OUS, Higher Education Assessment Team of Central Oregon, Acceptance of Report Recommendations

The Higher Education Assessment Team (HEAT) of Central Oregon seeks Board acceptance of its final report and recommendations, outlined in “Expanding Higher Education Access and Success in Central Oregon: Innovating for Current and Future Needs.”

In the fall of 2009, the Higher Education Assessment Team for Central Oregon (HEAT) was formed as a working group under the Academic Strategies Committee of the Oregon State Board of Higher Education (the “Board”) to determine the collective higher education needs of the region, for today and into the future. The goal of HEAT is to determine the short-, mid-, and long-term higher education options and resources needed to increase educational attainment in Central Oregon to meet education, workforce, and economic development needs in one of the state’s fastest growing regions.

The long-term 20-30 year higher education vision developed through the HEAT process for Central Oregon supports the region’s desire for a stand-alone university as well as a continued, strong Central Oregon Community College (COC). A stand-alone university goal is tempered, though, with the knowledge that enrollment growth at the 4-year degree level, regional population growth, and robust economic development and workforce demand are needed to bring that goal to reality. Such an institution would offer baccalaureate and graduate degrees, and have a research agenda aligned with regional business and industry needs and drivers.

Closer to the needs of today’s realities in Central Oregon are HEAT’s short- and mid-term goals for higher education in the region. These include: (1) closer collaboration between COCC and Oregon State University-Cascades (OSU-Cascades) to improve the 2+2 model (lower-division at COCC and upper-division at OSU-Cascades), and add a “4-year experience” option for students; (2) building a hub-and-spoke higher education delivery system to reach rural residents; (3) increasing participation in higher education through alignment with K-12 systems; and (4) developing targeted bachelor, graduate, and research programs aligned with regional business and industry. These goals are discussed in more detail below.

1. Implementing academic and administrative strategies that ease the transition between COCC and OSU-Cascades will be critical for increasing bachelor degree attainment. Developing learning cohort approaches through a “University College” will offer high school recruits an option for a “4-year Experience” program through seamless alignment between COCC and OSU-Cascades programs and processes, along with residential and other campus life options for students. Such cohort programs, as research has shown, produce higher student retention rates and degrees because of the built-in support mechanisms between students and faculty, students and students, and students and the rest of the campus community. HEAT is also recommending that upper-division undergraduate programs be offered by only a single institution, Oregon State University (OSU), with provisions to ensure that current University of Oregon (UO) students are able to complete their UO degrees, and that a plan is in place for an easy transition
There is a need for expanded instructional space at OSU-Cascades for current and new programs, including the University College, and thus a capital request placeholder is proposed for the 2011 Legislative Session for a $30 million new facility.

(2) Short- and mid-term strategies also include a “hub and spoke” model of postsecondary delivery, whereby regional satellite locations (based on COCC’s current Redmond campus and planned Madras and Prineville campuses) offer certificate and associate’s degrees in demand fields. The new component of this, besides expanding locations, would be collaboration with OSU-Cascades to offer bachelor’s degrees aligned with current COCC offerings in order to expand degree options to students unable to commute great distances to the Bend “hub.” Distance education options are also a component of the regional delivery strategy.

(3) Cross-sector alignment strategies that focus on building a college-going culture in K-12, and improving K-12 and postsecondary students’ transitional paths to the next education or career/job opportunity will improve attainment rates in Central Oregon. Examples include increasing college-prep offerings in high schools, such as Advanced Placement courses that prepare students for academic success in college, and offering bridge and remedial programs to help students prepare for college-level work before enrolling in the first year of college.

(4) In the short- and mid-term, targeted bachelor’s, graduate, and research programs will be developed that are aligned with Central Oregon economic development needs. This will also include expanding teacher and counselor preparation programs. Partnerships with local businesses and industry will be critical for providing lab facilities and mentorships for graduate students.

Other recommendations from HEAT have arisen from the many community members who attended the focus groups, community meetings, and public forums in the winter and spring of 2010. These are delineated in the full HEAT report and include issues in the areas of academic offerings, cross-campus communications and collaboration, student life, branding/marketing, and K-20 alignment.

With the health of higher education in Central Oregon reliant on enrollment growth, prudent expansion, cost-containment, and community and state support, there are a number of moving parts that must work in unison to create and sustain diverse and robust postsecondary options in the region. This report presents a roadmap for Central Oregon higher education based on nine months of consulting with and listening to diverse stakeholders, visits from education, government, and legislative leaders, and the diligent work of HEAT volunteer members.

**Staff Recommendation to the Board:**
Staff recommends that the Board accept the report of the Higher Education Assessment Team of Central Oregon, “Expanding Higher Education and Success in Central Oregon: Innovating for Current and Future Needs,” in order that the leadership of OSU–Cascades and its partners can
begin to plan and implement the recommendations in the report which do not require new state funding at this time.

(Board action required.)
OHSU/OUS, Life Sciences Collaborative Complex Project; Project Update and Request for Authority to Proceed

SUMMARY
The Oregon University System (OUS) and the Oregon Health & Science University (OHSU) have undertaken a major collaborative planning effort for a new 263,000 square foot facility plus 379 parking spaces in Portland’s South Waterfront development area on the OHSU Schnitzer Campus. This project, as initially conceived, was approved by the OUS Board as part of the 2009-2011 OUS Capital Outlay Budget and then by the Governor and legislature in the state’s biennial budget process.

The project is known as the Life Sciences Collaborative Complex and includes educational and research facilities for biosciences and medical, dental, pharmacy, nursing, and other health sciences-related areas. The partner universities providing these programs are OHSU, PSU, OSU, and the UO. In addition to OHSU and OUS researchers and educators, the Complex is intended to house private sector-related organizations, OTRADI (Oregon Translational Research and Drug Development Institute), and the Oregon Biosciences Alliance (OBA), as well as, potentially, additional private sector financed bioscience incubator space. The Complex will include some retail facilities, as well as parking consistent with the needs of the project. The project represents a major collaborative partnership between the primary regional public providers of health and bioscience educational and research programs. It is a major step toward enhanced long-term synergistic collaboration between and amongst these institutions.

BACKGROUND
Bioscience- and health-related research at OUS, OHSU, and private hospitals has grown by 35 percent to 40 percent since 2002. Bioscience company growth has also increased significantly in Oregon during that period, providing jobs and increasing sales for Oregon companies. The Life Sciences Collaborative Complex project in the South Waterfront district will leverage OHSU land (donated from a private party to establish a 20 acre campus at the South Waterfront) with a significant additional cash donation to OHSU and significant state financing to achieve a first-ever building of this kind in Oregon. The state, through legislative and gubernatorial approval in 2009, provided for a $200 million state limitation for this project with $50 million in Article XI-G bonds; $60 million in Article XI-F(1) bonds, and limitation for an additional $90 million to cover OHSU’s cash gift of $40 million, Tri Met construction of light rail stations valued at $20 million, and $30 million in potential private sector participation in biosciences incubator space. As currently conceived, the project is estimated to cost $160 million, excluding the cost of the OTRADI, OBAm and bioscience incubator space.

PROJECT PLANNING AND OVERSIGHT
The OUS Chancellor and OHSU leadership initiated planning the Complex in 2007. A formal program committee was established consisting of academic and administrative leadership from OHSU, OSU, PSU, UO, and OIT\(^1\) and the OUS Chancellor’s Office. The mission of this committee

\(^1\) OIT has since chosen to consolidate its programs in a different location.
was to develop a proposal for a collaborative facility with a mix of educational and research programs and some private participation. Over the course of a year and a half, the committee created a program proposal and engaged consultants to outline an initial formal program and space plan.

The project will accommodate all or part of the following OHSU/OUS programs, comprising 263,000+ gross square feet:

- OHSU Schools of Medicine, Dentistry, Nursing, and Physician Assistancy
- OSU School of Pharmacy
- PSU Departments of Biology and Chemistry
- UO Program within the Department of Psychology
- One floor of parking, approximately 379 spaces
- Retail spaces for building convenience

The building is anticipated to include a large lecture auditorium, classrooms, class simulation rooms, instructional wet labs, research labs, vivarium, faculty office space, and shared and single institution research space.

Depending on funding, additional tenants in the facility comprising an additional 48,967 gross square feet may include:

- OTRADI
- OBA
- Private Bioscience Incubator (dependent on private investors)

STEERING COMMITTEE WORK

Upon approval by the legislature in 2009, the OUS Chancellor and the President of OHSU established a smaller steering committee that was charged with further developing the project in coordination with the program committee; refining space and cost estimates; testing cost assumptions against building options and the market; creating a plan for the partnership’s governance, management, and operations of the Complex; and creating a plan for the project delivery. The steering committee is composed of a single representative from each of the three major partner institutions: OHSU, OSU, and PSU. Decision-making on all matters necessary to launch the project reside with this steering committee. This committee was further charged with developing sufficient project readiness to undertake construction of the project by 2011 and completing a plan for final approval by the OUS and OHSU boards this summer.

To achieve the charge, the steering committee has to date:

- engaged owners’ representative/consultant who has reviewed and tested the space plan and cost estimates and worked to refine them as necessary;
- evaluated an initial building type in relation to the space and site requirements;
- developed a management and operations structure plan;
- developed a draft proforma for the project covering debt and operating expenses;
• developed a governance structure, terms for a ground lease, and operating leases; and
• evaluated and recommended a tentative project delivery plan.

Source and Use of Funds:
The project will require $160 to $190\textsuperscript{2} million in Articles XI-G and XI-F(1) bonds, as well as other funds as follows:

<table>
<thead>
<tr>
<th>Source Description</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Article XI-F(1) Bonds</td>
<td>$60 million</td>
<td>(to cover some educational and research space for member institutions as well as privately leased space for retail and parking services)</td>
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<tr>
<td>Article XI-G Bonds</td>
<td>$50 million matched with $40 million in OHSU donation</td>
<td></td>
</tr>
<tr>
<td>OHSU Donor and TriMet</td>
<td>$10 million</td>
<td>(from TriMet light rail project (to cover educational and research space for partner institutions and TriMet light rail stations))</td>
</tr>
<tr>
<td>Other Funds (in addition to OHSU donor)</td>
<td>Up to $40 million</td>
<td>(from private investors in research activity (to cover development of biosciences incubator) as well as privately leased space for OTRADI and OBA)</td>
</tr>
</tbody>
</table>

The parties will need to ensure the OHSU donated funds are escrowed and made available to the project for the required match in a timely fashion. Attached to this docket is a draft financial pro forma for the project which includes sources of funds and projected debt service and operating costs. Operating costs target ranges have been determined with the assistance of a study by CB Richard Ellis, Inici Group, Inc. and GBD Architects.

GOVERNANCE STRUCTURE
The steering committee recommends that the project’s governance structure be a tenancy in common with undivided 50 percent interests assigned to OUS and OHSU. The percentage interests will align with the contributions to the project as shown on the chart below. OUS (OSU, PSU, and UO) and OHSU will each cover the respective costs of the Article XI-F(1) bonds over the term of the bonds. These parties will also be responsible for 100 percent of the operating and maintenance costs of the facility. A breakdown of the percentage interests by contribution from each party is shown below:

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\textsuperscript{2} The original $200 million state limitation included a full $20 million from TriMet, but it has been determined that only $10 million is necessary to meet the donor match.
### Project Contribution

<table>
<thead>
<tr>
<th>Project Contribution</th>
<th>OUS</th>
<th>OHSU</th>
<th>Tri-Met</th>
<th>Total</th>
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<td>Article XI-G bonds</td>
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<td>$50,000,000</td>
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<tr>
<td>Article XI-F(1) bonds</td>
<td>$30,000,000</td>
<td>$30,000,000</td>
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<td>$60,000,000</td>
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<tr>
<td>Gifts</td>
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<tr>
<td>Land/Transit</td>
<td>($5,000,000)</td>
<td>$5,000,000</td>
<td>$10,000,000</td>
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<tr>
<td>Totals</td>
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<td>$75,000,000</td>
<td>$10,000,000</td>
<td>$160,000,000</td>
</tr>
</tbody>
</table>

There will be a ground lease from OHSU to the tenants in common, with a 60 year term at $1 annual rent, with two ten-year renewals (consideration for renewal terms to be determined). OUS will negotiate an acceptable indemnification with OHSU for any pre-existing conditions on the site.

OUS and OHSU will enter into a tenancy in common agreement that will regulate the relationship between the tenants in common, including responsibility for building costs on a proportional cost-sharing basis as noted above. Separate subleases for other tenants, such as OTRADI, OBA, and retail entities, will be based on the fair market value of the leased space.

The tenancy in common will initially be governed by the steering committee representing the OUS and OHSU. The governing entity will be composed of a seven-member board—three to be appointed by the president of OHSU and three by the Chancellor of OUS, with a seventh member mutually agreed upon by the six representative members. The board will be responsible for all ownership responsibilities including delegating or contracting management of the facility as appropriate, coordinating changes in space allocations, and private leases, etc. It is contemplated that the parties will contract with OHSU for management of the facility and that OHSU will then subcontract for some or all of these services with a management company, in order to capture economies of scale and other synergies with OHSU’s existing building management arrangements at South Waterfront.

The steering committee has developed a Request for Information (RFI) to determine if any private partners with directly controlled equity of at least $10 million are interested in investing in this Project and becoming tenants in common with OUS and OHSU. This RFI is now under solicitation. Should there be such a partner(s) the steering committee will evaluate the options and add this element to the space program. This space must be entirely privately financed and operating costs will be assessed proportionately.

### SITE ISSUES

The project will be constructed in the midst of significant attendant, but separate site work. This site work includes the redevelopment and significant elevation of Moody Street to accommodate the new light rail line, the redevelopment of the street car track alignment, and the introduction of the new Milwaukie light rail track. Coordination of these multiple projects will be substantial and will require close collaboration with multiple public entities. OHSU has worked closely with TriMet, PDOT, and other local entities in anticipation of this work. Agreements have been reached on street alignments and other infrastructure matters.
PROJECT DELIVERY METHOD
The design for this project is expected to proceed beginning in the Fall of 2011. The steering committee currently anticipates using a Construction Manager/General Contractor (CM/GC) project delivery method. This method offers advantages in timeliness and flexibility with regard to field challenges likely to arise due to the complex site issues. An alternative delivery method would be to hire a developer to deliver the project for a guaranteed price. This method will be reevaluated at the point information is obtained through the RFI process currently underway.

Working under steering committee oversight, PSU will be responsible for financial management of project funds during construction and OHSU will be responsible for supervising construction management on the OHSU site.

OUTSTANDING ISSUES TO BE RESOLVED
1. Ballot Measure 69, which was approved in May 2010, requires a legislative determination for each bond financed project that the project "benefits of higher education institutions or activities." The legislature has not been making that determination for bond projects because it was not previously required. In addition, this project has complex uses and the nature of the agreement among the participants is evolving. Bond Counsel is recommending that this project, along with all other OUS capital projects approved prior to the passage of Ballot Measure 69, be brought back to the legislature for the determination that Measure 69 requires, and to clarify OUS' authority to finance complex projects and enter into complex cooperative arrangements in which OUS' bonding authority benefits other project participants. Bond Counsel does not currently believe it could give approval for the bonds for this project without this additional legislative action. In fact, Bond Counsel may not be able to give an opinion on bonds for any authorized project without additional legislative action. This creates a timing issue as we would like to move the project forward now by executing design and other contracts; however, it is unlikely that the legislature will be back in session before February 2011. The next bond sale is not scheduled until Spring 2011, thus this issue should not delay the bond sale unless the legislature does not act.

2. As noted above, the other outstanding issue at this time is whether to build space for OTRADI, OBA, and a bioscience incubator. This was part of the project as initially conceived, yet will require supplemental funding to proceed. As noted above, the parties have released an RFI to determine if there is any interest on the part of private developers to fund the construction of this space. This RFI was released in June 2010 and many parties have called to inquire further about this opportunity. Proposals are expected to be received in July 2010.

Staff Recommendation to the Board:
Staff recommends that the Board take the following actions:
1. Approve OUS to enter into a long-term tenancy in common with OHSU and execute a corresponding ground lease with OHSU for the building site;
2. Approve the steering committee to enter into agreements with TriMet for further development of transit access to the site;

3. Approve the steering committee to enter into contracts for design and ultimately the construction of the Life Sciences Complex; and

4. Authorize the Vice Chancellor for Finance and Administration or designee to seek interim funding from the OUS Central Bank or Commercial Paper program to cover OUS’ share of the project costs prior to the bond sale in Spring 2011.

(Board action required.)
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<td></td>
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<td>$6,292,344</td>
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| Operating Expense:   |         |         |         |         |         |         |         |         |         |         |
| Research             | $766,714 | $789,716 | $813,407 | $837,809 | $862,822 | $888,822 | $915,497 | $942,962 | $971,250 | $971,250 |
| Education            | $2,020,887 | $2,081,514 | $2,143,959 | $2,208,278 | $2,274,526 | $2,342,762 | $2,413,045 | $2,485,436 | $2,559,999 | $2,559,999 |
| Office               | $513,056 | $528,448 | $544,301 | $560,630 | $577,449 | $594,772 | $612,616 | $630,994 | $649,924 | $649,924 |
| Retail               | $25,019 | $25,770 | $26,543 | $27,339 | $28,159 | $29,064 | $29,874 | $30,770 | $31,694 | $31,694 |
| Subtotal             | $3,624,707 | $3,733,448 | $3,845,452 | $3,960,815 | $4,079,640 | $4,202,029 | $4,328,090 | $4,457,933 | $4,591,671 | $4,591,671 |
| NOI                  | $4,778,038 | $4,921,379 | $5,069,020 | $5,221,091 | $5,377,724 | $5,539,655 | $5,705,227 | $5,876,384 | $6,052,675 | $6,052,675 |
| Debt Service         | $4,699,800 | $4,699,800 | $4,699,800 | $4,699,800 | $4,699,800 | $4,699,800 | $4,699,800 | $4,699,800 | $4,699,800 | $4,699,800 |
| Profit/Loss          | $78,238 | $92,159 | $96,220 | $101,201 | $107,924 | $115,255 | $123,427 | $132,684 | $142,875 | $153,875 |

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Oregon State Board of Higher Education
Docket  July 8-9, 2010

DRAFT

OHSU/OU/LS Life Sciences Building
Initiative 1 - Year 1 Operating Proforma
July 1, 2010

Assumptions:

Internal Lease Rate per sq ft/space:
- Education: $29.00
- Research: $29.00
- Office: $29.00
- Retail Lease Rate: $29.00
- Private Res Lease Rate: $25.00
- Parking Rate: $175.00
- Parking Spaces: $379.00

Operating Expense/sq ft:
- Education: $12.33
- Research: $14.19
- Office: $12.63
- Retail: $6.67
- Other: $12.63
- Parking: $789.00

Rough Draft Annual Operating Proform.

Education & Research:

Revenue:

<table>
<thead>
<tr>
<th></th>
<th>Education</th>
<th>Research</th>
<th>Office</th>
<th>Other</th>
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<td>OSU</td>
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<td>OHSU</td>
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<td>$1,178,038</td>
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Operating Expenses:

- Education: $2,020,887
- Retail: $766,714
- Parking: $513,056
- Total Operating Expense: $3,300,657

NOI:

- Debt Service: $25,019
- Profit/(Loss): $4,778,038

Private Research Related Space:

Revenue:

OBA*: $38,750
OTRADI*: $331,250
Other**: $854,175
Total: $1,224,175

Operating Expense:

OBA*: $19,577
OTRADI*: $167,348
Other**: $458,179
Total: $645,103

NOI:

OBA*: $19,174
OTRADI*: $163,903
Other**: $395,996
Total: $579,072

* Assumes 100% Office
** Assumes 50% Office, 50% Research
### OHSU/OUO Life Sciences Building
Initi Option 1 - Funding & Debt Assumptions
July 1, 2010

#### Project Funding:
- Article XI-G Bonds: $50,000,000
- Article XI-F Bonds: $60,000,000
- COPs: $0
- Philanthropic: $40,000,000
- Tri Met: $10,000,000
- Additional funds to raise: $0
- Total Project Costs: $160,000,000

#### Debt Service Assumptions - XI-F Bonds:
- Total Debt: $60,000,000
- % Taxable: 70%
- Debt - Taxable: $42,000,000
- Taxable Interest Rate: 7.30%
- Annual Debt Service - Taxable: $3,490,200
- % Tax Exempt: 30%
- 0 Debt - Tax Exempt: $18,000,000
- 0 Tax Exempt Interest Rate: 5.25%
- 0 Annual Debt Service - Tax Exempt: $1,209,600
- 0 Total Annual Debt Service All Bonds: $4,699,800
### Education & Research

<table>
<thead>
<tr>
<th></th>
<th>OSU</th>
<th>PSU</th>
<th>UO</th>
<th>Subtotal</th>
<th>OUS</th>
<th>OHSU</th>
<th>Retail</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>7,921</td>
<td>52,136</td>
<td>3,034</td>
<td>63,091</td>
<td>100,899</td>
<td>0</td>
<td>163,900</td>
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<td>Research</td>
<td>27,920</td>
<td>8,859</td>
<td>4,271</td>
<td>41,050</td>
<td>12,982</td>
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<td>3,010</td>
<td>1,695</td>
<td>13,055</td>
<td>27,567</td>
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<td>40,622</td>
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<tr>
<td>Retail</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3,751</td>
<td>3,751</td>
</tr>
<tr>
<td>Other</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>Subtotal</strong></td>
<td>44,191</td>
<td>64,005</td>
<td>9,000</td>
<td>117,196</td>
<td>141,358</td>
<td>3,751</td>
<td>262,305</td>
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</table>

### Private Research Related Space:

<table>
<thead>
<tr>
<th></th>
<th>OTRADI</th>
<th>OBA</th>
<th>Private Research</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Research</td>
<td>0</td>
<td>17,084</td>
<td>17,084</td>
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<tr>
<td>Office</td>
<td>13,250</td>
<td>1,550</td>
<td>17,084</td>
<td>31,884</td>
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<tr>
<td>Retail</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>13,250</td>
<td>1,550</td>
<td>34,167</td>
<td>48,967</td>
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</table>
OUS, 2011-2013 Biennial Operating Budget Request

BACKGROUND
Each biennium, the Oregon University System submits three different types of requests for consideration by the Governor and Legislature in the Legislative session: 1) operating budget requests for Current Service Level (CSL), and for new state General Fund funding – also known as Policy Option Packages (POPs), 2) capital budget requests, and 3) legislative concepts for other statutory changes. This docket item deals with POPs; separate docket items are included for the capital budget requests and the governance change Legislative Concept.

OPERATING BUDGET REQUEST

CURRENT SERVICE LEVEL
The Current Service Level (CSL) for 2011-2013 represents the budget necessary to continue 2009-2011 program levels forward through the next biennium. Once the CSL is calculated, policy option package requests are submitted to request budget increases above CSL to support new program initiatives, statutory changes, and items not allowed in the CSL. Items not allowed in the CSL include cost-of-living (COLA) increases, unclassified personnel merit increases, PEBB (Public Employees’ Benefits Board) health insurance rate increases, and costs of projected enrollment growth. Exclusions from the CSL related to compensation are generally budgeted in an Emergency Fund that gets allocated mid-biennium by the Emergency Board. The following table shows the 2011-2013 OUS Operating Budget.

<table>
<thead>
<tr>
<th>Budget Request</th>
<th>General Fund</th>
<th>Other Funds Limited</th>
<th>Lottery Funds</th>
<th>Other Funds Non-Limited</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-2011 Legislatively Approved Budget</td>
<td>$820.8</td>
<td>$1,514.5</td>
<td>$23.1</td>
<td>$2,253.7</td>
<td>$4,612.2</td>
</tr>
<tr>
<td>Base Budget Adjustments</td>
<td>87.5</td>
<td>93.0</td>
<td>3.7</td>
<td>58.9</td>
<td>243.2</td>
</tr>
<tr>
<td>Essential Packages</td>
<td>8.4</td>
<td>8.8</td>
<td>2.8</td>
<td>0.4</td>
<td>20.3</td>
</tr>
<tr>
<td>2011-2013 Current Service Level Budget</td>
<td>$916.7</td>
<td>$1,616.3</td>
<td>$29.6</td>
<td>$2,313.0</td>
<td>$4,875.7</td>
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<tr>
<td>Total Policy Packages</td>
<td>77.0</td>
<td>88.0</td>
<td>-</td>
<td>-</td>
<td>165.1</td>
</tr>
<tr>
<td>2011-2013 OPERATING BUDGET REQUEST</td>
<td>$993.7</td>
<td>$1,704.4</td>
<td>$29.6</td>
<td>$2,313.0</td>
<td>$5,040.7</td>
</tr>
<tr>
<td>% Change from LAB</td>
<td>21.1%</td>
<td>12.5%</td>
<td>28.3%</td>
<td>2.6%</td>
<td>9.3%</td>
</tr>
</tbody>
</table>

(1) Excludes Capital Construction, May General Fund Reduction and June E-Board OFL Limitation increase
(2) Pending Policy Packages for 09-11 enrollment growth and COPs Debt Service are not included and are still in development
POLICY OPTION PACKAGE REQUESTS

Due to the economic challenges, State funding will be limited in the upcoming biennium; thus, OUS is keeping its requests for new State funding to a minimum. Nevertheless, the following initiatives are critically important to the future of the State and its citizenry as they will ensure that more Oregonians are educated at a higher level, that Oregon has the workforce it needs to compete in today’s globally competitive world, and that Oregon has the research and development operations needed to drive innovation and sustain the economy into the future. These initiatives include the following:

<table>
<thead>
<tr>
<th>Priority</th>
<th>Description</th>
<th>General Fund Requested</th>
<th>Other Funds Limited Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Enrollment Growth</td>
<td>$29,447,021</td>
<td>$64,678,128</td>
</tr>
<tr>
<td>2</td>
<td>Faculty Salaries</td>
<td>7,640,781</td>
<td>13,009,979</td>
</tr>
<tr>
<td>3</td>
<td>Forest Harvest Tax</td>
<td>0</td>
<td>2,170,367</td>
</tr>
<tr>
<td>4</td>
<td>ETIC – Sustainable Engineering</td>
<td>12,000,000</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>Services to Veterans</td>
<td>605,000</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>EOU Regional Services Institute</td>
<td>300,000</td>
<td>0</td>
</tr>
<tr>
<td>7</td>
<td>Transportation Electrification and Smart Mobility</td>
<td>1,500,000</td>
<td>0</td>
</tr>
<tr>
<td>8</td>
<td>Improving Student Outcomes</td>
<td>6,950,000</td>
<td>0</td>
</tr>
<tr>
<td>9</td>
<td>Preparing for a Diverse World</td>
<td>430,000</td>
<td>0</td>
</tr>
<tr>
<td>10</td>
<td>Creating a College-Going Culture for Underrepresented Students</td>
<td>3,535,060</td>
<td>0</td>
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<tr>
<td>11</td>
<td>Sustainability Research Initiative</td>
<td>4,400,000</td>
<td>0</td>
</tr>
<tr>
<td>12</td>
<td>Product Design Collaborative in Portland</td>
<td>2,240,000</td>
<td>0</td>
</tr>
<tr>
<td>13</td>
<td>Metals and Manufacturing “Collaboratory”</td>
<td>4,495,000</td>
<td>0</td>
</tr>
<tr>
<td>14</td>
<td>Doctoral Education in Sustainability, Health/Life Sciences and Targeted Engineering Programs</td>
<td>3,000,000</td>
<td>0</td>
</tr>
<tr>
<td>15</td>
<td>Coordinated Support for Campus Sustainability Efforts</td>
<td>470,000</td>
<td>0</td>
</tr>
<tr>
<td>16</td>
<td>Certificates of Participation (COPs)</td>
<td>$0</td>
<td>$88,185,000</td>
</tr>
<tr>
<td>Sub-Total</td>
<td></td>
<td>$77,012,862</td>
<td>$88,043,474</td>
</tr>
<tr>
<td>Total Requested</td>
<td></td>
<td></td>
<td>$165,056,336</td>
</tr>
</tbody>
</table>

These prioritized requests are detailed below:

1. **Enrollment Growth** ........................................................................................................... $29.4 million
   OUS enrollment of Oregon resident students is expected to increase next biennium to 137,124 FTE and to keep growing into the foreseeable future. To serve these students will require increased funding from the State as the amount of tuition paid by resident students is less than the cost of serving these students. OUS is requesting $29.4 million in State General Fund
funding to serve the projected enrollment growth in resident students in 2011-2013. This is calculated as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fundable FTE Enrollment in 2010-11</td>
<td>66,194</td>
<td>67,945</td>
<td>69,179</td>
<td></td>
</tr>
<tr>
<td>Incremental Fundable Student FTE</td>
<td>1,751</td>
<td>2,985</td>
<td>4,736</td>
<td></td>
</tr>
<tr>
<td>Estimated Total Costs per Student FTE</td>
<td>$11,500</td>
<td>$12,177</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Est. Tuition Rev. per Student FTE</td>
<td>$5,709</td>
<td>$5,709</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GF Portion of Est. Costs per Student FTE</td>
<td>$5,791</td>
<td>$6,468</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GF Request to Serve Enrollment Growth</td>
<td>$10,140,041</td>
<td>$19,306,980</td>
<td>$29,447,021</td>
<td></td>
</tr>
</tbody>
</table>

2. **Faculty Salaries**

As has been noted before, OUS faculty have lower salaries than do their peers. And, even though these comparisons improve somewhat when comparing total compensation to peers due to our generous benefit packages, OUS still lags its peers. Yet, OUS faculty have worked very hard to serve a growing enrollment and growing research while making great strides to improve student success, shown by improvements in retention and graduation rates and other success indicators. Because of the State’s current financial challenges, OUS is proposing a 2 percent salary increase each year for faculty at the beginning of their contract term in the 2011-2013 Biennium (4.04 percent for the biennium). This amounts to a request for added General Fund of $7.64 million as calculated below:

<table>
<thead>
<tr>
<th>Faculty Salary Increase - 2011-2013 (General Fund Request)</th>
</tr>
</thead>
<tbody>
<tr>
<td>E&amp;G and Statewide Public Services</td>
</tr>
<tr>
<td>2011-12 Increase</td>
</tr>
<tr>
<td>2012-13 Salary Base</td>
</tr>
<tr>
<td>2012-13 Increase</td>
</tr>
<tr>
<td>2011-2013 Salary and Pay Increase</td>
</tr>
<tr>
<td>OPE Rate for 2011-2013 = 30%</td>
</tr>
</tbody>
</table>

**Total 2011-2013 Projected Cost of Salary Increases** | $ 20,650,760 |

| General Fund Portion = 37% | $ 7,640,781 |
| Other Funds Portion = 63% | $ 13,009,979 |
Note: To obtain $13 million in Other Funds would equate to a 1 percent tuition increase at the beginning of the biennium.

3. **Forest Harvest Tax (OSU Forest Research Laboratory)**

This is a request to extend a tax which sunsets statutorily each biennium and involves no state General Funds. The Forest Harvest Tax is a self-imposed tax by the forest industry and family forestland owners that is based on the volume of timber harvested in Oregon each year. The proceeds from this tax are transferred to the Oregon Forest Research Laboratory (OFRL) to help fund research, experimentation and studies that enhance the varied uses for forest-based resources. A tax of $0.92 per thousand board-feet of harvest is currently authorized by House Bill 2214. This rate expires every two years and must be extended through legislative action.

With a current projection of 6.1 billion board feet, these tax revenues provide approximately 40 percent of the base operating support for the Oregon Forest Research Laboratory. Implementation of this package helps to maintain the base capacity and infrastructure of the OFRL, the College of Forestry, and the Oregon Extension Service.

This policy package is a request for $6 million in Other Funds expenditure limitation for the 2011-2013 biennium. This presumes an Oregon harvest level of 6.5 billion board feet per biennium at the current rate of $0.92 per 1,000 board feet. A higher rate could be authorized by the taxpayers if appropriated support for the OFRL is increased for 2009-2011.

4. **ETIC – Making Sustainable Engineering a Strategic Priority** .................$12.0 million

This proposal for the Engineering and Technology Industry Council (ETIC) focuses in a single area: sustainable engineering, as described below. Monies allocated to this proposal will used to establish an ETIC Matching Fund.

ETIC has gone through a strategic planning process that considered a variety of engineering education and research opportunities. When ETIC considered which areas should be selected for its growth strategy it used several criteria. The ideal areas of investment are characterized by:

- Leveraging existing expertise and providing opportunity to grow this expertise;
- Providing opportunity to collaborate with other Oregon campuses and/or industry partners;
- Aligning with existing or emerging industry strengths in Oregon;
- Providing opportunity to create a center that will be nationally and globally competitive, attracting the best faculty and the best students;
- Aligning with federal funding priorities and opportunities; and
- Leveraging other strengths unique to Oregon.

From these criteria, ETIC has established a series of three priorities for investing in engineering education and research: (1) Sustainable Engineering, (2) Neuro Engineering, and (3) Cyber
Security. While ETIC believes that all three of these areas represent important opportunity areas for Oregon residents and businesses, at this time ETIC is proposing to focus on just one of the highest priorities: **Sustainable Engineering**. Sustainable Engineering includes six sub-categories:

- **Energy Generation**: Technology that produces electrical and other energy with a minimum carbon footprint;
- **Energy Conservation & Efficiency**: Technology that reduces energy waste and increases efficiency of energy conversion;
- **Intelligent Energy Management**: Technology that allows for improving supply and demand balance;
- **Green Materials Chemistry**: Technology that creates materials with minimum environmental impact;
- **Water Resources**: Technology that increases the supply of clean water and minimizes the environmental impact of waste water treatment;
- **Environmental Sensing & Systems**: Technology that monitors environmental impact and creates systems that make maximum usage of resources with minimal environmental impact.

ETIC has conducted an inventory of existing and potential expertise among the eight ETIC campuses in these sub-categories. While the depth and breadth of expertise varies from campus to campus, all the campuses have both strengths and opportunities that fit the sustainable energy strategy.
Oregon has reached a consensus that sustainability is its main economic development strategy. From the Oregon Business Plan\(^3\) to the Governor’s office, Oregon’s leaders see the combination of natural (wind, wave, geothermal) and industrial (solar, wind) assets together with our nation’s strategic need for larger and local sources of clean energy as a unique opportunity for Oregon. To seize this opportunity, Oregon needs to grow its existing strengths in sustainable engineering education and research to produce work-ready engineers and research that will support the growth of these industries.

When it created its Sustainability Initiatives Committee in November 2008, the Board set the goal of making the Oregon University System (OUS) “a recognized international leader in sustainability.” Funding this proposal will allow the OUS to take big step in that direction.

5. Services to Veterans ................................................................. $605,000

In coordination with the Oregon Department of Veterans Affairs (ODVA), OUS is seeking 50 percent of the cost of supporting six Veterans Services Officers to serve student veterans on our campuses. In 2009-2011, these services were funded with monies that are no longer available; therefore, this request is to pay for one-half of the costs associated with continuing these services. ODVA is requesting funding to cover the other half of these costs.

6. EOU – Regional Services Institute ............................................. $300,000

The Regional Services Institute (RSI) will match the traditional service region of Eastern Oregon University and work to provide research, resources, and guidance to communities and organizations lacking access to and engagement with university faculty, staff, students, and resources. This project seeks to re-deploy the longstanding entity housed at EOU most recently known as the Regional Services Institute. The office serves critical support needs for the University in its work within the region, including the Eastern Oregon Rural Alliance, economic development districts, and the economic gardening initiative in partnership with EOU’s Pierce Library.

Funds utilized for the Institute will enable communities to engage in their own economic development, leverage public university resources, and expand a sustainable economy. The RSI will:

1. Provide access for business and organizations niche market information on sustainable economics.
2. Lead efforts for EOU’s economic development work in eastern Oregon.
3. Engage university programs and faculty with businesses and organizations.
4. Build internship, research, and employment opportunities for students by coordinating with campus and business.

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5. Help connect emerging companies with investors and potential mentors and other sources of expertise, including faculty and graduate students.

6. Research and develop economic strategies in partnership with rural communities using tools such as surveys conducted by student employees and by tracking industry cluster development.

7. Assist local and regional economic development organizations in creating synergistic proposals to leverage resources.

7. **PSU – Transportation Electrification and Smart Mobility**.......................... $1.5 million

This request would establish a multidisciplinary Transportation Electrification and Smart Mobility Center of Excellence based at Portland State University (PSU) and the Oregon Transportation Research and Education Consortium (OTREC).

The Center of Excellence will serve the Pacific Northwest region by identifying, field-testing, and generalizing knowledge about the practicality and suitability of promising mobility strategies, technologies, services, and practices that help mitigate pollution, congestion, and dependence on foreign oil. The Center will employ a “Living Laboratory” approach that enlists local and national partners (e.g., Daimler Trucks, Intel, IBM, the Open Software Foundation, Ziba Design, Weiden + Kennedy, Google, Ford, Toyota, Nissan, etc.) and employ in-place assets (people, places, practices) to test its various projects, many of which are expected to focus on urban freight mobility, consumer behavior, transport telematics, and transportation electrification and the impact on and integration with the electric grid. The “Living Laboratory” approach allows students and faculty to experience, evaluate, and research transportation electrification in the urban environment. The intent is a truly collaborative and cross-disciplinary approach with various parties and partnerships to deliver education, training, research, and information exchange, accelerating the adoption of electric vehicles and the development of a smart mobility system. The Center will provide policy and technical guidance to the state and nation, and help solve research questions for transportation electrification.

Possible research projects include the following:
- Evaluating Driver Responses to Electric Vehicles using GPS.
- Adapting Policy Environments to Facilitate New Vehicle Technology.
- Electrification of urban freight mobility.
- Sustainable Mobility Index.
- Demographic Changes and New Vehicle Technology.

8. **Improving Student Outcomes**.................................................................... $6.95 million

A. **Retention Programs Tied to Need-based Aid**................................................. $3,400,000

This proposal targets lower-income students who may perceive that they can’t afford to pursue a four-year OUS degree and may be at high attrition risk for financial reasons even if they make it to a university. Many of these will be first-generation college students who have been
exposed to a “college-going culture” and may lack knowledge of how to apply for college, secure financial aid, and otherwise be successful in college once admitted supported with aid and other resources.

If effectively publicized in the first place, an OUS-wide initiative like this would help students and their families understand that an OUS education is affordable. Students who meet the criteria for the programs and participate actively in them would be retained and would graduate at rates higher than for students overall. Student indebtedness would be reduced dramatically, as well.

This proposal would provide the programming and staff support needed, in conjunction with need-based fee remissions, to help retain high-risk students. The funding estimate assumes that, based on the UO program, an estimated 20 additional staff FTE would be needed across the seven OUS institutions to serve the approximately 2,600 resident first-time freshmen who receive Pell grants each year.

The commitment to a cohort would be for four years; thus, this proposal is multi-biennial, extending at minimum through 2015-2017 (at which point the 2012-13 entering cohort would have completed its eligibility for the program). The total cost for 2011-2013 would be $3,400,000.

B. Increased Peer Mentoring and Advising at OUS Institutions

Since each campus already employs this strategy to some extent, this proposal provides funds for peer mentoring that can be incorporated into existing, diverse campus approaches. Students at high attrition risk—often identified through the application and admission phase but also identified by early-warning systems and poor academic performance during their first academic terms—can be matched with trained and supervised peer mentors, tutors, and advisors. Peer mentoring programs created or augmented by new funding can be set up initially in a way that allows for program evaluation of effectiveness. At-risk students served by the program will have higher grade point averages, higher retention, and better academic progress toward degrees than students with similar characteristics who either choose not to participate or do not meet program eligibility.

This proposal is scalable. Costs include student wages, which should be set above Oregon minimum wage levels in order to attract high achieving students. An hourly wage of $10 per hour could be a starting point. OPE for student pay is typically 5 percent of wages. Depending on the size of the initiative and the number of students targeted for it, there should be staff FTE devoted to designing or adapting the program on each campus, for training and mentoring the peer leaders throughout their employment, and for conducting ongoing program evaluation.
9. Preparing for a Diverse World ........................................................................................................... $430,000

A. Recruitment and Retention of Diverse Faculty and Professional Staff ....................... $400,000
Having access to faculty and staff who have shared experiences, culture, and language plays an
important role in the recruitment and retention of students from underserved populations.

Faculty and staff who may come from the same communities and backgrounds as the
underserved students are able to provide supportive and culturally relevant counseling and
advice based on common experiences. Growth in the diversity of faculty is directly associated
with growth in the diversity of the student population.

Currently, 15 percent of the students enrolled at an OUS institution self-identify as an under-
represented minority; however, just 9 percent of faculty in OUS are self-identified people of
color, with less than 3 percent being Latino. These faculty and staff members are often
expected to serve as role models, mentors, and translators (among other roles) in addition to
the duties required by their position. This is largely the result of campuses lacking a critical mass
of diverse faculty and staff members to draw on and limited cultural competency skills among
other staff. This additional work load is often unrecognized in pay scales and not valued in
promotion or tenure decisions.

OUS institutions face many challenges in recruiting faculty and staff to work in a state not
known for diversity or multiculturalism and, for several campuses, the additional challenge of
attracting scholars to small and/or rural communities is an even greater challenge. In order to
increase the number of diverse faculty and raise the expectations for cultural competency
among all staff, OUS institutions must strategically and intentionally work to diversify applicant
pools and provide incentives for the individuals and departments who demonstrate through
their hiring practices that diversity is a priority.

This proposal would provide increased funding for expanding diverse applicant pools and
recruitment for faculty and professional positions, supplemental funds for faculty from
underrepresented backgrounds that advance specific academic program priorities, and
supplemental funds for faculty that advance scholarly work related to diversity, equity issues,
and social justice, regardless of their race or ethnicity.

B. Latino Student Success Advisory Council ........................................................................... $30,000
Latinos are the largest (11 percent) and fastest growing minority population in the state, with
nearly 50 percent of Oregon’s Latinos under the age of 24. This number is predicted to grow
and it is estimated that by 2019 over 20 percent of Oregon’s 12th graders will be Latino. A
sustained effort on the part of the Oregon University System is needed to provide the tools and
skills Latino students need to prepare for and succeed in college.

During the past academic year, the Latino Student Success Resource Team (LSSRT), under the
leadership of Dr. Charles Martinez, UO Vice President for Institutional Equity and Diversity,
convened to identify and advance potential initiatives for Academic Strategies Committee
consideration. Over the several meetings of the LSSRT, members found that the opportunity to share approaches, promising practices, new issues, and potential resources was valuable not only on behalf of the Board but also to provide the opportunity for members to more systematically engage their own campus community.

This proposal will create an ongoing advisory council to continue work on issues related to Latino student access and success in Oregon. The council will allow for continued dialogue among key stakeholders and provide regular feedback to the Academic Strategies Committee and Board on promising practices, trends, and developing issues related to the outreach, recruitment, enrollment, and retention of Latino students at OUS institutions. The Council will include a representative from each OUS institution, representatives from the K-12 system and Oregon’s community colleges, a representative from the Oregon Student Association/Students of Color Coalition, and representation from key community-based organizations and businesses that serve Latinos across the state.

Initial areas to be addressed by the Council include:

- Development of faculty professional training opportunities related to the skills needed to work with Latino populations and to support the hiring and orientation of diverse faculty members;
- Identification of appropriate training tools and resources related to professional development in the areas of diversity, equity issues, social justice, and multiculturalism;
- Engagement of Latino alumni and community leaders to identify resources for Latino students and improve student success; and
- Coordination with other related advisory groups, such as ONWARD (Oregon Net-Work for Access, Retention, and Degree Completion) and the proposed Portland Regional Higher Education Access Advisory Council, especially to identify ways that effective models and approaches developed by the Latino Student Success Advisory Council may be extended to other underserved communities in Oregon.

10. Creating a College-Going Culture for Underrepresented Students.......$3.54 million

A. Bilingual College Access Information ................................................................. $41,700

This proposal will fund the development and creation of bilingual college outreach/recruitment materials targeting Latino students and families for whom Spanish is the primary or second language spoken in the home, specifically students in grades 10-12 and their families and prospective transfer students. These materials would cover the key access areas of financial aid, admissions, and parent engagement in the college transition process, highlighting the opportunities and supports available within the Oregon University System. Providing culturally relevant information and messages designed for the Spanish-speaking community demonstrates the System’s commitment to access and will help to build confidence and trust with Oregon’s Latino community. These materials would be used as initial contact pieces (printed and online) to supplement individual campus efforts.