Meeting of the
Board Committee on
Finance & Administration
June 22, 2012
(Supplemental)
# Oregon State Board of Higher Education

## Finance & Administration Committee

June 22, 2012

1:00-3:30 p.m.

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UO, Approval of a Special Procurement Process for Classroom Expansion at Straub Hall and Earl Hall

REQUEST
The University of Oregon (UO) seeks Board Finance and Administration Committee approval of a special procurement process to contract with Rowell Brokaw Architects and Fortis Construction for classroom expansion in Straub Hall and Earl Hall, which is adjacent to Straub Hall (CE project). Rowell Brokaw and Fortis were selected through competitive procurement as the architect and construction manager/general contractor (CM/GC) for an existing and approved $22 million deferred maintenance project on Straub Hall, which includes minor classroom improvements (DM project). Approval for a special procurement would enable the UO to amend the existing design and construction contracts so that the deferred maintenance and classroom expansion could be conducted at the same time by the same firms resulting in significant cost savings and minimizing negative impacts on ongoing building functionality for current students.

BACKGROUND
OUS Administrative Rule 580-063-0020(7)(a) allows for Special Procurement, which is defined as an exemption from competitive procedures that the Board determines to be appropriate because it:

1. Is reasonably expected to result in substantial cost savings to the institution or to the public; or
2. Otherwise substantially promotes the public interest in a manner that could not practicably be realized by complying with other processes described in this rule.

Over the last four years, the UO has increased enrollment by over 4,000 students. In order to support this growth, it is critical that the UO increase current classroom capacity. In particular, current capacity limitations on existing lecture halls do not allow efficient use for large lecture courses, nor do they provide a preferred venue for auditorium presentations. A proposal to renovate and expand areas of Straub and Earl Halls to build new state-of-the-art academic classroom space, including a large lecture hall, has been placed as the first priority project on the UO's 2013-2015 Biennial Capital Construction list, and subsequently submitted to OUS for consideration. The expansion will assist in alleviating classroom capacity problems in the most expeditious manner available and at an optimal instructional location near the heart of campus.

Straub Hall contains, in the lower areas in the core of the building, classrooms that are to be renovated as part of the currently funded Straub Hall DM project, which is now nearing the end of the schematic design phase. This is an extensive renovation project that includes the complete removal of interior partitions, ceilings, and utility systems within the four-story sections at the perimeter of the building, allowing for the replacement of all heating, ventilation, air conditioning, plumbing, electrical, and lighting systems and bracing the structure for increased seismic stability. The master planning phase of the Straub Hall DM project identified the opportunity for classroom expansion and it was possible to develop very
preliminary design concepts for potential classroom expansion that could address some of the needs associated with the UO’s growing enrollment, while capitalizing on the design and construction work already contracted for on the building. One of these options became the basis for the classroom expansion (CE) proposal put forward for the 2013-2015 Biennial Capital Construction list. The project is currently listed as the second priority on the OUS list.

The action requested will allow the UO to proceed with design work (schematic design, design development, cost estimates, value engineering, energy modeling, and preparation of construction documents) and complete the UO reviews and approvals, so that the project can proceed without delay if the 2013 Legislative Session approves funding. The contracts for the work with the architect and the CM/GC will be structured to proceed in stages in accordance with needed approvals. Should legislative approval not be secured in the upcoming session, authorization for the construction portion of the CE project will not be authorized until approval is obtained.

Approving a Special Procurement exemption is reasonably expected to result in substantial cost savings to the UO and by allowing the UO to take advantage of the cost, construction, and design efficiencies of adding the CE project to the scope of the current Straub Hall DM project for both the design firm and CM/GC. This would be executed by identifying the Classroom Expansion scope as an additive alternate to the Straub Hall DM project.

This approach also promotes the public interest by making these classroom facilities available much sooner than would otherwise be possible during this time of classroom capacity shortage. Early delivery furthers the Board’s mission of educating Oregon students, thus serving the broader public interest. Shortening the construction schedule also reduces the significant negative construction impacts to students using existing areas of Straub and Earl Halls as well as nearby buildings.

**STAFF RECOMMENDATION TO THE COMMITTEE**

Staff recommends that the Finance and Administration Committee approve the use of a Special Procurement exemption as provided in OAR 580-63-0020(7)(a) allowing UO to expand the scope of the existing contracts with Rowell Brokaw Architects and Fortis Construction for the Straub and Earl Halls Classroom Expansion project. The benefits of modifying these contracts to enlarge the scope of the work are detailed in the attached Exhibit A for Board’s further review.

(Committee action required.)
EXHIBIT A
Classroom Expansion at Straub Hall and Earl Hall Project Details

1. The Classroom Expansion project is interlocked with the Straub Hall DM project in a way that makes it very difficult to execute them as two separate, simultaneous projects:
   a. The two projects occupy the same site and are largely within the same building (see site diagrams Attachments 1 and 2).
   b. The two projects share intertwined building systems, requiring close coordination on electrical, plumbing, heating/cooling, communications, security, fire alarms, and most other building systems.
   c. Having two different design firms and two different contractors separately perform these projects would be very inefficient. Investigation of existing conditions would be done twice. Many construction details would be drawn twice. Management staff for design and construction would be duplicated.
   d. The two projects overlap in the Straub basement. Both designs would have to coordinate a combined plan for mechanical, electrical, plumbing, and other systems.

2. The scenario of two different contractors working simultaneously on a single tightly constrained site is likely not possible due to various logistical considerations unique to large scale design and construction projects. Hiring a separate contractor for the classroom expansion, and not starting until the conclusion of the deferred maintenance project, would incur an extensive delay of more than 12 months (see schedule Attachment 3).
   a. Building the two projects sequentially would add approximately $825,000 to the construction cost due to construction inflation and general conditions costs alone, without accounting for inefficiencies, such as disturbing building systems twice instead of once.
   b. If the two projects are built sequentially, some of the new work installed in the basement associated with the Straub Hall DM project would have to be removed and rebuilt when the Classroom Expansion construction took place, resulting in wasted construction cost and disruption to services in newly renovated Straub Hall. Alternatively, fully parallel systems would have to be installed, also at additional cost.

3. Separating design services for the two projects would add about six months to the design process and almost certainly result in losing the opportunity to build both projects at once, resulting in the inefficiencies and cost increases described above due to sequential construction.

4. The Straub Hall DM project design and construction firms – Rowell Brokaw Architects and Fortis Construction – have the requisite qualifications, were procured through the a public competitive Formal Procurement process for the existing scope of the DM project, and are performing well. Both firms are in good standing with the University based on their respective performances on past University projects.
5. The University has already worked extensively with Rowell Brokaw and Fortis developing these projects. Investing in educating another firm about the project, the building, and the complicated interaction with the Straub Hall DM project would be expensive and time-consuming.

6. Delaying delivery of this critically needed additional classroom capacity limits the University in delivering its mission to teach students at time of rapidly rising enrollment.

7. Executing these two projects sequentially instead of simultaneously roughly doubles the construction impact on occupants of Straub Hall, a major research and teaching building, and on occupants of Earl Hall, a residence hall with classrooms and other common facilities on its ground floor.
University of Oregon
Straub and Earl Hall Classroom Expansion Project
Vicinity Map

Attachment 1

Campus Planning & Real Estate, June 2011
University of Oregon
Straub-Earl Classroom Expansion Project and
Straub Hall Deferred Maintenance and Seismic Upgrade Project

Site Map

Campus Planning & Real Estate, June 2011
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Financial Projection Project

BACKGROUND
For the past several years, state funding for Oregon’s universities has been declining while enrollment and costs (including those for state-mandated programs like PERS and PEBB) continue to rise. In addition, financial challenges at the federal level have prompted concerns about the continuing availability of student financial aid and research funding. In 2011, the legislature adopted Senate Bill 253, setting an ambitious goal of educating its citizens to be competitive in a global society (a goal most commonly known as 40-40-20). Achieving that goal will demand significant increases in enrollment, student success, and institutional capacity (facilities, technology, faculty, and staff); however, the state has not yet developed a funding strategy to achieve its goals.

The universities all have increased enrollment in the face of state budget reductions—especially the enrollment of nonresident students who pay approximately three times the tuition paid by residents—and to generally increase tuition for all students. Many campuses also have had to reduce programs and staff in order to maintain financial health. However, increasing student debt loads and below average per capita incomes in Oregon have left many Oregon students, and the campuses who educate them in fragile financial positions.

Although the state has adopted the 40-40-20 education goals, this fragile financial position and lack of current capacity casts some doubt about how these goals will be achieved. However, not all campuses have been equally impacted by the current scenario. The University of Oregon and Oregon State University, due in large part to their higher national profiles and their abilities to recruit nonresident students and attract significant donor support, find themselves in a somewhat stronger immediate position than do the other campuses in the OUS. Given these differences in finances, strategy, mission, reliance on Oregon students, brand recognition, and other factors, it seems clear that no single solution will work for all the campuses.

PURPOSE
Achieving the state’s education attainment goals, in light of these challenges, require that campuses change to adapt to the new fiscal realities. Given this, the Board would like each campus to prepare long-term (five-year) projections of their finances with some standard assumptions, such as limiting resident undergraduate tuition and state funding increases to no more than 3 percent per year. Other revenues and costs should increase/decrease by specified rates in line with historical experience while attempting to keep Education and General (E&G) fund balances (to 5-15 percent for all but WOU and WOU to 10-20 percent of current revenues) and need-based aid for resident undergraduate students (to minimally address 12 percent of the otherwise unmet need) in line with current Board policies. Enrollment would be expected to change in line with the most current forecasts (made this spring).

It is possible that these projections could indicate that one or more of the OUS campuses may not be financially sustainable given these assumptions and projections. Thus, this financial projection process may be only the first step in identifying the ultimate solution(s) needed for
each campus in the System. It is possible that other changes in the governance model, mission, program-mix, cost structure, or funding may be needed to overcome the current challenges being confronted. Such changes may be difficult to make, yet they must be confronted if the state’s educational goals for its citizenry are to be realized.

PROPOSED PROCESS AND TIMELINE
Staff proposes that each campus begin to work with the Chancellor’s staff on a standard five-year projection format with common assumptions for many of the items of revenue and expense. Each campus (in groups of two to three per meeting) would then be asked to present its projections and concomitant strategies for maintaining financial viability to the Finance and Administration Committee this fall. After all campuses have presented, the Committee would then begin a discussion of other changes that may be needed. These changes may involve matters that could not be enacted by a single campus acting on its own, thus will likely involve further conversations with the Committee or the Board as a whole.

STAFF RECOMMENDATION TO THE COMMITTEE
Staff recommends that the Finance and Administration Committee direct the Vice Chancellor for Finance and Administration to work with the campuses on developing a standard five-year projection framework and to schedule campus presentations to the Committee of such projections along with strategies needed to maintain financial sustainability in the coming fall.

(Committee action required.)
Committee members present included: Chair Kirk Schueler, Lynda Ciuffetti, Allyn Ford (departed at 4:55 p.m.), and Farbodd Ganjifard. Director Jim Francesconi, chair of the Academic Strategies Committee was also present.

Chancellor’s Office staff present included: Vice Chancellor Jay Kenton, Antonia Allen, Michael Green, Ellen Holland, Jan Lewis, Sharon Myrand, Di Saunders, Patricia Snopkowski, Marcia Stuart, and Charles Triplett.

Others present included: President Bob Davies; Vice Presidents Mark McCambridge (OSU), Jamie Moffitt (UO), Craig Morris (SOU), Monica Rimai (PSU), Lon Whitaker (EOU), and Mary Ann Zemke (OIT); and Director of Budget & Payroll Eric Yahnke (WOU). Also in attendance was Hassan Harris (ASSOU), Jonathan Farmer (ASWOU), Sean Green (PSU Tuition Advisory Committee member), Amanda Stucke (ASSOU), Emma Kallaway (OSA); Don Johansen (PSU) Bill McGee (DAS), and Ralph Coppersmith (SOU).

Materials for this meeting may be accessed at: http://www.ous.edu/state_board/meeting/dockets

1. **CALL TO ORDER/ROLL CALL/WELCOME**

Chair Schueler called the meeting of the Finance and Administration Committee to order at 1:04 p.m.

2. **CONSENT ITEM**
   
a. **OUS, Approval of April 20, 2012 Committee Minutes**

   **ACTION:** With no amendments, Chair Schueler called for a motion to approve the minutes; Directors Allyn Ford and Lynda Ciuffetti made the motion and second, respectively. Motion carried.

3. **ACTION ITEMS**
   
a. **OSU, Sports Performance Center, Gill Annex Phase II**

Chair Schueler called upon Vice President Mark McCambridge to present the item wherein it was advised that, with two projects completed at less cost than originally expected, OSU identified approximately $11.8 million in authorization that could be applied to the Phase II
project. McCambridge advised that OSU is confident that, with gifts and PAC-10 funding, the
second phase could be funded with the reapplication of the bonding authority.

**ACTION:** Following the discussion, Chair Schueler called for a motion to authorize the
Chancellor or designee to report to the May 2012 Legislative Emergency Board OSU’s
plans to reallocate $12.0 million in Article XI-F(1) bonds from the aforementioned
projects to complete the Sports Performance Center, Gill Annex Phase II, on the Oregon
State University Corvallis campus. Directors Farbodd Ganjifard and Lynda Ciuffetti made
the motion and second, respectively. Motion carried.

**b. OUS, Managerial Reporting – Quarterly Management Report**

Controller Michael Green presented the managerial report for the third quarter of the current
fiscal year, including third quarter operating results, annual budget, and FY 2012 projections for
current unrestricted operations. Mr. Green noted an annual draw-down issue that affected
each institution and the System Office. This issue resulted from a change made during the 2012
legislative session which changed the first year draw-down from 54 percent to 49 percent.
Although the change impacted each institution and System Office, Mr. Green advised that it
does not affect the biennial total and there are adequate cash-flows to carry through the
biennium.

**REPORT HIGHLIGHTS**

**EOU:** In Education and General, tuition revenues are projected to increase 8 percent compared
to the prior year, mainly due to rate and projected enrollment increases. Total revenues are
projected to decrease by 6 percent. Overall, expenses are projected to increase 3 percent over
FY 2011. Fund balances are projected to decrease $2.3 million or 53 percent from the prior year
ending balance. Projected fund balance is 6.2 percent of operating revenues. Auxiliary revenues
are projected to decrease 6 percent and expenses are projected to increase 3 percent.
Unrestricted net assets are projected to be $2.8 million or a 2 percent increase over FY 2011. In
the designated operations and service department, revenues and expenses are projected to
decrease 9 percent and 35 percent, respectively, compared to FY 2011. Unrestricted net asset
balances are projected to be comparable to the prior year.

**OIT:** In Education and General, tuition revenues are projected to increase 11 percent however;
total revenues are projected to decrease by 8 percent. Overall expenses are projected increase
4 percent over FY 2011, mainly due to projected personnel services increases in retirement
costs, expenses for the new Chemeketa Dental Clinic, and the use of incentive funding. Fund
balance is expected to decrease $3.4 million or 46 percent from the prior year ending balance.
Projected ending fund balance is 11.2 percent of operating revenues. In auxiliaries, revenues
are projected to be 18 percent less and expenses are projected to be 16 percent less than
FY 2011. Unrestricted net assets are projected to be $1.1 million, or a 37 percent decrease
compared to the prior year; mainly due to funding of the building reserve fund and increased
debt service.
**OSU:** Tuition revenues are projected to increase 14 percent compared to the prior year. Total revenues are projected to increase 2 percent. Overall expenses are projected to increase 10 percent. Fund balances are projected to decrease $25 million or 35 percent from the prior year ending balance. In the auxiliaries, revenues and expenses are projected to increase 5 and 13 percent, respectively. Unrestricted net assets are projected to be $31.3 million or a 7 percent increase compared to FY 2011. The designated operations and service department area, revenues and expenses are projected to increase 1 and 3 percent, respectively, compared to the prior year; unrestricted net assets are projected to be $14.4 million or an increase of 16 percent over FY 2011.

**PSU:** In Education and General, tuition revenues are projected to increase 4 percent compared to the prior year; however, total revenues are projected to decrease by 3 percent. Overall expenses are projected to increase 6 percent over FY 2011. Fund balances are projected to decrease $6.2 million or 11 percent from the prior year ending balance; this projected fund balance is 18.1 percent of operating revenues and is above Board policy and will be monitored over the biennium. In auxiliaries, revenues are projected to decrease 1 percent and expenses are projected to increase 7 percent. Unrestricted net assets are projected to be $30.6 million or flat compared to FY 2011. In the designated operations and service department areas, revenues and expenses are projected to decrease 12 and 14 percent, respectively. Unrestricted net assets are projected to be $4.4 million or 10 percent lower than FY 2011.

**SOU:** Tuition revenues are projected to increase 10 percent compared to the prior year, mainly due to a 3 percent projected increase in enrollment coupled with rate increases; however, total revenues are projected to be flat. Overall expenses are projected to increase 10 percent over FY 2011. The fund balance is expected to decrease $3 million or 56 percent from the prior year ending balance; this projected fund balance is 5.2 percent of operating revenues and is at the lower limit within the Board policy. Auxiliary revenues and expenses are projected to increase 5 and 15 percent, respectively. Unrestricted net assets are projected to be $13.7 million, which is a 13 percent decrease compared to FY 2011. In the designated operations and service departments area, revenues and expenses are projected to decrease 11 and 19 percent, respectively. Unrestricted net assets are projected to be $1.1 million or a 53 percent increase over the prior year. Vice President Craig Morris advised that the projections are very conservative and provided an update on SOU’s reduction plan, noting they are “on-track” to reduce expenditures by $2.5 million.

**UO:** Tuition revenues are projected to increase 16 percent. Total revenues are projected to increase 7 percent. Overall expenses are expected to increase 11 percent. The fund balance is projected to increase $6.4 million or 11 percent from FY 2011. This projected fund balance is 15.3 percent of operating revenues and is just above Board policy. In auxiliaries, revenues and expenses are projected to increase 1 and 3 percent, respectively. Unrestricted net assets are projected to be $17.8 million or an 18 percent increase over FY 2011. Designated operations and service departments’ revenues are projected to decrease 8 percent. Expenses are projected to increase 8 percent. Unrestricted net assets are projected to be $22.9 million or a 12 percent increase compared to FY 2011.
**WOU:** Tuition revenues are projected to increase 7 percent; however, total revenues are projected to decrease 3 percent. Overall expenses are projected to increase 5 percent. The fund balance is expected to decrease $1.4 million or 12 percent over the prior year ending balance; projected balance is 19.2 percent of operating revenues and is within the Board policy for WOU. In auxiliaries, revenues and expenses are projected to increase 7 and 2 percent, respectively. Unrestricted net assets are projected to be $6.9 million or a 13 percent increase over FY 2011. In designated operations and service departments area, revenues and expenses are projected to decrease 10 and 1 percent, respectively—this is mainly due to non-credit distance education programs that will not be conducted during 2012. Unrestricted net assets are projected to be positive with a 10 percent increase over FY 2011.

**System Office:** Overall revenues are projected to be 14 percent lower than FY 2011; overall expenses are projected to decrease 2 percent. Fund balances are projected at $3.1 million, however, $700,000 is earmarked for regional campus support. Adjusting for this, the fund balance is projected to decrease by $1.8 million or 42 percent.

**ACTION:** Following the report and discussion, Chair Schueler called for a motion to accept the quarterly management report dated March 31, 2012. Directors Lynda Ciuffetti and Farbodd Ganjifard made the motion and second, respectively. Motion carried.

c. **OUS, Report on Investments – As of December 31, 2011**

Director of Treasury Operations Karen Levear was called upon to present the report.

**ACTION:** Following the report and discussion, Chair Schueler called for a motion to accept the investment report as of December 31, 2011. Directors Allyn Ford and Farbodd Ganjifard made the motion and second, respectively. Motion carried.

d. **2012 Internal Audit Division Quarterly Progress Report**

Chief Auditor Patricia Snopkowski presented the Internal Audit quarterly progress report, noting that during the first quarter, attention was focused on academic and student services areas. She highlighted the breadth and scope of the IAD work, noting their focus on financial transactions, internal control structures, governance processes, and risk litigation strategies. In all audits, audit objectives are designed to provide the best benefit to the units. IAD planned engagements include a number projects in one of three stages of completion (planning, fieldwork, and summary). Currently there are three projects in the planning stage, three in the fieldwork stage, and two in the summary stage. In addition, IAD is working with campuses toward expanding the OUS hotline to include a human resource, research, and athletics compliance portal.
In conclusion, Ms. Snopkowski offered an overview of recommendations for improvements contained within the 2011 peer review and the implementation of these recommendations. Chair Schueler noted a letter he received from the Texas Tech System complimenting Ms. Snopkowski’s leadership in their peer review.

**ACTION:** Following the report and discussion, Chair Schueler called for a motion to accept the Internal Audit 2011 final progress report and 2012 annual audit plan. Directors Allyn Ford and Farbodd Ganjifard made the motion and second, respectively. Motion carried.

e. **2013-2015 Budget Requests**

Vice Chancellor Kenton introduced the item by emphasizing the accelerated budget process timeline and noting that the preliminary budgets under consideration have been reviewed with the vice presidents for finance and administration and presidents:

i. **OUS, Capital Construction Budget Request Project Prioritization, 2013-2023**

Director of Capital Construction Alice Wiewel presented the 2013-2015 capital budget prioritization for Board approval, totaling $905 million for the seven campuses and university centers; approximately 26 percent are projects related to capital repair, code needs, and modernization, 53 percent are projects related to Education and General (that directly provide facilities for instruction, research, and service missions of the universities), and 21 percent are auxiliary projects (housing and student facilities funding by the student building fees).

In response to Director Ciuffetti’s query concerning the level of deferred maintenance, Wiewel advised that a plan has been in place since 2007 to address deferred maintenance needs. The proposed prioritization list is based on facilities and seismic conditions; however, the current overall deferred maintenance and seismic need gap across the System is an estimated $1.3 billion.

It was noted that in lieu of using “Certificates of Participation,” which have a lower bond rating and a higher interest rate, Article XI-Q bonds, which are general obligation bonds with lower interest rates, are now available to OUS.

In total, funding for E&G projects include: $20 million in General Fund, $243,375,000 in Article XI-G bonds, $7,106,000 in Article XI-F(1) bonds, $8,311,500 in Lottery, $6,175,000 in SELP, $25,900,000 in Article XI-M bonds (seismic), $46 million in revenue bonds,$42,050,000 in Article IX-Q bonds, and $147,017,500 in other funding; for a grand project total of $619,930,000 for the 2013-2015 biennium.

**ACTION:** Following the proposal and discussion, Chair Schueler called for a motion to approve and forward to the full Board for approval. Directors Lynda Ciuffetti and Farbodd Ganjifard made the motion and second, respectively. Motion carried.

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*Oregon State Board of Higher Education*

*Finance & Administration Committee Page 15 Minutes, May 2012*
ii. OUS, Legislative Proposals and 2013-2015 Budget Process

Chair Schueler called upon the Chair of the Academic Strategies Committee (ASC), Director Jim Francesconi, to introduce the legislative proposals submitted to the F&A Committee for approval. Director Francesconi noted that the ASC grouped proposals into three categories: access and affordability, critical degrees related to the economy, and research proposals that produce jobs. OUS provosts and presidents prioritized the concept proposals and forwarded to ASC for consideration. The Committee ranked the proposals (high, medium, or “no pass”) according to statewide and system priorities.

The following program proposals were proposed for submission in Round 1 to the Funding Team:
- Enrollment Growth
- Tuition Buy-Down
- Eastern Promise
- Retention
- Innovative Practices in Education Preparation programs
- ETIC/STEM
- Green Product Design Network
- National Center for Innovation in Seafood Safety
- NW Collaboratory for Sustainability Manufacturing

Ms. Jan Lewis advised that Current Service Levels (General Fund and Lottery Fund) are estimated to be $612,159,156; combined with the funding requests, the 2013-2015 biennium request totals $768,656,156.

ACTION: Following a full and frank discussion, the Committee acknowledged the proposals and agreed to forward to the Board for consideration.

f. OUS, 2012-13 Proposed Tuition and Fee Rates and Policy Changes, Amendment of OAR 580-040-0040; 2012-13 Academic Year and 2013 Summer Session Fee Book

Ms. Jan Lewis was called upon to present the proposed tuition and fee rates for 2012-13. In introduction of the agenda item, it was shared that there are several changes within the policy section that are categorized as 1) either clerical in nature necessary to incorporate the Summer term or reflect Board actions previously taken or 2) changes made due to legislative action (e.g., Foster Youth Tuition and Fee Waiver).

One major change was the elimination of mandatory student healthcare coverage at four OUS institutions. This change is in response to new national healthcare requirements, which resulted in significantly higher premiums this year. Affected campuses chose to drop mandatory insurance in exchange for optional plans. PSU remains the only OUS institution with a mandatory plan but they are have included an “opt-out” provision for students with insurance.
coverage from another source. Members expressed concern with the decreased healthcare coverage and the costs associated with both optional and required health insurance premiums. Health issues are a significant contributor to students dropping out of college and appropriate healthcare coverage is viewed as a significant contributor to student success.

Vice Chancellor Kenton invited each institution to present an overview of their proposed tuition and fee changes.

President Davies introduced Ms. Demetria Tsiatsos, an honors student at EOU and chair of the tuition advisory committee, who shared with the Committee the tuition process held on the campus. Changes at EOU include: a 5.6 percent increase to resident undergraduate and 5 percent to graduate; for healthcare, a proposed 21.5 percent decrease fees with the removal of the mandatory insurance.

Vice President Zemke explained that Oregon Tech just completed their second year with the tuition advisory committee process. The committee proposed a 7.5 percent tuition increase to the student body; following student input, the proposal to the administration was 7.25 percent, with a 14.8 percent increase in student incident fees. With the 25.7 percent decrease in health services fees, the overall increase to tuition and fees is 5 percent.

Vice President McCambridge shared that the OSU tuition committee included students from both the Corvallis and Cascades campuses. Following a negotiations process, resident undergraduate tuition was set at 6.9 percent on the Corvallis campus and 6.7 percent on the Cascades campus. If a differential tuition rate is recommended, each college dean is required to confer with the college’s advisory committee prior to submitting the proposal to the university-level.

Vice President Rimai introduced Sean Green, a member of the Portland State’s advisory committee. She noted that an extensive tuition modeling tool has been created that models over a two-year biennium, without excluding the tuition advisory committee process. The model includes three major levers: tuition pricing, student credit hour production, and expenditure reductions. PSU is proposing a 3.8 percent tuition increase over the prior academic year, modeled with a 2 percent budget reduction. One positive outcome of the first year of the tuition exchange process was the establishment of a permanent student budget and finance advisory committee.

Vice President Craig Morris introduced their outgoing student body president and vice president (Hassan Harris and Amanda Stucke, respectively) and described the committee process on Southern’s campus. The process included analysis of what was needed to sustain the university during 2013-2015, with the president forming a task force that included the representatives from the tuition advisory, university planning, and budget committees, to develop a sustainability plan. The sustainability plan included not only reductions in faculty and staff but a tuition increase of 9.9 percent for resident undergraduate students. However, with reductions to the incidental and health services fees, the financial impact to undergraduates
taking 12 credits is a 3.2 percent increase and, at 15 credits, it is a 4.2 percent increase. Morris advised that he and President Cullinan visited each academic department and the Faculty Senate to share with the faculty the sustainability plan, which included the tuition process and resulting proposal.

Ms. Stucke and Mr. Harris expressed their concerns with the 9.9 percent increase and the impact this would have on the vulnerable low-income students at Southern Oregon University. They asked the System to advocate for increased state funding and to reprioritize the shared responsibility across the institutions. During a full and frank discussion, Committee members expressed their concerns for the impact of this tuition proposal on the students at SOU.

Vice President Jamie Moffitt introduced Brad Shelton, Senior Vice President and Vice Provost for Budget and Planning and professor of mathematics, who served as a co-chair for the tuition and fee board. The University of Oregon is proposing a 3.6 percent increase for nonresident undergraduates and a 6.1 percent increase for resident undergraduates.

President Mark Weiss introduced Jonathan Farmer, president of the ASWOU, and Eric Yahnke, Director of Budget and Payroll. Mr. Yahnke provided background to the Western Promise program, which was approved by the Board in 2007. Although the base tuition rate increase represents a 1.4 percent increase over the 2011 Promise rate and the 2012 Promise rate reflects a 9.8 percent increase, the 2011 Promise participants will not be subject to increases for a four-year period. Incidental fees will increase 8.7 percent for the academic year and 3 percent for the summer 2012 term.

Director Ganjifard expressed his concerns with the proposed tuition increases, stating that students are being priced out of an education; he was encouraged by the involvement of students during the tuition process on each campus and the willingness of administration to provide the “tuition boot camps” to ensure that administrators and students were speaking the same language in their tuition discussions. Chair Schueler stated his two concerns were centered around PSU’s healthcare proposal and SOU’s net impact on their financial situation. Ultimately, he cautioned that System universities are pricing themselves out of competitiveness with peer institutions and that economic push-back from the state and citizenry is to be expected.

**ACTION:** Following discussion, Chair Schueler called for a motion to approve and recommend to the Board, the adoption of OAR 580-040-0040 by permanent rule and the repeal of OAR 580-040-0035 as stated in the docket. Directors Farbodd Ganjifard and Lynda Ciuffetti made the motion and second, respectively. Motion carried.

4. **ADJOURNMENT**

With no further business proposed, the meeting was adjourned at 5:31 p.m.