OUS campus implementation of targeted programs and increase usability by adding desirable features included in CAS software.

B. Fund “send” functions from all community colleges so that students can import unofficial transcripts into ATLAS, streamlining the course articulation and degree audit process.

**Outcomes:**
- All high volume, targeted degree programs will be available for students to conduct degree audits and access course articulation information for all OUS institutions.
- Campuses will activate all locally-determined desirable ATLAS/CAS functions.
- All 17 community colleges will have “send” capabilities to enable unofficial transcript upload transmission.

**Performance Indicators:**
- Transfer Completion—Percentage of Oregon community college transfers completing a bachelor’s degree at an OUS university.
- Community College Transfers Time to Degree—Average time to degree for community college transfers

3. **Statewide Financial Aid Data Exchange System**
   The Oregon Student Assistance Commission developed the Oregon Financial Aid Exchange (OFAX) to ensure that financial aid and enrollment data can move seamlessly between institutions and across sectors, meeting critical deadlines and promoting student retention and completion. As publicly-funded institutions of higher education enhance accelerated options for high school students and create or build on existing degree completion programs that serve students attending multiple post-secondary institutions simultaneously, the seamless movement of financial aid data becomes ever-more central to student success.

   This package implements, for all 21 accredited postsecondary institutions and OHSU, all of the technical and procedural improvements of OFAX. This effort builds upon the integrated data transfer of electronic student data funded in the 2005-2007 biennium by the inclusion of federal and state financial aid data.

A. **Existing OFAX Users**
   Currently, five OUS schools and five community colleges are using OFAX to some extent. They exchange data with other partner schools or as part of a consortium agreement, such as the Oregon Consortium for Nursing Education. Oregon State University and Linn Benton Community College participated in a successful two-year pilot project and the other eight institutions have subsequently deployed components of the OFAX system. All existing OFAX
schools need assistance in integrating OFAX data into their institutional information systems and improving business processes to better utilize it.

B. New OFAX Users
The two remaining universities and nine community colleges need assistance in extracting data from their information systems to share with partner schools and downloading and integrating data from other Oregon institutions. Implementations will vary based on technology environments and readiness.

OHSU has implemented all the features of OFAX to support the requirements of the new Oregon Consortium for Nursing Education, which begins in the fall of 2006. Many of the new user institutions need OFAX to exchange data with OHSU.

Three community colleges (Oregon Coast, Columbia Gorge, and Tillamook Bay) do not yet need OFAX since their financial aid is managed by partner colleges.

Outcomes:
There are 40 different institutional co-enrollment partnerships among pairs of the institutions. Some of these partnerships are the result of a multi-institutional consortium, while others are based on regional needs. Once OFAX is in place at each school, students will be able to successfully co-enroll at more than one school and have their data seamlessly and efficiently shared among all partner schools. The goal of this initiative is to have all aspects of OFAX fully functional at the seven OUS schools, 14 community colleges, and OHSU.

Performance Indicators:

- Successful student co-enrollment at multiple institutions, including successful transfer of financial aid information.
- Seamless sharing of financial aid data among all public postsecondary institutions in Oregon.

4. PK-20 Education Information System:
The ability to follow courses taken in high school with subsequent outcomes in college will give curriculum designers and policy makers a tool to measure and identify the skill sets required to be successful at the next level. This proposal is the first step in the creation of a longitudinal inter-sector educational database that will provide this robust statewide data system.

Because data are complex and management of data is critical to an agency and often governed by federal law, this proposal will investigate and pilot test a linking of data, rather than a full exchange. The components of this project include researching best practices, visiting constituents with success in alignment of information systems, retaining a consultant who can advise on implementation strategies, obtaining sufficient hardware and software to implement a reasonable
pilot test, and hiring a project manager and analyst to identify important data elements within each sector, storage and retrieval methods, and technological pitfalls and solutions, and assist with resolution of legal issues.

Outcomes:
If the test proves the concept, each sector will maintain control of its data and will contribute experts to a team dedicated to recommending and monitoring the cross-sector research to be performed. This will result in a tool that will allow Oregon educators to identify college-readiness to an explicit curricular level, resulting in a higher success rate for our students as they move from high school to college.

Performance Indicators:
A successful linkage of unit record test data from ODE, CCWD, and OUS central information systems for the purpose of developing an effective long-term vehicle for student outcomes analysis and curriculum development across all public education sectors.

VI. Rural Access Initiative
Title: Center for Rural Access to Higher Education

Total 2007-2009 budget request: $4,630,000 million

Policy Initiative(s) Supported:
Access and Affordability; and Excellence in Delivery and Productivity

Description:
This proposal seeks to create, develop, and encourage a college-going culture in rural Oregon to increase the percentage of high school graduates attending college by 2015 to the state average, resulting in an increased investment in economic development in the region and an increased regional and state tax base. Currently, only 13.9 percent of the college-age population (18-24) in rural Oregon is attending college, which is less than half of the state’s average of 30.8 percent.

Rural Oregon holds 80 percent of the state’s landmass, but only 20 percent of the state’s population. In comparison with the rest of Oregon, rural Oregon is younger, less educated, and less wealthy. Furthermore, the region is severely underserved in postsecondary education and a declining percentage of the population in rural Oregon is pursuing college education in the state. The reasons may include access, cost, intimidation, and insufficient incentives. A comprehensive, collaborative, and long-term solution to address this higher education problem – very much connected to the economy of our rural areas – is critical for the state.

OUS, with Eastern Oregon University as the lead institution, is proposing a consortium-model high school outreach program that starts early (ninth grade), involves parents, and promotes college education, not specific institutions. Also included in this program
are college courses on high school campuses, joint summer institutes, and increased financial aid. This will be a collaborative proposal and would include, but not necessarily be limited to, Eastern Oregon University, Oregon Institute of Technology, Southern Oregon University, Blue Mountain Community College, Treasure Valley Community College, Klamath Community College, and Southwestern Oregon Community College. Some of the funds will be used by the community colleges.

**Outcomes:**

1. **Increase college attendance by making college education in rural Oregon more accessible.**
   - Encourage more high school graduates to pursue college by establishing a district-based (or high school-based in large districts) program to mentor high school students as they progress through their secondary education and to monitor their progress. To accomplish this, advisors from the consortium will be placed in different rural districts to advocate for, and facilitate entry into, postsecondary education.
   - Offer multiple college courses on high school campuses using a combination of traditional and extended residence courses as well as different modes of distance education such as interactive television and the Internet.
   - Create a college-going culture by starting early outreach to mentor 7th-9th graders on the benefits of college education, leading to a significant increase of additional students enrolling at an Oregon postsecondary institution.
   - Reinforce the college-education culture by involving and educating parents in the processes and activities surrounding postsecondary education, including financial aid, scholarships, and applying for admission to the college of their choice.
   - Host summer institutes for high school students on university and college campuses.

2. **Increase college attendance by making postsecondary education in rural Oregon more affordable.**
   - Establish special “Rural Oregon College Scholarships” for the graduates of rural high schools. Anticipated funding sources include private donors, foundations, and state and federal grants.
   - Support the creation of partnership agreements among universities, community colleges, and rural high schools to encourage high school graduates to pursue college education and return to rural areas.

**Performance Indicators:**

- Increased number of rural high school freshmen attending college in Oregon.
- Increased freshman-to-sophomore persistence rate for students from rural high schools.
• Increased number of college graduates who came from rural high schools.

VII. Transportation Initiative

**Title:** National University Transportation Center: Portland State University in partnership with the University of Oregon, Oregon State, University and the Oregon Institute of Technology

**Total 2007-2009 budget request: $2 million**

**Policy Initiative(s) Supported:**
This proposal supports the Board’s policy initiatives in Access and Affordability, Excellence in Delivery and Productivity, Academic Excellence/Economic Development, and Sustainability

**Description:**
A four-university consortium (Portland State University in partnership with the University of Oregon, Oregon State University, and the Oregon Institute of Technology) has been designated by the U.S. Congress as a National University Transportation Center (UTC), as part of the *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* (SAFETEA-LU). SAFETEA-LU authorizes the federal surface transportation programs for highways, highway safety, and transit for the 5-year period 2005-2009. Within the overall UTC program, only ten (including Oregon) are designated as National centers. The UTC program is administered by the Research and Innovative Technology Administration (RITA) within the U.S. Department of Transportation, designed to be “half Silicon Valley entrepreneurial company and half university research lab.” The UTC program supports internationally recognized centers of excellence, fully integrated within institutions of higher learning, that serve as a vital source of leaders who are prepared to meet the nation’s need for safe, efficient and environmentally sound movement of people and goods. The UTC mission is to advance U.S. technology and expertise in the many disciplines comprising transportation through the mechanisms of education, research, and technology transfer at university-based centers.

**The Situation:**
There is a need to use advanced and applied research to improve our transportation systems to make them more sustainable. There is also a workforce crisis in the transportation sector in that half of our nation’s transportation system employees will be eligible for retirement in the next ten years. In order to address these issues, the UTC program supports six goals in the areas of education (undergraduate, graduate, and lifelong learning); human resources (increasing numbers of faculty, students, and staff involved in transportation); diversity (increasing diversity of faculty, students, and staff in transportation programs); research selection (an objective, rigorous, and peer-reviewed process for selecting and reviewing research); research performance (producing quality research products that can be applied toward solving problems); and technology transfer (connecting research results with potential users).
The Oregon Center is funded at $16 million in federal funds over five years, but each federal dollar must be matched by a local, non-federal dollar. The purpose of this request is to build a stable source of local match on behalf of all participating OUS institutions, which will support an ongoing local effort to improve and sustain improved transportation research, education, and outreach. It is recognized that there is value in the need to identify the local match in that external partners (e.g., transportation agencies and industry) will be stakeholders in research results and will push researchers to make their products relevant. However, the requested funding will lower the burden for faculty at the four campuses to pursue research and education initiatives that are perhaps too advanced to fit with local priorities or that are difficult to match. The requested funding will allow the Oregon Center, with faculty and students on all four campuses, to develop sustained, improved, expanded transportation research and education initiatives that are cross-disciplinary, cross-campus, cross-institution, and address the important passenger and freight movement issues that affect our state and beyond. Also, RITA required the center to support research needs of federal transportation agencies that cannot provide matching funds.

The Oregon Center is collaborative, statewide, multi-modal, and inclusive. Its themes are: advanced technology, integration of land use, and transportation and healthy communities. The Center has already identified 100 faculty on the four campuses in 27 different disciplines who are interested in transportation. In order to ensure that the best ideas are developed, it is expected that there will be substantive collaborations across campuses and across disciplines.

The Oregon UTC is also intended to be student-centered: it must attract, retain, and train top students in OUS graduate programs. To accomplish these objectives, the UTC is also faculty driven—as educators and principal investigators, the faculty will be empowered to develop their ideas and pursue their passions toward improving our transportation system—making it more efficient, effective, equitable, and sustainable. We expect to make a positive impact on the transportation profession and on our state’s economy.

The Oregon UTC at PSU in partnership with the UO, OSU, and OIT is committed to providing relevant research to assist local, state, and regional agencies in their work and to expanding the pool of highly talented students who choose to work in the area of transportation planning and engineering. Building upon our collective efforts to make Oregon a place where innovation, creativity, and collaboration lead to sustainable communities, we look forward to working together to create a vibrant, multimodal, multidisciplinary university transportation center that is an exciting place for students to learn and be enriched by an active faculty and compelling research program.

**Expected Outcomes:**
- More students supported (tuition support, stipends, fellowships) with research assistantships that will make our campuses more competitive;
• More and better graduates (master’s and Ph.D.) and increased graduation rates for transportation students;
• Higher student placement rates with transportation agencies;
• More graduates working in Oregon;
• More peer-reviewed faculty and student publications;
• More diverse student pool;
• More faculty and staff supporting research efforts and more sponsored research dollars;
• Improved quality of transportation programs at the four campuses;
• Greater potential for intellectual property development;
• Greater national and international reputation; and
• Greater opportunities for students to collaborate across campuses.

Performance Indicators:
As part of the Oregon UTC’s strategic plan, the following performance indicators will be tracked:

1. Research Selection
   • Number of transportation research projects selected for funding.
     o Number of projects considered to be: basic research, advanced research, and applied research.
     o Total budgeted costs for the projects reported above.

2. Research Performance
   • Number of transportation research reports published.
   • Transportation research papers presented at academic/professional meetings.

3. Education
   • Number of courses offered as part of a transportation curriculum.
   • Number of students participating in transportation research projects.

4. Human Resources
   • Number of transportation-related advanced degree programs, students enrolled and graduates produced.

5. Technology Transfer
   • Number of transportation seminars, symposia, distance learning classes, etc. conducted for transportation professionals.
   • Number of transportation professionals participating in those events.
Budget Summary:
Total recurring request: $1 million per year as part of the 2007-2009 budget ($2 million for the biennium). This will leverage at least $2 million in federal funds during the biennium. Funding will support faculty, students, and programs at PSU, UO, OSU, and OIT.
### Appendix E – Example of 10% Reduction Plans

<table>
<thead>
<tr>
<th>Activity or Program</th>
<th>Describe Reduction</th>
<th>Amount and Fund Type</th>
<th>Rank and Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>(which program or activity will not be undertaken)</td>
<td>(Describe the effects of this reduction. Include positions and FTE in 2007-09)</td>
<td>(GF, LF, OF, FF) Identify Revenue Source for OF, FF)</td>
<td>(Rank the activities or programs not undertaken in order of lowest cost for benefit obtained)</td>
</tr>
</tbody>
</table>
| 1. Education and General – All Institutions | **Instruction**  
Eliminate 88 course sections and 67 FTE.  
Close satellite instructional facilities serving students in rural areas and reduce distance ed course development - $1.45 million. Reduce temporary staffing of $1.2 million. Eliminate faculty recruitment funds by $250,000. | GF $13 M            | The listing of reductions and their effects reflects an equitable distribution of the budget reductions across OUS’ major programs. This approach comports with general principles underlying the Board of Higher Education’s Resource Allocation Model. It is also consistent with the Board’s goals to provide access, affordability, quality, and cost effectiveness for all of the state’s public universities and statewide public services. |
|                        | **Student and Administrative Support**  
Reduce Student Services and Administrative Support, cutting 87 FTE.  
Reduce career services; eliminate new campus based financial aid; close two buildings; reduce library acquisitions, supplies, and equipment. Reduce Community College Partnership funding, recruiting, mailings, and outreach services. Defer classroom upgrades. | GF $13 M            |                                                                                       |
| **Instruction** | Eliminate 110 course sections per term and 85 FTE.                                                                                                                      | GF $13 M            |                                                                                       |
| **Student and Administrative Support** | Reduce student services and administrative support, cutting 90 FTE.  
Delay minor building renovations for research labs. Defer maintenance projects, only correcting major safety issues.  
Service reductions may jeopardize accreditation and faculty development. | GF $13 M            |                                                                                       |
<p>| <strong>Instruction</strong> | Eliminate 100 course sections per term and 78 FTE.                                                                                                                      | GF $12 M            |                                                                                       |
| <strong>Total</strong> |                                                                                                                                                                           | <strong>GF $64 M</strong>         |                                                                                       |</p>
<table>
<thead>
<tr>
<th>Activity or Program</th>
<th>Describe Reduction</th>
<th>Amount and Fund Type</th>
<th>Rank and Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and Fees</td>
<td>OUS equates a 10 percent reduction in OFL to the loss of approximately 8,800 FTE students who would be denied access.</td>
<td>OFL $110 M</td>
<td></td>
</tr>
<tr>
<td>2. Agricultural Experiment Station</td>
<td>Across the board reductions in all areas, including FTEs, would result in significant decreases in Statewide Public Services.</td>
<td>GF $6 M</td>
<td></td>
</tr>
</tbody>
</table>
| 3. Extension Service             | Across the board cuts in all areas, including staffing levels, will:  
• Result in loss of faculty having joint appointments among research, teaching, and Extension;  
• Jeopardize retention of some existing outside funding;  
• Reduce ability to attract other outside funding; and  
• Negatively impact the Oregon economy.                                                                                   | GF $4.4 M            |                        |
| 4. Forest Research Laboratory    | Across the board cuts in all areas, including FTEs, will significantly impact the FRL ability to provide public services.                                                                                           | GF $600,000          |                        |
Capital Construction Budget Request, 2007-2013

Staff Report to the Board:
Each biennium, prior to the legislative session, the State Board of Higher Education submits a capital program summary to the Governor covering the ensuing three biennia. For 2007-2009, a formal capital budget request is presented; for the outlying period 2009-2013, a forecast of needs is identified.

The 2007-2009 capital budget recommended to the Board for approval totals $957,382,066 for the seven OUS campuses and University Centers. Approximately 34 percent of the request pertains to projects related to capital repair, code needs, and renovation; 37 percent relates to Education and General projects that directly provide facilities for the instruction, research, and service missions of the System; and the remaining 29 percent is for projects carried out by auxiliaries, including student facilities funded by the student building fee.

A supplement to the recommendation has been prepared under separate cover and provides details of the requests by biennium, including information on the major issues, a summary of the outstanding and forecasted Article XI-F(1) and Article XI-G bonds, funding for deferred maintenance, and an enumeration of proposed Certificates of Participation. Lists of exhibits and tables provide further detail.

Staff Recommendation to the Board:
Staff recommends that the Board authorize the Chancellor, or designee, to prepare and submit to the Department of Administrative Services a proposed 2007-2013 Capital Construction Program in accordance with this docket item and the supplemental materials included herein. Further, it is recommended that staff be authorized by the Board to apply for the necessary grants and seek the necessary bonding authority and Certificates of Participation authorizations to effect the projects and purchase the equipment and systems described in this docket item for the 2007-09 biennium. In addition, staff recommends that the Chancellor, or designee, be authorized to make any technical adjustments required to the program during the ensuing period prior to the end of the 2007 Legislative session.

(Board action required.)
Oregon University System

Capital Construction Program Request for 2007-2013

A report presented to the
Oregon State Board of Higher Education

Prepared by:
Office of the Chancellor
Finance and Administration
P.O. Box 3175
Eugene OR 97403-0175

July 14, 2006
OREGON UNIVERSITY SYSTEM

2007-2013 Capital Construction Budget Request

TABLE OF CONTENTS

INTRODUCTION

PART I: Background and Major Issues
   A. Facility Categories
   B. Capital Program Priorities
   C. Deferred Maintenance/Seismic

PART II: 2007-2009 Capital Construction Budget Request Summary


PART IV: Bond Summary Reports

PART V: Limitation Extensions

SUPPLEMENTAL TABLES

2005-2007 Biennium
Table 1 2005-2007 Legislative and Emergency Board-Approved Capital Projects to date

2007-2009 Biennium
Table 2 2007-2009 Projects Proposed for the 2007-2009 Bond Bill for Higher Education
Table 3 2007-2009 Capital Projects–Summary By Campus
Table 4 2007-2009 Education and General Priorities
Table 5 2007-2009 DAS Form 107BF11, Project Narratives
Table 6 2007-2009 Sustainable Capital Renewal Program

2009-2011 Biennium
Table 7 2009-2011 Proposed Projects–Summary by Campus
2011-2013 Biennium
Table 8 2011-2013 Proposed Projects–Summary by Campus

Attachment 1: Sustainable Practices for Deferred Maintenance and Seismic Mitigation
Attachment 2: Prioritization of Seismic Retrofits...Enhanced Rapid Visual Screening
SUMMARY INTRODUCTION


The 2007-2013 Capital Construction Program of the Oregon University System has been prepared in accordance with requirements of the Department of Administrative Services (DAS). Each biennium, prior to the legislative session, the Board of Higher Education submits a capital construction budget request to the Governor covering the ensuing three biennia. The following covers the period 2007-2013, with detailed information provided only for the first biennium. For 2007-2009, the capital construction budget request recommended to the Board for approval totals $957 million. Although the six-year plan corresponds to requests by DAS for a long term forecast of needs, only the upcoming biennium, 2007-2009 is being submitted for approval to the Oregon State Board of Higher Education at its meeting July 13-14, 2006, at Portland Oregon.

ORGANIZATION OF THE CAPITAL CONSTRUCTION PROGRAM REQUEST

Part I Background and Major Issues. This section summarizes the overarching capital construction issues facing the Oregon University System (OUS) and the strategies recommended for resolving them.

Part II 2007-2009 Capital Construction Budget Request. Summaries of the proposed OUS 2007-2009 capital budget are discussed. Information is organized to cover four categories of facilities: Education and General (E&G), Systemwide Projects, Auxiliaries, and Student Facilities (funded by the Student Building Fee Debt Service Reserve). For each category, information is presented on the funding requested and the program emphasis of each element.

Part III 2009-2011 and 2011-2013 Capital Construction Program Summary. Exhibits are provided that display the total requested by the universities for the outlying years.

Part IV Bond Summary Reports. These reports provide information on the historical level of bonded debt, sources and level of debt service repayment. Also shown are the projected changes to those levels of additional debt associated with the 2007-2009 Capital Construction Budget Request.

PART V: Limitation Extensions. To extend the expenditure limitation of previously approved capital projects.

Supplemental Tables. The Supplemental Tables include display information on the current biennium and the proposed 2007-2013 capital program in greater detail.
PART I - BACKGROUND AND MAJOR ISSUES

The 2007-2013 Capital Construction Program under consideration will focus on recommended investments in higher education that will protect and enhance the value of our facilities. The background information will highlight the four types of facilities projects and the important issues that impact our stewardship of over 50 percent of all state building assets. The construction of new facilities and the renewal of existing buildings and infrastructure plays a vital role in the local and state economies. Our campuses need the resources to maintain and adapt these assets to meet the overall academic mission, which provides the basis for explaining the Capital Construction Program.

A. Facility Categories

The Capital Construction Program is divided into four distinct categories of facility types and is shown as a percentage of the total request:

- Education and General
- Auxiliary
- Student Facilities
- Systemwide
EDUCATION AND GENERAL FACILITIES
Education and General projects (E&G) are the only types of facilities eligible to receive state General Fund revenues and Article XI-G bonds. E&G facilities provide the basic instructional space, administrative and campus support facilities necessary for the university. Examples include libraries, classrooms, departmental or Chancellor's administrative offices, and physical plants.

AUXILIARY
Capital construction projects for Auxiliaries are funded primarily through the use of Article XI-F(1) bonds, repaid through revenues generated by operations. To issue these bonds, campuses must meet tests by the Controller’s Office and the bond counsel, to assure the OUS Board that the project will be self-financing and self-supporting. Auxiliary facilities include Campus Housing/Dining, Parking, and Athletics.

SYSTEMWIDE
As in the past five biennia, the State Board of Higher Education has requested a Systemwide expenditure limitation for an omnibus line item amount to cover academic modernization, code, deferred maintenance, and capital repair projects. These funds are distributed between the campuses based on their percentage of Education and General space.

STUDENT FACILITIES SUPPORTED BY THE STUDENT BUILDING FEE
The Student Building Fee Debt Service Reserve serves as the source of debt repayment on Article XI-F(1) bonds issued to finance the construction and renovation of major student facilities such as recreation and fitness centers, student unions, and child care centers. These facilities play an important role in attracting and retaining students. A Legislative Concept, approved by the Board and the Legislature last biennium, increased the fee over two biennia, to fund all of the highest priority needs identified by the campuses.

B. Capital Program Priorities
How the academic mission of the System drives facilities needs is complex. OUS campuses fuel the Oregon economy by providing intellectual capital research production and applied technology. Whether through graduating scientists, computer specialists and engineers, or teachers, social scientists, and artists, this contribution has been vital.

The direct economic impact from the 2007-2009 OUS Capital Request can be measured not only by the new technologies that will be transferred to Oregon and its citizens as a product of these improved facilities, but also from the jobs created directly and indirectly from the construction activity. Based on past experience and third party data, OUS construction projects directly create nine jobs per million dollars of expenditure. These 8,600 jobs related to the 2007-2009 capital request are high paying, family wage jobs, available throughout Oregon’s seven geographically dispersed universities. With sustainable construction policies in place, building materials and
supplies are also purchased locally, which multiplies the overall positive impact to local and state economies.

With limited resources, strategic investments by the state must be carefully examined. Therefore, the Chancellor’s Office has established a process to review and evaluate each project to determine how best to utilize state funding to adapt our facilities to meet the ever changing program requirements, while preserving the historical character of our buildings and campuses. The OUS project priorities were determined by assigning a point value to a set of seven criteria that were developed to measure the relative merits of each project. (Exhibit 1). With the top possible score of 40 points, the results are shown on Table 6 in the supplemental material.

The criteria used for the preliminary ranking of 2007-2009 projects are those used by the State Board of Higher Education to prioritize the projects for which it sought state approval for 2005-2007. These criteria include consistency with a campus master plan, contribution to meeting Board priorities, a project’s ability to reduce campus operating costs, demonstrated need for the project, the priority assigned to the project by the campus requesting it, completing projects that are phased or otherwise underway, and the ability of the project/campus to raise non-state funds to construct it.
Exhibit 1
Education and General Prioritization Criteria

1. **Master Plan: (1 to 5 points)**
   The Master Plan criteria identifies how well the project addresses the campus’s long-range planning document. A project scores well if it clearly establishes a relationship to program development, land use, and development intensity. These self-studies, while still evolving, have identified those facilities most needed if enrollment growth, program change, and quality facilities are to be achieved.

2. **Board Priorities: (1 to 10 points)**
   Scoring is based on the project’s relation to Access, Program Quality, Operating Budget Priorities, State and Community Priorities, and Community College Connections.

3. **Cost Savings: (1 to 5 points)**
   Projects are scored based on cost savings generated by eliminating or limiting deferred maintenance projects and/or operational savings.

4. **Demonstrated Need: (1 to 5 points)**
   Scoring within this priority is related to life safety, mission critical items, and projects that support key programs and initiatives.

5. **Campus Priority: (1 to 5 points)**
   This score is based on the campus ranking as follows:
   
<table>
<thead>
<tr>
<th>Priority</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>5 or higher</td>
<td>1</td>
</tr>
</tbody>
</table>

6. **Finish What We Started (1 to 5 points)**
   Projects are scored based on how the capital investment could best enhance or complement existing academic program efforts.

7. **Use of Leveraged Dollars (1 to 5 points)**
   Projects were scored based on the following schedule:

<table>
<thead>
<tr>
<th>Points</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>No state funds required and a majority of the funds have been raised.</td>
</tr>
<tr>
<td>2</td>
<td>Donations to be used as a match for state funds, with a portion of the funds raised or pledged.</td>
</tr>
<tr>
<td>3</td>
<td>Donations to be used as a match for state funds, few or no funds raised to date.</td>
</tr>
<tr>
<td>4</td>
<td>More state funds requested than private donations.</td>
</tr>
<tr>
<td>5</td>
<td>100 percent state funded.</td>
</tr>
</tbody>
</table>
C. Deferred Maintenance/Seismic

Deferred Maintenance Background:
Like most colleges and universities across the country, 50 percent of OUS buildings were constructed within a 15 year window, from 1960 to 1975, in order to meet the huge enrollment growth attributed to the baby boomers. Now 40 years later, the major subsystems within those buildings (roofing, HVAC, plumbing, electrical, etc.) are wearing out and must be replaced.

With limited state support to fund the periodic renewal of major building subsystems, a backlog of projects had developed and has continued to grow to an astonishing $600 million level.

The key to the inability to fund the renewal of these subsystems was centered on the 1-to-1 matching requirement for state bonds. The state Constitution, under Article XI-G, restricts the issuance of state bonds for Higher Education to those projects that can equally match the bonds with state General Fund or private gift dollars. Given the challenges in attracting the matching funds for this project, a new strategy was developed to maintain and protect the hundreds of state building assets under OUS’ stewardship.

Last session, a new funding model was presented to begin eliminating the $600 million backlog of capital repair projects for state supported buildings by leveraging the resources available through other state agencies and using energy savings generated to help re-pay debt service.

The funding model uses State Energy Loans, or SELP, which are issued by the Oregon Department of Energy. These loans are typically repaid 100 percent from energy savings associated with a given project. Although most of the building subsystems to be replaced have some energy savings potential, the payback is not sufficient to repay the loans. Therefore, the 2005 Legislature agreed to supplement the campus energy savings with General Fund dollars and also issue Lottery Bonds for building subsystems that do not qualify for the SELP program. In 2005, Lottery funds were also pledged for seismic mitigation work that is part of the overall renewal program.

With an estimated $400 million of seismic funding needs, however, the future capacity of Lottery Bond funding would not be sufficient. Therefore, such funds were only requested as a short-term measure until a plan could be developed for 2007-2009.

Seismic Mitigation Background:
Oregon faces a serious statewide risk from earthquake hazards. Not only does Oregon have the Cascadia Subduction Zone fault that looms offshore along the entire state coastline, but most of the buildings in Oregon were built long before a 1993 statewide building code revision that specifically mandated seismic (earthquake) design standards.
To address this risk, OUS has partnered with the Oregon Department of Geology and Mineral Industries (DOGAMI) to assess our exposure to seismic hazards at each of the seven campuses.

Using a Federal Emergency Management Agency (FEMA) method, OUS began to identify and prioritize buildings at risk of significant structural deficiencies during the next earthquake. However, upon calculating the FEMA scores, several limitations to the methodology were discovered, which significantly affected the validity of the scores and inferences about seismic risk. With scarce funds for mitigation, an enhanced, low-cost, screening methodology was developed to provide the best prioritization method possible for the System’s portfolio of 1,100 buildings. The enhanced FEMA method was presented at the 100th Anniversary Earthquake Conference in San Francisco in April and was well received by FEMA staff and by peer reviewers. In addition to the OUS buildings, DOGAMI is currently adopting the method to screen all of the state’s K–12 buildings, emergency facilities, and hospitals. For OUS, the seismic risk can now be used as a prioritization factor along with the Facility Condition Index, which measures the amount of deferred maintenance, relative to the building’s current replacement value. For more information on the OUS seismic mitigation study, two posters that were presented at the Earthquake Conference are attached for your reference.

**Deferred Maintenance/Seismic Mitigation Plan:**
With under-funding of the current capital repair needs, over time the entire infrastructure continues to deteriorate to such a degree that life safety is endangered, as are the first-class learning environments and advanced research activities critical for Oregon’s economic development.

To stop the growth of deferred maintenance, eliminate the backlog of projects, improve the seismic safety of our buildings, and reduce our energy consumption, OUS has developed a 20-year plan to achieve these goals, which will ensure continued access for future generations of Oregon students.

OUS is an emerging leader in sustainable practices and earthquake disaster management. By combining sustainable building practices and the latest seismic safety technology, the state will be able to retain the investments made by prior generations of Oregonians. However, the rehabilitation of hundreds of major buildings will take at least 20 years to accomplish due to the physical constraints of having enough temporary facilities to accommodate displaced students and faculty while buildings are shut down for renewal.

The plan continues to be improved, but the actions taken to date can be summarized in the following four steps:

1. **Prioritization of OUS buildings using effective, low-cost methods for assessment:**
   - Current condition of building subsystems (OUS/Pacific Partners Deferred Maintenance Study)
• Probability of complete damage from seismic hazards (OUS/DOGAMI Enhanced Rapid Visual Screening Method)
• Energy savings potential with renewal (OUS/Oregon Department of Energy Estimate)

2. Sustainable Construction Policy
In response to the Governor’s Executive Order, OUS implemented a policy with DAS to require all public improvement projects to meet or exceed sustainable practices as outlined in the U.S. Green Building Council’s LEED Silver program. Sustainable design attempts to balance three basic measures:

• Ecology – What are the environmental impacts?
• Equity – Does the project enrich the University?
• Economy – Is the project economically viable?

3. Deferred Maintenance/Seismic Mitigation Demonstration Projects
DOGAMI and OUS were awarded two grants, totaling $5 million, from the U.S. Department of Homeland Security’s new FEMA Pre-disaster Mitigation (PDM) Grant Program. The grant awards were the first in the nation and were intended to assist in reducing the impacts of natural disasters.

With projects at PSU, OSU, OIT, and WOU, the resulting building rehabilitations will greatly increase the safety of the building occupants and passersby during an earthquake event. The projects also publicly demonstrate our ability to successfully combine seismic mitigation with the replacement of worn-out building subsystems, thus reducing our deferred maintenance backlog. We are racing against time to prevent building failures. At the same time, we are living with certain realities, like competing interests for limited funding.

4. Continuation and improvement of 2005 funding model
For 2007-2009, two separate Systemwide programs are seeking authorization to address the deferred maintenance/seismic issue:

1. Capital Repair (Current Needs) – Currently OUS is funded at $12 million per year. However, the amount needed to meet the current needs, and therefore stop the backlog from growing beyond $600 million, is $42 million per year. The operating budget request also highlights this need.
2. Table 5 identifies $176 million among 15 projects that are shown in three tiers of priority. The proposed funding for the Deferred Maintenance/Seismic projects are shown within five funding types:
   a. SELP – State Energy Loans repaid by state General Funds and campus energy savings. Funds are limited to energy saving building systems, like HVAC and the building envelope;
   b. Lottery – Bonds repaid by state lottery revenue and are designated for non-energy saving building systems, like plumbing and finishes;
   c. Article XI-F(1) Bonds – Bonds repaid from campus revenues. Funds are to be used to renew auxiliary buildings;
d. Article XI-M Seismic – New for 2007; General Obligation bonds that are for seismic mitigation and repaid by state General Funds. Implementing legislation passed in 2005 that allows OUS to apply for these funds without the 1 for 1 match required by Article XI-G bonds; and
e. FEMA – Federal grant funds for seismic demonstration projects.

Please note that projects in Tier II are also related to E&G projects proposed for 2007-2009. The funding is shown separately because the scope of the E&G portion is related to program improvement, not deferred maintenance or seismic mitigation.

PART II: 2007-2009 CAPITAL CONSTRUCTION BUDGET REQUEST

The proposed 2007-2009 capital budget continues to build on the foundation that was set in the prior biennia’s request. OUS conducted several studies over the past several years, which are periodically updated. These studies include:

- Campus master plans
- Space inventory and space utilization
- Inventory of code needs
- Deferred maintenance backlog

The total amount of funding requested for each of the major categories of Education and General, Systemwide, all of which are eligible for state funds; auxiliaries, such as housing and parking, which rely on self-financing, self-liquidating bond funds; and student building fee (SBF) facilities, in which construction work is supported via Article XI-F(1) bonds repaid by the student building fee are displayed in Exhibit 2.

| EXHIBIT 2 |
| SUMMARY OF OUS 2007-2009 CAPITAL BUDGET REQUEST BY CATEGORY, CAMPUS, AND FUNDING |
| ($ in Millions) |

<table>
<thead>
<tr>
<th>Category</th>
<th>General Fund</th>
<th>Article XI-G Bonds</th>
<th>Article XI-F Bonds</th>
<th>Lottery Bonds</th>
<th>SELP</th>
<th>Seismic Bonds</th>
<th>Other Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systemwide</td>
<td>$40</td>
<td>$45</td>
<td>$49</td>
<td>$45</td>
<td>$68</td>
<td>$54</td>
<td>$25</td>
<td>$326</td>
</tr>
<tr>
<td>Education &amp; General</td>
<td>$15</td>
<td>$155</td>
<td>$47</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$148</td>
<td>$364</td>
</tr>
<tr>
<td>Auxiliaries</td>
<td>$0</td>
<td>$0</td>
<td>$25</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$2</td>
<td>$254</td>
</tr>
<tr>
<td>Student Building Fee</td>
<td>$0</td>
<td>$1</td>
<td>$6</td>
<td>$0</td>
<td>$0</td>
<td>$4</td>
<td>$4</td>
<td>$14</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$54</td>
<td>$200</td>
<td>$35</td>
<td>$45</td>
<td>$69</td>
<td>$58</td>
<td>$178</td>
<td>$957</td>
</tr>
</tbody>
</table>

Tables 6 and 7 are provided in the Supplement, displaying the outlying years of project requests, with projects sorted by campus. Exhibits 3 and 4 below summarize the category and magnitude of the funding types requested.

#### Exhibit 3
2009-2011 Capital Program Summary
($ in Millions)

<table>
<thead>
<tr>
<th>Category</th>
<th>General Fund</th>
<th>Article XI-G Bonds</th>
<th>Article XI-F Bonds</th>
<th>Lottery Bonds</th>
<th>SELP</th>
<th>Seismic Bonds</th>
<th>Other Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systemwide</td>
<td>$40</td>
<td>$40</td>
<td>$25</td>
<td>$52</td>
<td>$92</td>
<td>$97</td>
<td>$17</td>
<td>$362</td>
</tr>
<tr>
<td>Education &amp; General</td>
<td>$17</td>
<td>$372</td>
<td>$37</td>
<td>$0</td>
<td>$3</td>
<td>$1</td>
<td>$503</td>
<td>$934</td>
</tr>
<tr>
<td>Auxiliaries</td>
<td>$0</td>
<td>$0</td>
<td>$125</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$4</td>
<td>$129</td>
</tr>
<tr>
<td>Student Building Fee</td>
<td>$0</td>
<td>$0</td>
<td>$113</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$4</td>
<td>$141</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$57</strong></td>
<td><strong>$412</strong></td>
<td><strong>$299</strong></td>
<td><strong>$52</strong></td>
<td><strong>$95</strong></td>
<td><strong>$98</strong></td>
<td><strong>$553</strong></td>
<td><strong>$1,566</strong></td>
</tr>
</tbody>
</table>

#### Exhibit 4
2011-2013 Capital Program Summary
($ in Millions)

<table>
<thead>
<tr>
<th>Category</th>
<th>Gen. Fund</th>
<th>Article XI-G Bonds</th>
<th>Article XI-F Bonds</th>
<th>Lottery Bonds</th>
<th>SELP</th>
<th>Seismic Bonds</th>
<th>Other Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systemwide</td>
<td>$40</td>
<td>$40</td>
<td>$47</td>
<td>$32</td>
<td>$46</td>
<td>$99</td>
<td>$10</td>
<td>$315</td>
</tr>
<tr>
<td>Education &amp; General</td>
<td>$38</td>
<td>$87</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$63</td>
<td>$189</td>
</tr>
<tr>
<td>Auxiliaries</td>
<td>$0</td>
<td>$5</td>
<td>$38</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$5</td>
<td>$48</td>
</tr>
<tr>
<td>Student Building Fee</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$78</strong></td>
<td><strong>$133</strong></td>
<td><strong>$85</strong></td>
<td><strong>$34</strong></td>
<td><strong>$46</strong></td>
<td><strong>$99</strong></td>
<td><strong>$78</strong></td>
<td><strong>$553</strong></td>
</tr>
</tbody>
</table>
PART IV: Bond Summary Reports

The use of Articles XI-G and XI-F(1) bonds is emphasized to a great degree in the 2007-2009 capital budget request. The bonds are named after the specific articles in the Oregon Constitution that authorize their use for Higher Education projects. The bonds are further defined as follows:

**Article XI–G Bonds**
Defined by XI-G of the State Constitution, Article XI-G bonds may be issued to support E&G projects as long as they are matched equally by the General Fund (including Lottery Funds), Building Use Credits, or gift funds placed in a legislatively approved Donation Account. Debt service on Article XI-G bonds is paid from the state General Fund within the operating budget. No appropriations are received for debt service in the biennium in which the bonds are approved. Projects not meeting the required General Fund match within two years may request reauthorization in the succeeding Legislative session.

**Article XI–F(1) Bonds**
Defined by XI-F(1) of the State Constitution, Article XI-F(1) bonds may be issued for projects that are self-liquidating and self-supporting. Each campus and auxiliary is responsible for their share of the debt service. Projects not selling bonds within two years may request reauthorization in succeeding Legislative session.

**Lottery Bonds**
Oregon’s Lottery proceeds are used to support education, economic development, and natural resources programs. Lottery Bonds are administered by the Department of Administrative Services, with State Lottery Revenue pledged to pay the debt service.

**State Energy Loan Program (SELP)**
SELP was created by the Oregon Legislature in 1979. It offers low-interest, long-term loans for any qualified Oregon project that invests in energy conservation, renewable energy, alternative fuels, or creating products from recycled materials.

Oregon general obligation bonds provide the funds for the loans that would be used to fund a majority of our capital renewal backlog. The loans would be structured so that energy savings and General Funds would cover the loan payment.

**Article XI–M Bonds**
Defined by XI-M of the State Constitution, Article XI-M bonds may be issued for projects that are related to seismic mitigation, for facilities in Higher Education, K–12, and emergency services related buildings. This is a new funding type for 2007, which are supported by state General Funds, without the 1-for-1 match required by Article XI-G bonds.

Table 2 in the Supplement, titled Capital Projects Proposed for 2007-2009 Bond Bill for Higher Education, lists all projects for which bond funds are requested. In addition,
Table 2 shows projects for which staff request bond reauthorization. The list includes projects approved either in 2003-2005 or 2005-07, which must be reauthorized and included in the request for the 2007-2009 Bond Bill for Higher Education. Reauthorization is required due to the two-year time limit placed by the State Constitution between the date of legislative authorization and the date sold. In many cases, two years is insufficient for a campus to complete all fund-raising, design, site preparation, and construction and thus reauthorization is sought.

The total financial impact to each campus is shown in Exhibits 5, 6, and 7, assuming that all of the bonded projects are approved.

### Exhibit 5

**2007-2009 XI-G Bond Debt Service Summary (Annual)**

Debt Service paid by General Funds allocated within the OUS Operating Budget

<table>
<thead>
<tr>
<th>Institution</th>
<th>Current Annual Debt Service</th>
<th>2007-2009 Request Annual Debt Service</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systemwide</td>
<td>$26</td>
<td>$3,240</td>
<td>124%</td>
</tr>
<tr>
<td>EOU</td>
<td>910</td>
<td>1,126</td>
<td>330%</td>
</tr>
<tr>
<td>OIT</td>
<td>253</td>
<td>835</td>
<td>76%</td>
</tr>
<tr>
<td>OSU</td>
<td>5,185</td>
<td>3,923</td>
<td>101%</td>
</tr>
<tr>
<td>PSU</td>
<td>1,769</td>
<td>1,780</td>
<td>44%</td>
</tr>
<tr>
<td>SOU</td>
<td>1,368</td>
<td>607</td>
<td>109%</td>
</tr>
<tr>
<td>UO</td>
<td>2,270</td>
<td>2,470</td>
<td>76%</td>
</tr>
<tr>
<td>WOU</td>
<td>669</td>
<td>509</td>
<td>116%</td>
</tr>
<tr>
<td><strong>TOTAL DEBT SERVICE</strong></td>
<td><strong>$12,450</strong></td>
<td><strong>$14,490</strong></td>
<td><strong>116%</strong></td>
</tr>
</tbody>
</table>

1. Assumes all requested projects are approved with a 30-year repayment term at 6 percent annual interest.
2. Systemwide funds ultimately are allocated to the campuses where the facilities are located.
### Exhibit 6

**2007-2009 XI-F Bond Debt Service Summary (Annual)**<sup>1</sup>

Debt service paid by Auxiliary revenues

($ in thousands)

<table>
<thead>
<tr>
<th>Institution</th>
<th>Current Annual Debt Service</th>
<th>2007-2009 Request Annual Debt Service</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOU</td>
<td>$2,964</td>
<td>$3,555</td>
<td>See Note 2</td>
</tr>
<tr>
<td>OIT</td>
<td>2,177</td>
<td>944</td>
<td>43%</td>
</tr>
<tr>
<td>OSU</td>
<td>1,520</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>PSU</td>
<td>12,711</td>
<td>7,592</td>
<td>60%</td>
</tr>
<tr>
<td>SOU</td>
<td>10,583</td>
<td>7,010</td>
<td>66%</td>
</tr>
<tr>
<td>UO</td>
<td>14,335</td>
<td>5,712</td>
<td>40%</td>
</tr>
<tr>
<td>WOU</td>
<td>2,512</td>
<td>817</td>
<td>33%</td>
</tr>
</tbody>
</table>

**TOTAL DEBT SERVICE** | **$18,553** | **$25,631** | **52%** |

1. Assumes all requested projects are approved with a 30-year repayment term @ 6% annual interest. Systemwide funds ultimately are allocated to the campuses where the facilities are located.

### Exhibit 7

**2007-2009 SELP Loan and Lottery Bond Debt Service Summary (Annual)**<sup>1</sup>

Debt Service to be paid by General Funds and Lottery Revenues allocated within the OUS Operating Budget

Sustainable Renewal Program (Annual)

($ in thousands)

<table>
<thead>
<tr>
<th>Institution</th>
<th>Lottery Bond Debt Service</th>
<th>SELP Loan Debt Service</th>
<th>XI-F Bond Debt Service</th>
<th>XI-M Bond Debt Service</th>
<th>Estimated Energy Savings</th>
<th>Total Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOU</td>
<td>$104</td>
<td>$263</td>
<td>$0</td>
<td>$87</td>
<td>–$22</td>
<td>$431</td>
</tr>
<tr>
<td>OIT</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>OSU</td>
<td>466</td>
<td>786</td>
<td>1,481</td>
<td>1,176</td>
<td>–191</td>
<td>3,830</td>
</tr>
<tr>
<td>PSU</td>
<td>1,514</td>
<td>1,920</td>
<td>0</td>
<td>1,366</td>
<td>236</td>
<td>4,564</td>
</tr>
<tr>
<td>SOU</td>
<td>97</td>
<td>146</td>
<td>0</td>
<td>74</td>
<td>–19</td>
<td>298</td>
</tr>
<tr>
<td>UO</td>
<td>443</td>
<td>894</td>
<td>0</td>
<td>822</td>
<td>–74</td>
<td>2,085</td>
</tr>
<tr>
<td>WOU</td>
<td>256</td>
<td>223</td>
<td>0</td>
<td>424</td>
<td>–28</td>
<td>875</td>
</tr>
</tbody>
</table>

**TOTAL DEBT SERVICE** | **$2,779** | **$4,232** | **$1,481** | **$3,949** | **–$570** | **$12,083** |

1. State Energy Loans to be re-paid by the Operating Budget, less any energy savings that result from the renewal projects.
2. Assumes all requested projects are approved with a 30-year repayment term @ 6% annual interest.
PART V: LIMITATION EXTENSIONS

The Legislative Counsel has recently determined that the Legislative Emergency Board does not have authority to extend the six-year limitations for capital construction projects. Therefore, we will seek the extension of the following projects through the Legislative Assembly as part of this 2007-2009 capital construction request:

- Chapter 845 - UO School of Music Addition/Alteration
- Chapter 845 – PSU NW Engineering Science Center
Adoption of permanent Administrative Rules OAR 580-043-0060 through 0095, University Venture Development Funds

Staff Report to the Board:
Senate Bill 853 (Oregon Laws 2005, Chapter 592) directed the State Board of Higher Education to adopt policies implementing the bill. At the February 2006 meeting of the State Board of Higher Education, the Board approved a temporary administrative rule implementing the statute. On June 23, 2006, staff held a public comment hearing for the rules. No witnesses presented comments, nor was written comment submitted. The temporary rules expire August 22, 2006.

The permanent rules before you are the same as the temporary rules and will implement the procedures necessary for each institution to establish a venture development fund, allocate authority to raise funds and issue tax credits, authorize the Board to reallocate this authority after two years, set forth eligibility to receive grants, detail guidelines as to how and under what conditions a tax credit certificate may be issued, establish how gross royalty income received will be handled, and set forth recordkeeping requirements.

Staff Recommendation to the Board:
Staff recommends the Board approve the permanent rules.

(Board action required: roll call vote.)
OREGON UNIVERSITY SYSTEM

DIVISION 043

UNIVERSITY VENTURE DEVELOPMENT FUNDS

580-043-0060

Purpose; Definitions

(1) Purpose

Chapter 580, Division 043, authorizes each Institution to establish one Venture Development Fund for the purpose of facilitating the commercialization of research and development. The purpose of an Institution's Fund shall be to provide qualified grant applicants with moneys to facilitate the commercialization of the Institution's research and development. Within the scope of this purpose and subject to these administrative rules, an Institution may use moneys in its Fund to provide: (a) capital for university entrepreneurial programs; (b) opportunities for students to gain experience in applying research to commercial activities; (c) proof-of-concept funding for transforming research and development concepts into commercially viable products and services; and (d) entrepreneurial opportunities for persons interested in transforming research into viable commercial ventures that create jobs in this state. Contributors to an Institution's Fund are eligible for Oregon income tax credits to the extent set forth in the 2005 Act and these rules.

(2) Definitions

(b) Entity: any governmental body or agency, association, partnership, corporation, limited liability company, or other organization, however described or named and regardless of legal status, other than a Person.
(c) Person: A natural person or sole proprietorship.
(d) Venture Development Fund or Fund: A fund authorized by the 2005 Act.
(e) Venture Grant Program or Program: A grant program authorized by the 2005 Act.
(f) Institution: An institution of the Oregon University System.
(g) Department of Revenue: the Oregon Department of Revenue.
(h) General Fund: the general fund of the State of Oregon.
(i) Remain in Oregon: maintaining the Entity headquarters in Oregon; or employing a majority of employees (on a full-time equivalent, head-count, or payroll basis) in Oregon.
(j) State Board of Higher Education or Board: the Board created by ORS 351.010.
(k) Tax Credit Certificate: a certificate authorized by the 2005 Act and in a form designated by the Board that evidences a contribution to a Venture Development Fund.
(L) Donor: a person or entity that makes a contribution to a Fund authorized by the 2005 Act and these rules.
(m) Taxpayer: a person or entity that makes a contribution to a Fund authorized by the 2005 Act and these rules and that applies for a tax credit certificate authorized by the 2005 Act and these rules.

(n) Gross Royalty Income: income accruing to the Board on behalf of an Institution as a result of grants made under the Program, including royalty income from licensing and patent agreements, the sale, lease, or licensing of technologies, and cash actually realized from the sale of an equity interest in a corporation or company.

Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.
Hist:

580-043-0065
Establishment of a Venture Development Fund by an Institution

(1) An Institution may establish a Fund in accordance with the 2005 Act and these rules.

(2) Each Institution that establishes a Fund shall: (a) notify the Board and the Department of Revenue of the establishment of the Fund; (b) either directly or through its affiliated foundation solicit contributions to the Fund; (c) subject to the 2005 Act and these rules, issue tax credit certificates to contributors to the Fund; (d) establish a grant program that meets the requirements for a Venture Grant Program under these rules; (e) subject to available moneys from the Fund, provide qualified grant applicants with moneys to transform research and development concepts undertaken by the Institution into commercially viable products and services; and (f) report to the Department of Revenue the amounts of tax credit certificates issued by the Institution and maintain records of licensing and royalty revenue received by the Institution as the result of grants made from the Fund and records of amounts paid to the General Fund under the 2005 Act.

(3) An Institution may request that the State Treasurer establish a Fund within the State Treasury for the receipt, management, and disbursement of moneys contributed to the Fund. Interest earned by such moneys shall be credited to the Fund. The State Treasurer may assess a fee for the administration of the Fund as provided by law.

(4) The use of moneys donated under these rules may not be directed by a Donor. Rather, all moneys shall be available for the purposes set forth in the 2005 Act and these rules without regard to specific Donor instructions.

(5) At the election of an Institution, moneys in a Fund may be held in the form of an endowment. An Institution may discontinue endowment treatment at any time.

Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.
Hist:

580-043-0070
Allocation of Authority to Institutions to Raise Funds and Issue Tax Credits

(1) The Board will not allocate fund raising or tax credit certificate issuance authority to an Institution until the Institution has established a Venture Development Fund in accordance with the 2005 Act and these rules.
(2) Oregon State University, Portland State University, and University of Oregon: The Board allocates fund raising authority and commensurate authority to issue tax credit certificates among Oregon State University, Portland State University, and the University of Oregon as follows:

   Portland State University: $0.88 million
   Oregon State University: $5.35 million
   University of Oregon: $3.27 million

Such authority shall be contingent on the establishment of a Fund in accordance with the 2005 Act and these rules and subject to the rule on redistribution of authority to raise funds and issue tax credits.

(3) Eastern Oregon University, Oregon Institute of Technology, Southern Oregon University, and Western Oregon University: The Board by order or resolution shall allocate $500,000 in fund raising authority and commensurate authority to issue tax credit certificates among Eastern Oregon University, Oregon Institute of Technology, Southern Oregon University, and Western Oregon University. An allocation of authority shall be contingent on the establishment of a Fund in accordance with the 2005 Act and these rules and subject to the rule on redistribution of authority to raise funds and issue tax credits.

(4) All Universities, collectively, may issue tax credit certificates evidencing no more than $10 million in contributions to Institution Venture Development Funds.

Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.
Hist:

580-043-0075
Redistribution of Authority to Raise Funds and Issue Tax Credits
No earlier than two years from the effective date of this rule, the Board, by order or resolution, may, to further the purposes of the Act, reallocate unused fund raising authority and commensurate authority to issue tax credit certificates from one Institution to another. An Institution may receive additional authority only if it has exhausted its existing authority or can demonstrate that it would likely do so. Reallocation of authority shall not require amendment of section 0030.

Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.
Hist:

580-043-0080
Eligibility to Receive Grants
(1) Subject to compliance with these rules, an Institution may make grants to itself for use by a constituent part of the Institution or to Entities but not to Persons. Each Institution shall establish criteria for the receipt of grants under the Program. Each prospective recipient shall submit an application to the Institution. Each grant shall be documented and implemented through an appropriate grant agreement and each grant agreement shall provide that the recipient, if other than a public agency, remain in Oregon for at least five years following the final
disbursement of funds under the agreement or repay the grant plus compound interest at 8 percent per annum. Other criteria shall be as determined by the Institution except for the following:

(a) All grants must be used to facilitate the commercialization of an Institution's research and development;

(b) Priority should be given to applicants who can demonstrate with specificity that their efforts will result in technology with high commercial potential, that they are close to realizing economic development potential, and that proof-of-concept funding will assist them in transforming research and development concepts into commercially viable products or services.

(2) To at least some degree, a Program as a whole, but not each individual grant, must provide:

(a) Capital for university entrepreneurial programs;

(b) Opportunities for students to gain experience in applying research to commercial activities;

(c) Entrepreneurial opportunities for persons interested in transforming research into viable commercial ventures that create jobs in this state; and

(d) Proof-of-concept funding for transforming research and development concepts into commercially viable products and services.

(3) Each institution shall screen potential awards for conflicts of interest. No award shall be made if an identified conflict of interest cannot be eliminated or managed.

Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.
Hist:

580-043-0085
Issuance of Tax Credit Certificates

(1) Taxpayers making a contribution to an Institution's Fund and wishing to receive a tax credit certificate evidencing that contribution must submit the contribution, together with an application for tax credit certificate, in a form designated by the Institution, to the Institution.

(2) An Institution may begin accepting contributions and applications after it has established a Fund in accordance with the 2005 Act and these rules and received an allocation of fund raising and tax credit certificate issuance authority from the Board.

(3) An Institution shall consider applications for tax credit certificates in the chronological order in which the applications are received.

(4) An Institution shall act on an application for a tax credit certificate within 60 days of its receipt unless unanticipated or extraordinary circumstances reasonably prevent the Institution from acting within that timeframe, in which case the Institution shall act on the application as soon as reasonably possible thereafter.

(5) Subject to section 6 of this rule, an Institution shall approve an application for a tax credit certificate if the application is complete and the Institution has verified receipt of the contribution. Within 45 days of application approval, an Institution shall issue to the Taxpayer a tax credit certificate that specifies the amount of the contribution.
(6) An Institution shall deny an application for a tax credit certificate and may not issue a tax credit certificate to the Taxpayer if:
   (a) The Taxpayer's contribution to the Fund, together with the amounts specified on all tax credit certificates previously issued by the Institution, exceeds the Institution's then-current tax credit certificate issuance authority allocated by the Board;
   (b) The Taxpayer's application is incomplete; or
   (c) The Institution cannot verify receipt of the Taxpayer's contribution.

(7) If an Institution denies a Taxpayer's application for a tax credit certificate, the Institution shall notify the Taxpayer in writing within 45 days of the denial.

(8) A Taxpayer who receives a notice of denial of an application for a tax credit certificate may request, in writing and within 90 days after the receipt of the notice of denial, a refund of its contribution to the extent the contribution was actually received. The Institution shall ensure that the refund is issued within 60 days after its receipt of the request for the refund.

(9) Eligibility for a tax credit (as distinguished from the receipt of a tax credit certificate from an Institution) shall be subject to Section 5 of the 2005 Act, the rules of the Department of Revenue, and other applicable law.

Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.
Hist:

580-043-0090
Tax Credit Certificate and Grant Record-Keeping and Reporting

(1) Each Institution shall retain copies of all tax credit certificates that it issues. Upon every issuance of a tax credit certificate by the Institution and promptly after Board adoption of an order or resolution establishing or modifying the Institution's allocation of tax credit certificate issuance authority, the Institution shall calculate and record in its records the amount, if any, of its fund raising and tax credit certificate issuance authority then remaining unused.

(2) As requested by the Board from time to time but no less often than annually, each Institution shall submit a written report to the Board summarizing its fund raising and issuance of tax credit certificates since its most recent prior report to the Board under this section and specifying its fund raising and tax credit certificate issuance authority and the amount of that authority remaining unused as of the date of the report. The report shall include the number of tax credit certificates issued and the amount of funds raised by the Institution since its most recent prior report to the Board under this section.

(3) As requested by the Board from time to time but no less often than annually, each Institution shall submit a written report to the Board summarizing the grants made by the Institution under its Program and how they serve the goals of the 2005 Act and these rules.

Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.
Hist:
580-043-0095
Recoupment of Tax Credits
An Institution that has established a Fund and has made grants under a Program shall monitor the use of such grants and identify sources of Gross Royalty Income received by the Institution as the result of the use of the grants. Gross Royalty Income results from the use of a grant when it is traceable to the grant. The Institution shall transfer 20 percent of such Gross Royalty Income to the General Fund until the amount transferred to the General Fund equals the amount of tax credits claimed due to contributions to the Fund. This does not preclude transfers from other sources. The Institution shall maintain records of all transfers to the General Fund.
Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.
Hist:
Access and Accountability Working Group Update

Oregon State Board of Higher Education
Cover letter to Report
Access & Affordability Working Group (AAWG)

June 29, 2006

To: Colleagues, State Board of Higher Education

From: Tim Nesbitt, Co-chair
Nan Poppe, Co-chair
Access and Affordability Working Group

Re: Fulfilling the Promise of Opportunity – A Shared Responsibility
Model for Financial Aid That Can Make Higher Education Affordable for All Oregonians

Attachments: (A) Report and Recommendations of the Access and Affordability Working Group
(B) Assuring Affordability in Oregon

We are proud to present the recommendations of our Access and Affordability Working Group for a new “shared responsibility model” for state-funded financial aid for Oregon’s college and university students. Our recommendations transform what appeared to be the vague and distant goal of affordability into an action plan that is both concrete and immediate. Most importantly, our shared responsibility model shows that the state of Oregon can make higher education affordable for all Oregonians by the time this year’s eighth graders graduate from high school.

These are not pie-in-the-sky recommendations. We do not assume that the cost of a higher education will decline, even when compared to the growth of family incomes in Oregon. There are too many new demands, unmet needs, and deferred costs in our public colleges and universities to allow that to happen. Further, we recognize that other demands for state expenditures will continue to outstrip available resources. We expect stiff competition for taxpayer dollars for years to come.

In short, we do not expect that a college education will ever again be cheap – neither in Oregon nor in the other 49 states with whom we are continually measured in our pursuit of a higher education system that can offer world-class learning to ever greater numbers of our citizens.
Still, we are convinced that we can make our public colleges and universities affordable for all Oregonians who have the interest and ability to pursue a postsecondary education. We can do so by reinstating the promise of opportunity that motivated prior generations of students: You can work your way through college.

Our recommendations, if adopted, would fulfill that promise, so that even students with no financial resources would be able to cover the cost of a higher education through their own efforts.

*The Shared Responsibility Model: A Four-Step Staircase to Affordability*

Our shared responsibility model is designed as a four-step staircase, at the top of which is the total cost of attendance, including the cost of tuition, fees, books, and a modest budget for room and board, whether living at home, on campus, or on one’s own.

Each step represents a significant contribution of resources from a different stakeholder, beginning with the student, then the student’s family or household, then the federal government. At this point, approximately 75 percent of all currently enrolled students in our public four-year universities would be able to cover the cost of attendance with what we estimate to be a reasonably affordable use of their own resources and available federal supports. But the other 25 percent would need at least some additional financial assistance to make their education affordable. And this is where the state would provide the final step up to affordability.

*We Begin With a Student’s Own Effort*

The first step in our model begins with the student’s own effort.

At the university level, the student’s expected contribution would include, at a minimum, what he or she could earn by working full-time during the summer and part-time during the school year at a minimum wage job. The student contribution would also include a reasonable amount of savings or borrowing that could easily be repaid within a short period of post-college employment.

At the community college level, the student contribution would be the same dollar equivalent of the work effort assumed for university students, without any additional borrowing. We assume a lesser student contribution at this level in recognition of the community colleges’ role as a lower-cost alternative for local and non-traditional students.

Unfortunately, student contributions of this magnitude would, for most students, fall far short of what’s required to cover the cost of tuition, fees, books, and a modest budget for room and board at any of our community colleges and public universities. So at this point, we look at ability to pay for the student and his/her family.
**We Expect Family Support and Federal Assistance**

The second step is reserved for a student’s family or household resources.

Following the federal Pell Grant methodology, we would expect that the student’s initial contribution would be supplemented by a portion of family resources – from the student’s parents if still a dependent or from the student’s household if independent.

The third step is reserved for federal assistance in the form of Pell Grants and tuition tax credits.

At this point, if there is still a gap to be filled to cover the cost of attendance, we would look to the state’s Oregon Opportunity Grant program.

**We End With the State as the Final “Promise Keeper”**

If students have no other resources of their own or their families and if federal grants and tax credits still leave them short of covering the cost of tuition, fees, books, and a modest budget for room and board, the state would step in and offer an Oregon Opportunity Grant to cover the rest.

In effect, the state would become the promise keeper or guarantor for students from low-income to middle-income families who are willing to make the effort to be the first payers for their college education – to ensure that the amount we ask them to pay is not beyond their means.

The logic of our shared responsibility model is this: If students and their families are willing to put in the first dollars, the state should be willing to match their efforts to put in the last dollars needed to make their college education, by all objective standards, truly affordable.

**A Goal for This Year’s Eighth Graders**

We are also confident that this model is fiscally feasible (see “Finding a Way to Make Affordability Affordable,” below). If the state were to increase funding for financial aid over the next two biennia at slightly more than half the rate of increase for financial aid approved in the current biennium, it would be able to implement our shared responsibility model in full.

With strong revenue growth likely over the next two biennia, the state could, by adopting the shared responsibility model, achieve the promise of an affordable higher education system in Oregon by the time today’s eighth graders graduate from high school.
Continuing Partnerships with Private Colleges and Philanthropic Organizations

There are other partners in the higher education enterprise in Oregon whose continuing efforts can enhance both the accessibility and affordability of our higher education options for Oregon students.

Private non-profit colleges and universities have traditionally played, and continue to play, an important role in providing high-quality higher education to Oregon residents. We are not recommending that the state attempt to guarantee absolute affordability for Oregon students to attend these institutions, both because their tuition rates are generally higher and their sources of private support for students are relatively greater than at our public institutions. But we are recommending that Oregon students who choose to enroll in these private colleges and universities continue to qualify for financial aid on the same need-based terms as those who enroll in our public universities. Helping eligible students take advantage of these available in-state higher education resources can be more cost effective in public dollars than would be creating and funding comparable new enrollment capacity at our public institutions.

We also recognize the role that private foundations and charitable organizations play in enhancing affordability for students with special needs and abilities and our model encourages their contributions by recognizing such assistance as a part of each student’s initial step one effort. For example, a first-generation college student from an underrepresented economic or demographic group might qualify for additional assistance from a private foundation focused on expanding access to underserved populations; in this case, the foundation’s assistance could be used to reduce the financial contribution and work effort required of that student, as is now the case with merit scholarships for high-achieving students.

Also, we expect that the state’s public universities would continue to provide supplemental financial aid, in the form of what we now call “fee remissions,” to assist especially needy and sought-after students.

In order to maintain incentives for additional aid from foundations and institutions, such aid would be applied to the student’s effort at the first step of our staircase; it would not be used to reduce the state’s commitment to overall affordability as realized through the Oregon Opportunity Grant program.

Mediating the Trade-offs Between Access and Quality

Our recommendations recognize the OSBHE’s desire, expressed during recent strategy sessions, to address both quality and access in our long-range planning. The shared responsibility model, if properly structured and adequately funded, would help to mediate the trade-offs inherent in trying to improve the quality of our institutions, expand their capacity, and promote access for all without sacrificing any one of these goals to achieve another.
We are not recommending that the shared responsibility model be seen as a path to a high-tuition-high-aid system. That is a possible, but not a necessary, outcome of the shared responsibility approach – and one that deserves further scrutiny and debate by our respective boards. **But one outcome is clearly impossible with a shared responsibility model: we will not end up where we are now with relatively high tuition and significantly lower aid than our counterparts in other states.**

**Motivating Future Generations of Students**

Finally, we believe that the promise of opportunity inherent in our shared responsibility model – that all students with the interest and ability to pursue a higher education will be guaranteed the chance to do so through their own effort – will provide great motivational benefits for future students.

If we can tell this year’s eighth graders and their families that they will be able to work their way through college if they need to and that cost will not be a barrier for any student to pursue a higher education in Oregon’s community colleges and public universities, **we can help to stir the aspirations of future generations of students whose education will be critical to Oregon’s success in the 21st century.**

Also, our shared responsibility model can serve to highlight the “matching effort” the state will provide to adults already in the workforce. These non-traditional students in low-income and middle-income households will learn that the state is willing to reward their work efforts with financial assistance when they make the commitment to return to school.

**Recognizing Public Perceptions and Political Realities**

Our work in developing the shared responsibility model was guided by our earlier research findings on the views of Oregon voters about taxpayer support for higher education. Oregon voters recognize the benefits of higher education both to its students and to society, but they tend to place the first responsibility for paying for those benefits on the students themselves. They are wary of “free rides” and unearned entitlements, but they are shocked when they learn that it is no longer possible to work one’s way through college.

This is why our shared responsibility model has become, in effect, an earned opportunity program. As described above, we begin with the individual student’s effort and equate that effort to what the student can earn by working on a schedule that allows adequate time for classes and study. We end by treating financial aid as a “matching effort” to help those who help themselves. These are values and principles that resonate with Oregonians.

Further, unlike the mantra of “more is better but never enough” that characterizes so many demands for additional public resources, our shared responsibility model tells us what is “affordable” in reasonable and definite terms. It defines an affordable higher
education, now and over time, in terms of specific expectations measured by objective standards.

Last year, when the legislature approved a 77 percent increase in funding for the Oregon Opportunity Grant program, we were often asked by lawmakers: How much is enough? When will we be done? These questions were supportive, not critical. But they were informed by the knowledge that even that 77 percent increase was not going to move Oregon above most other states when it comes to the affordability of our higher education system. We can hope to move from a grade of ‘F’ to a grade of ‘D’ on the next “Measuring Up” report, but we will still be far from an affordable higher education system. So, even after last year’s increase, the questions remain: How much is enough and when will we be done?

Now, finally, our shared responsibility model provides the answers to those questions. It tells us how much will be enough and when we will be done reconstructing an affordable higher education system in Oregon.

Finding a Way to Make Affordability Affordable

The legislatively-approved budget for the Oregon Opportunity Grant program in the current biennium amounts to $78 million.

Our shared responsibility model, if fully funded, would require a total biennial allocation of $152 million.

We believe it is reasonable to seek to attain that level of funding over two biennia, at which time the inflation-adjusted biennial cost of the program would be approximately $160 million. This level of funding could be achieved with increases of 53 percent, or approximately $41 million, in each of the next two biennia.

Our Working Group recommends that we seek future budget allocations of this magnitude and develop a phased-in approach for implementing the shared responsibility model. One possible phase-in approach would be to expand the Oregon Opportunity Grant program to higher-income levels over time, with the greater funding increases and expansions applied to the second year of each successive biennium.

Reaping the Benefits of an Affordable Higher Education System

In today’s dollars, the near doubling of funding for the Oregon Opportunity Grant to implement our shared responsibility model would produce dramatic results.

Comparing data from the Oregon Student Assistance Commission for 2004-2005 to the projected outcomes for a fully-funded shared responsibility model, we would expect to see:
More than a doubling in the number of grant recipients, from 19,101 to 42,047, of whom 2,769 would be new students who would otherwise not enroll in an Oregon college or university (this is taking into account an 80 percent projected participation rate from the modeled results in the report by David Longanecker); and,

- A 50 percent increase in average grants awarded, from $1,209 per student to $1,806 per student.

**Supplementing the Shared Responsibility Model**

Our shared responsibility model will provide the foundation for an affordable higher education system. But it will not be the be-all-and-end-all for affordability and access.

Our model encourages and provides incentives for the use of college savings plans and continued assistance from private foundations and philanthropic organizations.

Also, because the student’s first-step contribution is largely dependent on employment, we foresee a need to promote summer jobs and part-time job programs among Oregon’s employers and an added reason for the state to investigate the expansion of work study opportunities on our campuses. The federally-funded work study program is, by most reports, inadequate. And, unlike some states, Oregon does not currently provide a state-sponsored work study program.

**Report and Acknowledgements**

Presented herewith you will find the AAWG report to the OSHBE as well as the report “Assuring Affordability in Oregon,” and accompanying charts from the Oregon Shared Responsibility Simulation prepared by David Longanecker and Brian Prescott of the Western Interstate Commission for Higher Education (WICHE). These charts are part of a functioning model that will continue to allow Oregon to develop an improved financial aid policy that ensures affordability.

Dr. Longanecker’s research, economic modeling, and report for our Working Group were financed by contributions from the Oregon University System, the Oregon Department of Community Colleges and Workforce Development, the Oregon Department of Education, and the Oregon Independent Colleges Association.

Our Working Group met in six public sessions from December 2006 to date to develop these recommendations. In addition, AAWG leadership held four outreach meetings with stakeholders, including legislators and financial aid directors from public and private institutions.
The Working Group consisted of

**AAWG Members:**
Co-chair, Tim Nesbitt, Oregon State Board of Higher Education
Co-chair, Nan Poppe, Portland Community College
Paul Bragdon, Reed College (President Emeritus)
Sam Brooks, Oregon Association of Minority Entrepreneurs, Brooks Staffing
Bridget Burns, Oregon State Board of Higher Education
Randy Choy, Oregon Community Foundation
Vanessa Gaston, Urban League of Portland, Oregon State Board of Education
Roman Hernandez, Schwabe, Williamson, & Wyatt
James Middleton, Central Oregon Community College
Kate Peterson, Oregon State University
Howard Sohn, Oregon State Board of Higher Education, Lone Rock Timber Company

**AAWG Resource Specialists:**
Gary Andeen, Oregon Independent Colleges Association
Morgan Cowling, Oregon Student Association
Dennis Johnson, Oregon Student Assistance Commission
Margie Lowe, Office of the Governor
George Pernsteiner, Oregon University System
Cam Preus-Braly, Oregon Department of Community Colleges and Workforce Development
James Sager, Office of the Governor
Julie Suchanek, Oregon Community College Association
Melissa Unger, Oregon Student Association
Dean Wendell, Oregon Student Assistance Commission

**AAWG Staff**
Lead staff, Nancy Goldschmidt, Oregon Health & Science University
Endi Hartigan, Oregon University System

We thank the members of the Working Group for their contributions to this effort.

---

**Recommendations for a Shared Responsibility Model**

As stated above, our shared responsibility model is built on four stair steps: student effort, family support, federal assistance, and the state’s commitment to cover the financial shortfall when the first three step funds fall short of reaching the full cost of attendance at a community college or public university in Oregon.
Cost of attendance includes the cost of tuition, fees, books, and a modest budget for living expenses. These costs are calculated separately for community colleges, public universities, and private colleges and universities.

(1) **Student Effort**

First and foremost is the expectation that every student should be responsible for paying a significant portion of the costs of attending the college or university of his or her choice. This expectation is tempered by our commitment to the principle that the student’s share of these costs must be affordable even for a student with no savings and no family resources.

To establish the baseline for student effort we looked at two measures. First, we estimated what it would cost to cover half the cost of actual tuition and fees and modest living expenses for students attending our public universities. Second, we looked at what a student could earn by working full-time during the summer and part-time during the school year at a minimum wage job. These two measures align almost perfectly. A student’s earnings in our second analysis are within a few dollars a month of the costs estimated in our first analysis.

At the university level, the student’s expected contribution would include, at a minimum, what he or she could earn by working full-time during the summer and part-time during the school year at a minimum wage job. This amounts to $4,750 per year in today’s dollars. The student contribution would also include a reasonable amount of savings or borrowing that could easily be repaid within a short period of post-college employment. This is estimated at $2,750 per year in today’s dollars. Thus, the combined student contribution would be $7,500 per year, which could be covered by savings, earnings, gifts or borrowing. At this level, the student contribution would amount to approximately 50 percent of the cost of attendance.

At the community college level, we assume that a contribution of $4,750 should suffice as the student’s first-step effort. In effect, at this level, we assume that work effort alone should suffice without added borrowing, although students could opt to use savings or to borrow in order to reduce their work effort. At this level, the combined student contribution would amount to approximately 40 percent of the cost of attendance. We use a lower student contribution as a percentage of total cost at this level because of the community colleges’ role as a lower-cost alternative for local and non-traditional students and because they have lesser amounts of institutional aid available for their students.

Finally, our model assumes that Oregon students who choose to enroll in private colleges and universities that are currently eligible for the Oregon Opportunity Grant program continue to qualify for financial aid on the same terms as those who enroll in our public universities. However, we note that, until full implementation of the shared responsibility model, it will be necessary to
continue our “maintenance of effort” provisions to avoid cutting support for these students.

(2) **Family Support**

Following the federal Pell Grant methodology, we would expect that the student’s initial contribution would be supplemented by a portion of family resources – from the student’s parents if still a dependent or from the student’s household if independent.

(3) **Federal Assistance**

Our model assumes that it is in the students’ and state’s interest to maximize all financial assistance from the federal government.

The major source of such assistance is from the federal Pell Grant program, whose grants average about $2,400 for each student recipient in Oregon.

Our model also captures the estimated average of federal income tax deductions and credits for tuition and fees.

(4) **Oregon’s Commitment or “Matching Effort”**

At this fourth and final step of our affordability staircase, the state becomes the promise keeper or guarantor for students who are willing to make the effort to be the first payers for their college education – to ensure that the amount we ask them to pay is not beyond their means.

If students have no other resources of their own or their families and if federal grants and tax credits still leave them short of covering the cost of attendance at an eligible Oregon college or university, the state would provide Oregon Opportunity Grants to cover the rest.

These grants would range from a low of $200 per year for students from families with annual incomes approaching $60,000 to a high of more than $5,000 per year for students from lower-income groups who are currently under-served by the Pell Grant program (e.g., full-time students with annual family incomes in the range of $15,000 to $20,000).

The premise for the state’s commitment on this all-important final step of the model is based on this concept: If students and their families are willing to put in the first dollars, the state should be willing to match their efforts to put in the last dollars needed to make their college education, by all objective standards, truly affordable.
**Staff Recommendation to the Board:**

Staff recommends that the Board accept the report of the Access and Affordability Working Group and endorse the principles, components, and framework of the Shared Responsibility Model. Staff recommends, further, that the Board endorse the Working Group’s request for an additional $41 million General Fund appropriation for the Oregon Opportunity Grant in the budget of the Oregon Student Assistance Commission to begin phasing in full funding for the Shared Responsibility Model.
Attachment A

Report and Recommendations of the Access and Affordability Working Group

**Background:**
In 2004, Governor Kulongoski called upon the Oregon State Board of Higher Education (OSBHE) to reconnect postsecondary education to a statewide mission – access – and better align higher education with state priorities. Since then, the postsecondary education community worked collaboratively to design a financial aid access program that would benefit Oregon students.

In the 2005 session, the legislature showed Oregonians what could be done with energy and determination and made college more affordable by increasing funding for the Oregon Opportunity Grant by 77 percent to $78 million. By almost doubling funding for the grant, an estimated 11,000+ more students were able to afford to attend college and, for the first-time, an estimated 4,000 part-time students will receive state grants beginning in fall 2006.

Although we were able to serve all eligible students who are among the lowest income in the state, there is growing concern that Oregon’s financial program does not assist moderate-income students and families struggling to afford a college education. At the end of the 2005 session, legislators articulated that a longer range plan was needed to more broadly support access to post-secondary education and address several issues: What is affordability? How much state funding is needed to implement and sustain a financial aid program that achieves affordability? What will the state get in return for this investment?

**Phase II Process:**
On December 12, 2006, the AAWG reconvened to develop recommendations for Phase II. The Working Group held ten meetings since that time, including six full public meetings, two outreach meetings with financial aid directors from OUS, community college, and private non-profit sectors, and two meetings with legislators. The AAWG members and resource specialists represent multi-sector post-secondary, community, philanthropy, student, and business perspectives.

In January 2006, the AAWG decided to retain a consultant qualified to develop an Oregon policy and financial model for state financial aid. The professional services of David Longanecker, Executive Director of the Western Interstate Commission for Higher Education (WICHE), were retained in February 2006 to develop such a model for Oregon; these services were funded by a partnership of OUS, the Oregon Department of Community Colleges and Workforce Development, the Oregon Department of Education, and the Oregon Independent Colleges Association.

The AAWG decided on recommendations for the Oregon Opportunity Grant based on shared responsibility on June 6, 2006. The Working Group leadership plans to present
the Phase II recommendations to public and private post-secondary sectors and other constituents in the immediate future.

Phase II Results:
On June 6, 2006, the AAWG completed its work in designing a new approach to providing state based financial aid in Oregon. The recommendations are detailed in the report “Assuring Affordability in Oregon,” by David Longanecker. This proposal, which is based upon Minnesota’s Shared Responsibility model, has been designed so that Oregon state policy assures that any citizen of the state who has unmet financial need and who wishes to attend college will be able to afford to do so. Through the combined efforts of the student, her or his family, the federal government, the state, and, in some cases, the institution s/he attends, Oregonians will have access to a fair, equitable financial aid program that will make college more affordable.

The Shared Responsibility model is intended to provide a more contemporary approach to providing state financial aid to students than what exists under current policy. This is not intended to denigrate past or current efforts, but simply to reflect shifts in funding, demographics, and attitudes that have occurred in Oregon and the U.S. over time; and to develop a policy framework that provides a stronger nexus between Oregon’s current institutional appropriations and tuition policies, its state financial aid policy and practice, and today’s federal financial aid policies.

What is Affordability? The AAWG considered the cost of enrolling and completing a college education against the financial situations of Oregon students and families and what was a reasonable expectation of student effort and family responsibility. The Working Group developed a set of principles to set the expectation for student effort and family contributions.

1. Lack of financial resources should not be a barrier to college participation and success for Oregonians.

2. Keeping college affordable requires the shared effort and partnership by the student, family, federal government, state government, and private philanthropy.

3. Every student and his/her family should plan on sharing in the responsibility for paying for college by contributing towards the cost of postsecondary education and training through a combination of work, borrowing, savings, and other family and individual resources.

4. There are cost differences between selecting one institution over another. In today’s dollars, the average student budget for 2005-06, which includes tuition and fees, books, and living expenses, is $11,992 at an Oregon community college, $15,666 at an OUS institution, and $33,212 at a non-profit, Oregon independent/private institution. The goal is to make Oregon’s public institutions affordable and to help eligible students attending Oregon’s independent/private institutions.
5. The student work effort is based on what one could reasonably earn in a minimum wage job either (a) working full time in the summer and part time during the academic year or (b) working part time year round.

6. Each student chooses, based on her or his circumstances, how to make their effort through a reasonable amount of work, borrowing, or savings, as well as earned external scholarships, work-study, and ROTC.

7. Student and family savings for college should be encouraged through incentives, not penalized through disincentives.

8. Parents/families should take advantage of all of the federal resources available to them to make college affordable. These federal resources include the Pell Grant for low-income students and educational tax credits available to middle-income families.

9. The state program should be designed to fill in the remaining gap following the effort of students, family, and the federal government.

10. The grant awards should be progressive, based on student need, and extended to middle-income families given the considerable investment a college education represents.

How much revenue is needed? To determine the level of investment needed to close the remaining gap between what students can afford to pay and what a college education costs, WICHE modeled projections based on 2002-04 Oregon Opportunity Grant expenditures and recipients and 2005-06 student budgets (weighted sector average). The AAWG assumes that 80 percent of the eligible students would participate in the grant program by enrolling in a postsecondary institution in Oregon (the current participation rates are 48 percent at community colleges, 80 percent at OUS, and 75 percent at independent non-profit colleges). Under this assumption, it is estimated that it will take $80 million a year ($160 million a biennium) to make college affordable for low and middle-income Oregonians. This compares to the 2004-05 annual investment in the Opportunity Grant of $23.1 million ($46.2 million a biennium) and the 2005 Legislative increase of $34 million ($78 million a biennium). In other words, Oregon needs to double its investment in student financial assistance provided by the state to make a difference in affordability.

What will eligible students get? By implementing the principles outlined above, eligibility is doubled from 2005-06. The model projects that more than 42,000 Oregonians would receive the Opportunity Grant, compared to 19,101 recipients in 2004-05 (2005-06 recipient numbers are not yet complete).

In addition to more recipients, the average grant size is projected to increase from $1,209 in 2004-05 to $1,806, a 49 percent increase in the all-sector average award. (See Table 1, Estimated Results, Expenditures, and Recipients, Oregon Shared Responsibility Simulation, in WICHE report). A student attending a non-profit Oregon independent or private college or university would receive the same maximum level of aid as a student attending a public university.
Projected grant size for eligible, full-time, dependent students attending OUS institutions would range from $3,309 for students with family net income of less than $5,000 with incrementally decreasing amounts to $710 for students with family net income of $60,000. (See Table 2, Grant Awards by Dependency, Income, and Attendance Status, Oregon Shared Responsibility Simulation, in WICHE report).

What will the state get in return? Oregon would be identified as having affordable higher education, which continues to be identified as a problem for attracting new business and industry to Oregon. Currently, the Opportunity Grant cut off for dependent student eligibility is a little more than $30,000 for a family of four with one in college. The elimination of the cliff effect of the Opportunity Grant, where a family earns just one more dollar of income and is suddenly ineligible, addresses the long standing concern about predictability and transparency of financial assistance provided by the state. In addition, it is projected that nearly 3,000 new students would enroll in college (assuming 80 percent of the eligible students would participate in the grant program).

Research shows that grant aid has a positive impact on the initial decision to attend college for those student groups most likely not to go—those whose parents and siblings did not have the opportunity. (Heller, D.E. and Becker, W.E, 2003, Review of Research on Financial Aid and College Participation, Report Prepared for the Advisory Committee on Student Financial Assistance). The proposed shared responsibility model for the Opportunity Grant would go a long way in addressing educational attainment disparities among different parts of the state and among certain race/ethnic groups. These disparities persist from generation to generation and are widening in Oregon’s population. If these educational disparities are not addressed, anticipated demographic shifts will have a major impact on the educational attainment of Oregon’s population and its ability to compete effectively in the global economy. Diversification of the Oregon population will have a compounding effect on total personal income in Oregon—a measure often associated with the wealth of a state. A promise by the state of Oregon to share in the responsibility with other partners for making college affordable will raise the educational attainment levels of Oregon residents while attracting highly-educated workers to compete nationally and internationally.
On June 6, 2006, the Access and Affordability Working Group completed its work in designing a new approach to providing state based financial aid in Oregon. This proposal will make state policy in Oregon guarantee that any citizen of the state who wishes to attend college will be able to afford to do so. That does not mean that access to college will be barrier-free. But through the combined efforts of the student, her or his family, the federal government, and the state, Oregonians will have access to a more affordable college education in their state.

This new design, called the Shared Responsibility Model, is intended to provide a more contemporary approach to providing state financial aid to students than exists under current policy. This is intended to build on past and current efforts by reflecting shifts in funding, demographics, and attitudes that have occurred in Oregon and the U.S. over time and to develop a policy framework that provides a stronger nexus between Oregon’s current institutional appropriations and tuition policies, its state financial aid policy and practice, and today’s federal financial aid policies.

The Past.
Historically, particularly in the Western United States, it was generally perceived that the best way to assure affordable access to higher education was to keep tuition low. This strategy worked well for quite a while. In great part, this was because most people who attended college came from middle-class/middle-income families, which meant that they could afford to pay modest tuition and the other costs associated with attending college – room and board, transportation, books, etc. Although this approach to meeting college costs worked reasonably well for students attending low-priced public institutions, it clearly never worked for students attending higher priced private colleges and universities. It was within this private sector of higher education that the benevolent concept of need-based financial aid evolved. Students from families who could not afford the higher price of private education, but whom private institutions wished to enroll, were provided financial aid. To avoid capricious behavior between institutions, the private higher education community, through the College Board (then known as the College Entrance Examination Board), developed a standard way of assessing financial need.

Low-tuition, at least as the primary avenue to affordable access to public higher education, began to erode in the 1960s as more and more Americans, particularly students from low-income families, sought to attend college. It became clear that although low tuition made it appear as though college was affordable to most families,
the other real and substantial costs of attending college – room and board, etc. – often presented an absolute barrier to financial access for many prospective students from low- and moderate-income families. As the egalitarian spirit rose in America, so too arose the interest in providing need-based financial aid to ensure that all students who wished to attend college could do so. As a result, the philosophy that had guided the concept of assisting needy students in private higher education spread to public higher education at both the federal and state level. This spirit led to a major federal thrust in this direction with passage of the original Higher Education Act (HEA) in 1965. The Higher Education Act, through the State Student Incentive Grant (SSIG) program, also enticed many states, including Oregon, to begin providing state need-based grants to students.

The Present.

More recently, another factor in Oregon – the movement from low-tuition public institutions to average to higher-cost tuition institutions – has contributed to the erosion of financial access. Oregon moved away from low-tuition not for philosophical reasons, but rather because the diminution of state resources for all public services, including higher education, has been so great that institutions had to increase tuition just to generate ample funds to sustain educational programs of viable quality. The same fiscal constraints, however, lead to a coincident erosion of support for the state funded need-based financial aid. The confluence of these two effects – declining state grant aid and increasing tuition costs – combined with two other external factors – declining federal assistance and increasing demand for higher education – have substantially reduced the affordability of college in Oregon. Many current students and their families lack the resources to truly “afford” college, and thus are making monumental efforts, through loans and work, to attend college. Yet such efforts often impede these students’ likelihood of persistence and ultimate success in college or their ability to attend college at all.

Another factor, however, has contributed to the erosion in support for financial aid, both within Oregon and throughout the country. That is, the philosophy undergirding support for financial aid since the 1960s has become stale; it simply does not fit the public policy environment or tax-payer interests in the 21st century.

The Future – A Philosophy of Shared Responsibility or Earned Opportunity.
The basic premise of the shared responsibility concept is that to assure affordable higher education, many partners either share responsibility or concern for assuring college affordability.

The Responsible Partners. Four partners legitimately share responsibility for financing the costs of attending college.

The Student Effort. While society at large benefits in myriad ways from higher levels of educational attainment, the first partner in this shared partnership is the student, who is the principle beneficiary of the education being received. With pecuniary returns on a college education now exceeding, on average, more than $1 million for
a baccalaureate degree and about one-third that amount for an associate’s degree (relative to a high school diploma), it is entirely appropriate to expect that the student will accept responsibility for a reasonable portion of her or his own education. Furthermore, the student’s responsibility comes in two forms. First, the student must put forth a serious effort to achieve the education. Second, the student must be willing to help pay for the costs of the education.

The AAWG has established that all Oregon students should be expected to contribute at least $4,750 (in 2006 dollars) annually toward the costs of their education. This amount will be increased annually by the Consumer Price Index (CPI) to reflect the annual increased earning capacity of these students. While this sounds like a hefty student expectation, it is both reasonable and defensible. At $4,750, a student attending the lowest cost option in Oregon, a community college, would be providing roughly 40 percent of the total costs of attending that institution, and would be able to pay her or his share by earnings from work, from savings, from borrowing, or a combination of these. To earn this amount, a student would have to work about 15 hours per week at minimum wage for the full year or 10 hours per week while in school and full-time during the summer. On the other hand, if the student chose to borrow this amount over two-years rather than work, the equivalent debt of $9,500 would result in a debt burden that would be quite manageable, given the average earnings of a student with a two-year degree or certificate.

A student attending an Oregon public university would be able to pay through the combination of work and borrowing. This reflects the philosophy that there should be a cost of choice, but that this cost of choice should still assure affordable higher education in Oregon. The AAWG has established that public university students should be expected to contribute the same $4,750 from earnings that are expected of community college students, but that they should also be expected to borrow $2,750 annually. This borrowing expectation would leave these students with a debt of between $11,000 over four years or $13,750 over five years, on average, which research has shown is a manageable debt load for baccalaureate holders, even those with relatively low wage/high value jobs like teaching and social work. Furthermore, it is a lower debt load expectation than the average student actually experiences today in Oregon. This combined student expectation of $7,500 would represent roughly 50 percent of a frugal budget within the Oregon University System.

The AAWG proposes that a student attending an Oregon independent or private college or university would receive the same level of aid as a student attending a public university; again, paying for the choice option.

Furthermore, students who have earned scholarships for the current or past academic performance would be able to use them toward their expected contribution. Recent changes in federal legislation will provide some needy students with a new federally funded “Academic Competitiveness” or “Science and Math” supplement to the federal Pell Grant, based on their achievement in high school or
college and these federal supplements to the Pell grant, just like privately funded scholarships, will be considered part of the students’ earned contribution, not part of the federal contribution. Treating scholarships and other financial awards as part of the students’ contribution, rather than as an offset of the State’s responsibility, has two positive effects. First, it rewards students appropriately for accepting their responsibility to prepare and perform well academically. Second, it provides a positive incentive for civic and philanthropic partners to provide student assistance, which they can be assured will benefit the individuals they seek to assist and not simply substitute for public support.

**The Family’s Expectation.** After the student, the parents of a dependent student, or the spouse if a student is married, should clearly accept responsibility, to the extent that they can, for educating their child or significant other before they expect others to do so from tax-supported public funds. Clearly, families differ greatly in wealth, so their capacity to help varies accordingly. But, to the extent possible, they should be expected to contribute. Recent changes in federal law increase the incentive for parents to save for their children’s college education through state savings and tuition prepayment plans, further reinforcing the ability of parents to meet this responsibility. Unfortunately, some parents who are determined eligible to contribute do not accept this responsibility. It would be neither prudent nor practical, however, for public policy to step in to replace the expected parental contribution in such cases. In a resource constrained environment, there simply are not sufficient public funds to fill in where it has been determined that parents can do so.

**Maximizing the Federal Partnership.** The third responsible partner is the federal government, which through the federal Pell Grant program assists virtually any student from a low-and moderate-income family, and through tax credits and deductions assists most students from middle-income backgrounds. While the state cannot *count on* the federal government to provide sustained predictable support, it would be imprudent not to take full account of whatever federal aid is available.

**Oregon’s Share – Filling the Gap.** The fourth shared responsibility partner is the State. If the student and her or his parents have contributed all they reasonably can contribute based on their financial situation and federal resources have been taken full advantage of, then the state must do whatever it can to fill the gap or accept the reality that college won’t be truly affordable and thus equitable access will be limited in the state.

**The Concerned Partners.** Two other types of partners – institutions of higher education and civic/philanthropic funders – while not responsible for assuring affordable higher education, have historically shared substantial concern with college affordability and, as a result, have provided substantial financial assistance to students, both to reward merit, further diversity goals, and enhance affordability.

Colleges and universities, including independent, private, and public institutions, provide substantial financial aid, but for three reasons should be considered a concerned party
rather than a responsible party. First, the foremost responsibility of the institution is and should be the delivery of quality educational services. As a result, the institutions’ first concern must be providing sufficient resources to quality assurance, resulting in limited institutional funds for financial aid. Second, the availability of institutional aid is not readily apparent to prospective students, thus contributes little to the public policy goal of transparency. Because institutions have limited funds for financial aid, they must withhold their decisions on who receives this aid until students indicate an interest in the institution, which means that young people thinking about whether college is in their future or not, have little information from institutions about the likelihood of receiving aid. Third, institutional financial aid officers are the only people who can logically put all the pieces together and thus are best used to fill the gaps that real life presents, with the limited resources available from the institution. Private institutions of higher education generally bear a larger amount of institutional aid, if they chose to provide broad access to financially needy students.

Civic and philanthropic organizations also often assist students and it is prudent for public policy to encourage such activities. If such funds simply replace public funds, however, there is little reason for these civic and philanthropic sources to provide such assistance. The shared responsibility model, however, provides a strong incentive for such partners because their assistance helps the student meet her/his share and does not replace public resources.

Through this shared combination of reasonable contributions from responsible partners—the student, her or his parents, the federal government, and the state government, combined with the partnership of institutions and other concerned partners—Oregon can restore affordability. In principle, shared responsibility or earned opportunity does not seem to be as benevolent as past policy. Recognizing the student as the principal beneficiary of the education being received, the concept expects much more from these students. It expects no less from parents. But it recognizes the substantial efforts and sacrifices being made by students and families to come up with the resources needed to pay for college expenses. And by being more intentional and relevant to the current picture, the shared responsibility concept takes full advantage of what is available from the federal government. And it encourages institutions and civic and philanthropic organizations to partner as well.

In the end, however, when all these other resources have been incorporated, this concept presumes that the state of Oregon will accept responsibility to fill the gap remaining after these other partners have been tapped out. Indeed, this will require a substantial increase in Oregon’s financial commitment for need-based financial aid. This is what it takes if Oregon truly wishes to assure affordable higher education.

Attachments from Oregon Shared Responsibility Simulation:
Table 1, Estimated Results, Expenditures, and Recipients
Table 2, Grant Award Levels by Dependency, Income, and Attendance Status.
### TABLE 1
**ESTIMATED RESULTS AND EXPENDITURES**

**State of Oregon**  
**Access and Affordability Working Group**  
**June 6, 2006**

<table>
<thead>
<tr>
<th>Initial Settings (2005-06 Budgets)</th>
<th>Public 4-Yr Institutions</th>
<th>Public 2-Yr Institutions</th>
<th>Private Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognized T&amp;F</td>
<td>$5,349</td>
<td>$2,666</td>
<td>$23,556</td>
</tr>
<tr>
<td>Recognized F/T Expenses</td>
<td>$10,317</td>
<td>$9,326</td>
<td>$9,657</td>
</tr>
<tr>
<td>Recognized Price</td>
<td>$15,666</td>
<td>$11,992</td>
<td>$33,212</td>
</tr>
<tr>
<td>Student Share</td>
<td>$7,500</td>
<td>$4,750</td>
<td>$7,500</td>
</tr>
<tr>
<td>Student Burden (Full-time)</td>
<td>$7,500</td>
<td>$4,750</td>
<td>$7,500</td>
</tr>
<tr>
<td>Student Share</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Income Cut-Off</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Reduction for Dependent</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Students Living with Parents</td>
<td>$3,300</td>
<td>$4,050</td>
<td>$3,300</td>
</tr>
<tr>
<td>Maximum Pell Grant</td>
<td></td>
<td></td>
<td>$4,050</td>
</tr>
</tbody>
</table>

**Oregon Shared Responsibility Simulation**  
**David A. Longanecker & Brian T. Prescott**  
**Western Interstate Commission for Higher Education**

<table>
<thead>
<tr>
<th>Adjustible Variables</th>
<th>Public 4-Yr Institutions</th>
<th>Public 2-Yr Institutions</th>
<th>Private Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognized T&amp;F</td>
<td>$5,349</td>
<td>$2,666</td>
<td>$23,556</td>
</tr>
<tr>
<td>Recognized F/T Expenses</td>
<td>$9,510</td>
<td>$9,510</td>
<td>$9,510</td>
</tr>
<tr>
<td>Recognized Price</td>
<td>$14,859</td>
<td>$12,176</td>
<td>$14,859</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Recognized F/T Expenses</th>
<th>$7,500</th>
<th>$4,750</th>
<th>$7,500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognized Price</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognized Price</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income Cut-Off</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income Cut-Off</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction for Dependent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction for Dependent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Students Living with Parents</td>
<td>$3,300</td>
<td>$4,050</td>
<td>$3,300</td>
</tr>
<tr>
<td>Maximum Pell Grant</td>
<td></td>
<td></td>
<td>$4,050</td>
</tr>
</tbody>
</table>

**ESTIMATED RESULTS**

<table>
<thead>
<tr>
<th>Public 4-Yr Institutions</th>
<th>Public 2-Yr Institutions</th>
<th>Private Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Grant Expenditures</td>
<td>$40,999,947</td>
<td>$43,557,045</td>
</tr>
<tr>
<td>Recipients</td>
<td>15,243</td>
<td>33,039</td>
</tr>
<tr>
<td>Average Award</td>
<td>$2,690</td>
<td>$1,318</td>
</tr>
<tr>
<td>Enrollment Change</td>
<td>2,769</td>
<td>2,769</td>
</tr>
</tbody>
</table>

**2004-05 OOG EXPENDITURES & RECIPIENTS**

<table>
<thead>
<tr>
<th>OUS</th>
<th>Community Colleges</th>
<th>Private Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Grant Expenditures</td>
<td>$10,471,726</td>
<td>$9,312,891</td>
</tr>
<tr>
<td>Recipients</td>
<td>7,941</td>
<td>10,022</td>
</tr>
<tr>
<td>Average Award</td>
<td>$1,319</td>
<td>$929</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

Oregon State Board of Higher Education

Full Board

Page 109

REPORT ITEMS
TABLE 2
GRANT AWARDS BY DEPENDENCY, INCOME, AND ATTENDANCE

State of Oregon Oregon Shared Responsibility Simulation
Access and Affordability Working Group
Grant Awards by Dependency, Income, and Attendance Status
June 6, 2006 David A. Longanecker & Brian T. Prescott, WICHE

### ACCESS AND AFFORDABILITY WORKING GROUP

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Max. Award</th>
<th>Avg. Award</th>
<th>Recipients</th>
<th>Max. Award</th>
<th>Avg. Award</th>
<th>Recipients</th>
<th>Max. Award</th>
<th>Avg. Award</th>
<th>Recipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $4,999</td>
<td>$3,309</td>
<td>$2,666</td>
<td>216</td>
<td>$2,666</td>
<td>$1,333</td>
<td>49</td>
<td>$2,667</td>
<td>$1,333</td>
<td>49</td>
</tr>
<tr>
<td>$5,000 to $9,999</td>
<td>$3,359</td>
<td>$2,666</td>
<td>374</td>
<td>$2,675</td>
<td>$1,333</td>
<td>374</td>
<td>$2,675</td>
<td>$1,333</td>
<td>374</td>
</tr>
<tr>
<td>$10,000 to $14,999</td>
<td>$3,359</td>
<td>$2,666</td>
<td>388</td>
<td>$2,675</td>
<td>$1,333</td>
<td>418</td>
<td>$2,675</td>
<td>$1,333</td>
<td>418</td>
</tr>
<tr>
<td>$15,000 to $19,999</td>
<td>$3,359</td>
<td>$2,666</td>
<td>418</td>
<td>$2,675</td>
<td>$1,333</td>
<td>418</td>
<td>$2,675</td>
<td>$1,333</td>
<td>418</td>
</tr>
<tr>
<td>$20,000 to $24,999</td>
<td>$3,359</td>
<td>$2,666</td>
<td>418</td>
<td>$2,675</td>
<td>$1,333</td>
<td>418</td>
<td>$2,675</td>
<td>$1,333</td>
<td>418</td>
</tr>
<tr>
<td>$25,000 to $29,999</td>
<td>$4,007</td>
<td>$2,666</td>
<td>420</td>
<td>$2,675</td>
<td>$1,333</td>
<td>418</td>
<td>$2,675</td>
<td>$1,333</td>
<td>418</td>
</tr>
<tr>
<td>$30,000 to $34,999</td>
<td>$4,007</td>
<td>$2,666</td>
<td>420</td>
<td>$2,675</td>
<td>$1,333</td>
<td>420</td>
<td>$2,675</td>
<td>$1,333</td>
<td>420</td>
</tr>
<tr>
<td>$35,000 to $39,999</td>
<td>$4,007</td>
<td>$2,666</td>
<td>420</td>
<td>$2,675</td>
<td>$1,333</td>
<td>420</td>
<td>$2,675</td>
<td>$1,333</td>
<td>420</td>
</tr>
<tr>
<td>$40,000 to $44,999</td>
<td>$4,007</td>
<td>$2,666</td>
<td>420</td>
<td>$2,675</td>
<td>$1,333</td>
<td>420</td>
<td>$2,675</td>
<td>$1,333</td>
<td>420</td>
</tr>
<tr>
<td>$45,000 to $49,999</td>
<td>$4,007</td>
<td>$2,666</td>
<td>420</td>
<td>$2,675</td>
<td>$1,333</td>
<td>420</td>
<td>$2,675</td>
<td>$1,333</td>
<td>420</td>
</tr>
<tr>
<td>$50,000 to $54,999</td>
<td>$710</td>
<td>$2,666</td>
<td>588</td>
<td>$2,675</td>
<td>$1,333</td>
<td>588</td>
<td>$2,675</td>
<td>$1,333</td>
<td>588</td>
</tr>
<tr>
<td>$55,000 to $59,999</td>
<td>$710</td>
<td>$2,666</td>
<td>588</td>
<td>$2,675</td>
<td>$1,333</td>
<td>588</td>
<td>$2,675</td>
<td>$1,333</td>
<td>588</td>
</tr>
<tr>
<td>$60,000 to $64,999</td>
<td>$710</td>
<td>$2,666</td>
<td>588</td>
<td>$2,675</td>
<td>$1,333</td>
<td>588</td>
<td>$2,675</td>
<td>$1,333</td>
<td>588</td>
</tr>
<tr>
<td>$65,000 to $69,999</td>
<td>$710</td>
<td>$2,666</td>
<td>588</td>
<td>$2,675</td>
<td>$1,333</td>
<td>588</td>
<td>$2,675</td>
<td>$1,333</td>
<td>588</td>
</tr>
<tr>
<td>$70,000 or more</td>
<td>$710</td>
<td>$2,666</td>
<td>588</td>
<td>$2,675</td>
<td>$1,333</td>
<td>588</td>
<td>$2,675</td>
<td>$1,333</td>
<td>588</td>
</tr>
</tbody>
</table>

### INDEPENDENT: UNMARRIED

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Avg. Award</th>
<th>Recipients</th>
<th>Avg. Award</th>
<th>Recipients</th>
<th>Avg. Award</th>
<th>Recipients</th>
<th>Avg. Award</th>
<th>Recipients</th>
<th>Avg. Award</th>
<th>Recipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $4,999</td>
<td>$3,637</td>
<td>635</td>
<td>$2,666</td>
<td>$2,666</td>
<td>500</td>
<td>$3,537</td>
<td>175</td>
<td>$2,675</td>
<td>$1,333</td>
<td>1,090</td>
</tr>
<tr>
<td>$5,000 to $9,999</td>
<td>$4,140</td>
<td>500</td>
<td>$2,666</td>
<td>$2,666</td>
<td>500</td>
<td>$4,140</td>
<td>500</td>
<td>$2,675</td>
<td>$1,333</td>
<td>1,090</td>
</tr>
<tr>
<td>$10,000 to $14,999</td>
<td>$5,349</td>
<td>500</td>
<td>$2,666</td>
<td>$2,666</td>
<td>500</td>
<td>$5,349</td>
<td>500</td>
<td>$2,675</td>
<td>$1,333</td>
<td>1,090</td>
</tr>
<tr>
<td>$15,000 to $19,999</td>
<td>$6,461</td>
<td>500</td>
<td>$2,666</td>
<td>$2,666</td>
<td>500</td>
<td>$6,461</td>
<td>500</td>
<td>$2,675</td>
<td>$1,333</td>
<td>1,090</td>
</tr>
<tr>
<td>$20,000 to $24,999</td>
<td>$2,904</td>
<td>97</td>
<td>$2,666</td>
<td>$2,666</td>
<td>97</td>
<td>$2,904</td>
<td>97</td>
<td>$2,231</td>
<td>$1,452</td>
<td>97</td>
</tr>
<tr>
<td>$25,000 to $29,999</td>
<td>$417</td>
<td>53</td>
<td>$3,088</td>
<td>$2,904</td>
<td>53</td>
<td>$417</td>
<td>53</td>
<td>$137</td>
<td>$137</td>
<td>53</td>
</tr>
<tr>
<td>$30,000 to $34,999</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
</tr>
<tr>
<td>$35,000 to $39,999</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
</tr>
<tr>
<td>$40,000 to $44,999</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
</tr>
<tr>
<td>$45,000 to $49,999</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
</tr>
<tr>
<td>$50,000 to $54,999</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
</tr>
<tr>
<td>$55,000 to $59,999</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
</tr>
<tr>
<td>$60,000 to $64,999</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
</tr>
<tr>
<td>$65,000 to $69,999</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
</tr>
<tr>
<td>$70,000 or more</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
</tr>
</tbody>
</table>
### TABLE 2 (CONTINUED)

**GRANT AWARDS BY DEPENDENCY, INCOME, AND ATTENDANCE**

**State of Oregon**  
Access and Affordability Working Group  
June 6, 2006

**Oregon Shared Responsibility Simulation**  
Grant Awards by Dependency, Income, and Attendance Status  
David A. Longanecker & Brian T. Prescott, WICHE

#### INDEPENDENT: UNMARRIED

<table>
<thead>
<tr>
<th></th>
<th>Full-Time Students</th>
<th>More Than Half-Time Students</th>
<th>Half-Time Students</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Public 4-Yr</td>
<td>Public 2-Yr</td>
<td>Private</td>
</tr>
<tr>
<td>$0 to $4,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$5,000 to $9,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$10,000 to $14,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$15,000 to $19,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$20,000 to $24,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$25,000 to $29,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$30,000 to $34,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$35,000 to $39,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$40,000 to $44,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$45,000 to $49,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$50,000 to $54,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$55,000 to $59,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$60,000 to $64,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$65,000 to $69,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$70,000 or more</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
</tbody>
</table>

#### INDEPENDENT: MARRIED

<table>
<thead>
<tr>
<th></th>
<th>Full-Time Students</th>
<th>More Than Half-Time Students</th>
<th>Half-Time Students</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Public 4-Yr</td>
<td>Public 2-Yr</td>
<td>Private</td>
</tr>
<tr>
<td>$0 to $4,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$5,000 to $9,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$10,000 to $14,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$15,000 to $19,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$20,000 to $24,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$25,000 to $29,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$30,000 to $34,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$35,000 to $39,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$40,000 to $44,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$45,000 to $49,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$50,000 to $54,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$55,000 to $59,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$60,000 to $64,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$65,000 to $69,999</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
<tr>
<td>$70,000 or more</td>
<td>$3,220</td>
<td>$2,666</td>
<td>$3,056</td>
</tr>
</tbody>
</table>
### Table 2 (Continued)

**Grant Awards by Dependency, Income, and Attendance**

<table>
<thead>
<tr>
<th>Full-Time Students</th>
<th>More Than Half-Time Students</th>
<th>Half-Time Students</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INDEPENDENT:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DEPENDENCY:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>INCOME:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$0 to $4,999</td>
<td>$3,309</td>
<td>$2,651</td>
</tr>
<tr>
<td>$5,000 to $9,999</td>
<td>$3,129</td>
<td>$2,548</td>
</tr>
<tr>
<td>$10,000 to $14,999</td>
<td>$2,629</td>
<td>$2,315</td>
</tr>
<tr>
<td>$15,000 to $19,999</td>
<td>$2,041</td>
<td>$2,017</td>
</tr>
<tr>
<td>$20,000 to $24,999</td>
<td>$1,985</td>
<td>$1,936</td>
</tr>
<tr>
<td>$25,000 to $29,999</td>
<td>$1,985</td>
<td>$1,936</td>
</tr>
<tr>
<td>$30,000 to $34,999</td>
<td>$1,985</td>
<td>$1,936</td>
</tr>
<tr>
<td>$35,000 to $39,999</td>
<td>$1,985</td>
<td>$1,936</td>
</tr>
<tr>
<td>$40,000 to $44,999</td>
<td>$1,985</td>
<td>$1,936</td>
</tr>
<tr>
<td>$45,000 to $49,999</td>
<td>$1,985</td>
<td>$1,936</td>
</tr>
<tr>
<td>$50,000 to $54,999</td>
<td>$1,544</td>
<td>$1,147</td>
</tr>
<tr>
<td>$55,000 to $59,999</td>
<td>$391</td>
<td>$132</td>
</tr>
<tr>
<td>$60,000 to $64,999</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$65,000 to $69,999</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$70,000 or more</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

**Note:** Award amounts for part-time students are not always equal to the prorated amount of the full-time award. This occurs because when the tuition charged is reduced, students are eligible for smaller federal tax credits than they would be if they were enrolled full-time, and/or due to the prorated Pell Grant.
Statewide Outreach Plan for Higher Education

Board members have discussed within the context of regular meetings and strategic planning the need for “telling our story” in a way that will be compelling to Oregonians and that connects, in the public’s view, a successful Oregon to a successful higher education system. The public has proven elusive in supporting our public universities and the need for increased educational attainment. As legislators heed the voices of their constituents, a low level of or quiet support for higher education by Oregonians impacts the effectiveness of the System’s advocacy in Salem and across the state. It also reflects a lack of association by some between a strong economy and vibrant, high quality postsecondary institutions and the highly skilled graduates they produce.

With shifts in base industries occurring in an incremental fashion, it is sometimes difficult for residents to embrace that the economy has indeed changed and that the new economy is fueled by higher levels of educational attainment in its citizens in every community in the state. The postsecondary education systems need to do a better job in helping all Oregonians understand the value of postsecondary education—whether a degree or technical training—in relation to the quality of their own life, as well as the health and sustainability of their community and the state.

Developing and implementing a statewide outreach and advocacy effort would increase the understanding and support of the public for a strong higher education system that provides broad public value statewide. While this is not a single biennium effort but a long-term strategy, it is critical for the postsecondary systems to begin to gain stronger support from a greater proportion of the public and the state policymakers who listen to and advocate for them. As Chancellor Pernstine frequently notes, the state cannot support the needs of a 21st century economy without high quality colleges and universities that prepare Oregonians to succeed in the knowledge-based, global society.

A group of OUS public information and government relations officers also began convening in November 2005 to examine the likely components and challenges of a statewide outreach campaign. The following draft goal was developed by the OUS group as a starting-off point for determining an effective approach to a statewide campaign. This goal has not yet been vetted by the full Board, so it is only a draft marker. Draft Goal: "To cultivate and instill as an important value a recognition of postsecondary education as a public good and to expand awareness of the need for higher levels of educational attainment in order to ensure balanced, sustainable, and economically viable communities throughout Oregon."

Based on these discussions, Directors von Schlegell, Nesbitt, and Burns have met with Chancellor's Office staff in the Communications and Government Relations areas to begin outlining an approach to a statewide outreach campaign. The goal of such a campaign is to help Oregonians better understand the value of postsecondary education in terms of how it enriches our state, our economy, our individual communities, and our livelihoods. Fulfiling this goal would involve a discussion of Board expectations for a campaign; establishment of a Working Group; collaboration with the
community college sector; a fundraising effort to support an advertising campaign; commitment of some pro bono assistance by an advertising firm; tie-in strategies to advertising; and an effective evaluation component to track campaign success, possibly involving some pre- and post-polling or survey activity.
2007-2013 Capital Construction Request

SUPPLEMENTAL MATERIALS

Table 1, 2005-2007 Legislatively Adopted Major Construction/Acquisition Projects

Table 2, 2007-2009 Bond Bill Request

Table 3, Capital Construction Summary by Campus, 2007-2009

Table 4, OUS Capital Budget Request—E&G Evaluation Score Summary

Table 5, Higher Education Major Construction/Acquisition Project Narrative

Table 6, 2007-2009 Deferred Maintenance/Seismic Remediation Priority Summary

Table 7, Capital Construction Summary by Campus, 2009-2011

Table 8, Capital Construction Summary by Campus, 2011-2013

Sustainable Practices in a Seismic Hot Spot

Prioritization of Seismic Retrofits of School Buildings in Oregon using an Enhanced Rapid Visual Screening Methodology

July 14, 2006

Oregon State Board of Higher Education
SUPPLEMENTAL MATERIALS

Excellence in Delivery and Productivity Notes, June 2, 2006