AGENDA

1. CALL TO ORDER/ROLL CALL/WELCOME

2. ACTION ITEMS

   a. OUS, 2013-2015 Operating Budget Request ................................................................. 1
      Discussion of feedback received to date from the Funding Teams and Committee
      affirmation of next steps to be taken in new state budget process concerning Round
      2 Funding Team

   b. OUS, Internal Audit Progress Report (Snopkowski ) ...................................................... 9
      Internal Audit Division requests approval of the Division's Quarterly Progress
      Report. The report highlights the recommendations made to improve OUS
      operations and progress toward the annual audit planned activities.

   c. Approval of June 2012 minutes .................................................................................... 17

3. ADJOURNMENT
OUS, 2013-15 Biennial Budget Request

STATUS OF BUDGET DEVELOPMENT – ROUND 2 SUBMISSIONS
The Governor’s 10-Year Plan and new budgeting process established Funding Teams to advise the Governor on how to allocate state resources to best achieve desired outcomes. In Round 1, detailed information about OUS’ programs funded by the state was provided to the Education Funding Team as well as to the Economy & Jobs Funding Team. Subsequent to providing this information and meeting with the teams, OUS has received the following initial feedback on the expectations for submitting Round 2 information to the teams, who will then make allocation recommendations to the Governor. The Governor’s final decisions will be incorporated into the Governor’s Recommended Budget that will be submitted to the legislature on December 1, 2012.

FEEDBACK RECEIVED TO DATE
Education Funding Team
Thank you for the time and effort spent in preparing and presenting first round proposal forms to the Education Program Funding Team (EPFT). The team found the discussions with agency staff informative and valuable in planning for the development of a PreK-20 system.

Following last week’s meetings, the project consultants are fleshing out proposals for strategic investments, incentive payments, and other redesign ideas that the team feels should be considered for inclusion in the Governor’s budget. Most of these proposals will be initially directed to the Chief Education Officer, who will enlist the assistance of specific agencies and other resources, depending on the nature of the proposals. Expect further information from Dr. Crew, the Governor’s Office, and your BAM analyst in the coming weeks on how you can help prepare responses to the team’s proposals.

In the meantime, as you continue to develop your agency request budget, please continue to focus your requests on initiatives to make progress towards the 40/40/20 goal. As the team reviews agency proposals in the fall, they’ve indicated their intent to focus on key leverage points in the system, particularly learning between age 3 and grade 3 and the transition between grades 11 through 14. The team is interested in proposals that will accelerate time to completion through the system, employ proficiency-based approaches to teaching and learning, and blur the lines between high school and post-secondary education. This will require realigning state funding towards outcomes rather than inputs and redesigning state agency and board/commission activities to focus on system support across existing silos. To support your efforts in preparing proposals, an updated results map will be released in the near future. You should also rely on the education policy statement distributed at the kick-off meeting.

One specific request from the funding team for round 2 proposals in the fall was for agencies to more clearly link their programs to outcomes rather than inputs (such as number of clients served, etc.). As much as possible, programs should be linked to the overall education outcome statement, indicators and measurements that are tied to 40/40/20. Where the link to specific education measures is very indirect, please don’t strain credulity to make a link. In these cases,
talk about the outcomes to which your programs do contribute. The team recognizes that all the programs in the education area have value to Oregonians they serve and will evaluate them accordingly.

**Economy & Jobs Funding Team**

*Thank you for the time and effort spent in preparing and presenting first round proposal forms to the Economy and Jobs Program Funding Team. The team found the discussions with agency staff informative and valuable for crafting the plan for growing the economy and creating jobs.*

*The PFT, in collaboration with BAM and the Governor’s Office, is currently preparing more detailed, formal feedback for your agencies. You can expect to receive this feedback by **Friday, July 13**.*

**Department of Administrative Services (DAS)**

*On July 3rd, DAS held a meeting for agency directors and budget managers to discuss some of the technical aspects of preparing both Round 2 proposals for the funding teams and the Agency Request Budget (ARB).*

While we are engaging with the funding teams in the new process for the 10-Year Plan for Oregon, we are still required to complete the traditional forms required by DAS and submit an ARB binder. Post-SB 242, the System does not have to perform the detailed data entry activities and more of block grant approach will be used. The new process does not use the Current Service Level concept for budget development, but that will be a continuing aspect of the ARB in order to provide the legislature with traditional budget data.

DAS provided the upper dollar limit of the amount for General Fund and Lottery Funds that OUS will be allowed to request. It was calculated using the Legislatively Approved Budget plus 20 percent for all budgeted programs and distributed according to funding team assignment. While OUS’ request can move funding between programs, funding cannot be moved across funding teams. Table 1 illustrates how the upper limits were calculated. As a reminder, the upper limits for the funding team recommendations will be set at a lower level than the upper limits for the submitted requests. So, just as the upper limit for OUS’ request will force prioritization of which OUS proposals to advance, the funding teams will also have to prioritize their recommendations.

Our current understanding is that capital requests are not part of the previously mentioned request limit and thus will include those projects previously prioritized and approved by the Committee at its May 11th meeting.
NEXT STEPS

The EFT feedback can be used to direct work in several areas:

- To prepare a platform that better supports an outcome focus ("realigning state funding towards outcomes rather than inputs"), the Resource Allocation Model (RAM) categories may be updated—consolidating or expanding categories as appropriate and potentially redirecting some budget lines toward higher priority outcomes. The work done to develop Round 1 proposals laid the groundwork for this phase, providing valuable historical information, program evolution, and current program status. (The following section on updating the RAM provides more in-depth background.)

- To prepare, the Board may revisit new program proposals and amplify proposals that advance 40-40-20 and that employ a collaborative approach across education delivery sectors. Criteria that can inform the review include:
  - linkages/synergies to K-12, community colleges, OSAC
  - affordability
  - high priority programs such as STEM, Teacher Education
  - student success, such as improving time-to-degree, retention

- While the upper limits have been provided for OUS’ request by the funding team, further confirmation is needed for the underlying program elements, such as debt service requirements, and consideration of internal current service requirements to determine the level of funding available for the new program portion of the request.
Both General Fund and Lottery Funds debt service requirements will have first call on dollars and thus reduce funding available for both current and new programs.

**UPDATING THE RAM TO ALIGN WITH THE NEW OUTCOMES BASED BUDGET PROCESS**

**BACKGROUND**
The Resource Allocation Model (RAM) was adopted in 1999 with the original intent of determining state funding required to adequately fund instructional costs of the System. Due to insufficient state funding, the Model has never functioned as intended but has been adjusted each biennium to whatever level of state support was available and used as a method for distributing the available state funds to the institutions.

As an allocation methodology, state General Fund support is provided to campuses through two mechanisms: a *per-student FTE basis* (*full-time equivalent*) that is funded based on cell value calculations and a *targeted program basis*. The level of campus enrollment of “fundable” students (primarily Oregon residents) by discipline determines state fund support via the RAM. Targeted Programs generally provide funding to support policy decisions, those areas not reached through cell funding, or those areas in need of enhanced funding due to extraordinarily high program costs or other factors. Targeted Programs are primarily mission-based rather than enrollment-driven and account for approximately 37 percent of state operations funding. Key targeted programs are: Regional University Support, Engineering, Research, Institutes/Programs, Statewide Public Services, and Central Services

**ENTER THE NEW STATE BUDGET PROCESS/10-YEAR PLAN FOR OREGON**

In August 2011, Governor Kitzhaber initiated the *10-Year Plan for Oregon* that would redirect the state’s budgeting process from an incremental/agency centric approach with a 2-year outlook to one with a longer term outlook focused on outcomes. The new state process established funding teams for each outcome area: Education, Healthy People, Economy and Jobs, Healthy Environment, Safety, and Improving Government. Each program funding team will become familiar with those agencies/activities assigned to the team and make recommendations to the Governor on the best allocation of resources to achieve the desired outcomes for the state.

One of the first steps in the new process was to gather introductory information to acquaint funding team members with the wide variety of university activities. These proposal forms provided an overview of each program, including historical state funding levels, links to the identified state outcomes, etc. In general, a proposal form was generated for each OUS budget “line” used in the RAM process.

Campuses participated in the development of these proposal forms, providing context and history of the various programs. In a number of instances, it became evident that targeted programs had evolved over time. These changes can be broadly described by the following observations:
• Funding was initially established as a targeted program (either through Board, executive branch, or legislative sponsorship). Over time, the activity being funded was subject to organizational/personnel changes that make the original activity difficult to identify, often with wide variety of implementation across the campuses.

• Activities that began as an initiative or to bolster an existing program have become fully integrated into university programs.

• Targeted programs that were deemed of high priority at the time they were established may no longer garner that same level of priority when viewed from today’s economic and state funding perspective or when viewed from the current focus on desired outcomes.

• Targeted programs can reflect an “allocation in support of” versus an “allocation to” that implies a continuum of how the dollars are tracked or the activity is reported. It is not always clear which approach is intended and there can be wide variety in interpretation across campuses.

REALIGNING THE RAM ELEMENTS

Given the recent energies devoted to understanding the status of the activities funded via the RAM and that the state budget process is in the midst of great change, there is an opportunity to update the RAM to better support the focus on outcomes as part of developing our Round 2 proposals.

Table 2 reflects the RAM allocation of 2011-2013 General Fund for Education and General (E&G) among the current major categories and then restates the 2011-2013 General Fund for E&G using revised categories to illustrate how the RAM might transition to an outcomes-based approach.
## TABLE 2

### Current Major Categories of Allocations

<table>
<thead>
<tr>
<th>Category</th>
<th>Actual 2011-13 GF Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrollment Funding</td>
<td>345,282,956 (71.0%)</td>
</tr>
<tr>
<td>Incentives for Student Success</td>
<td>6,370,043 (1.3%)</td>
</tr>
<tr>
<td>Targeted Programs:</td>
<td></td>
</tr>
<tr>
<td>Regional Funding</td>
<td>39,228,181 (8.1%)</td>
</tr>
<tr>
<td>Engineering</td>
<td>36,673,716 (7.5%)</td>
</tr>
<tr>
<td>Research</td>
<td>11,472,673 (2.4%)</td>
</tr>
<tr>
<td>Institutes/Programs</td>
<td>26,908,035 (5.5%)</td>
</tr>
<tr>
<td>Central Services:</td>
<td></td>
</tr>
<tr>
<td>System Office</td>
<td>10,961,768 (2.3%)</td>
</tr>
<tr>
<td>Systemwide Expenses</td>
<td>9,623,324 (2.0%)</td>
</tr>
<tr>
<td>Total E&amp;G (excluding Debt Service)</td>
<td>486,520,696 (100.0%)</td>
</tr>
</tbody>
</table>

### Allocation Categories Realigned to F:

<table>
<thead>
<tr>
<th>Category</th>
<th>SAMPLE 2011-13 GF Allocation Realigned</th>
<th>2013-15 &amp; Beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction/40-40-20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achievement Compact Outcomes Measures 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Completion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Connections</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Serving current enrollments 2</td>
<td>400,812,541 (82.4%)</td>
<td></td>
</tr>
<tr>
<td>Undergraduate: Lower division</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undergraduate: Upper division</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graduate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Support</td>
<td>39,180,181 (8.1%)</td>
<td></td>
</tr>
<tr>
<td>Research</td>
<td>11,472,673 (2.4%)</td>
<td></td>
</tr>
<tr>
<td>Public Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General support for public service mission</td>
<td>1,829,267 (0.4%)</td>
<td></td>
</tr>
<tr>
<td>Specific public service programs, centers, and institutes</td>
<td>13,216,428 (2.7%)</td>
<td></td>
</tr>
<tr>
<td>Mission Support/Shared Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>System Office</td>
<td>10,961,768 (2.3%)</td>
<td></td>
</tr>
<tr>
<td>Systemwide Expenses</td>
<td>9,047,838 (1.9%)</td>
<td></td>
</tr>
<tr>
<td>Total E&amp;G (excluding Debt Service)</td>
<td>486,520,696 (100.0%)</td>
<td></td>
</tr>
</tbody>
</table>

1 Weighting of allocations between Achievement Compact Outcome Measures would be determined as part of subsequent work to develop a more detailed allocation methodology.

2 Funds to serve current enrollments would be allocated using current or similar RAM methodology as a transitional element.
PRINCIPLES/GUIDELINES THAT COULD BE USED TO REALIGN BUDGET ALLOCATION CATEGORIES

- The primary statutory mission of the OUS is now to meet the state’s 40-40-20 goals. Therefore, those resources provided by the state should be primarily directed to achieving those goals.

- The Governor initiated a 10-Year Plan for Oregon that emphasizes an outcome-based approach to allocating state funding. Thus OUS allocations should significantly align with that approach and specifically incorporate the targets established by the Achievement Compacts with the Oregon Education Investment Board (OEIB).

- In its progress report to the Governor, the Oregon Education Investment Team (OEIT—precursor to the OEIB) recognized the need for state funding to support all of the OUS primary missions—instruction, research, public service—and thus OUS allocations should contain components for each of those missions.

Excerpt from OEIT progress report:

*Inclusive of Educational Priorities Not Directly Tied to Learners*

As the Governor’s Office recasts education spending as investments in learners, it cannot lose sight of other critical investments that help make the system work:

*University research.* University-based research and development activities fuel economic development through the creation of ideas and technologies and by fostering a high-quality workforce for current and future businesses in Oregon.

*Public service programs.* Many learning institutions are involved in the community through activities beyond their regular educational services. The state’s 17 community colleges provide community and continuing education programs in diverse subject and career areas to residents throughout Oregon. Another example is the OSU Extension Service, which connects Oregonians to research-based knowledge through on-the-ground services and specialists in every county.

*Capital investment.* As the state’s learner population grows, the need to efficiently manage the existing physical capital and invest in new capital will continue to be critical.

STAFF RECOMMENDATION TO THE COMMITTEE:

Staff recommends that the Finance & Administration Committee affirm the steps identified below and direct staff to prepare Round 2 Funding Team Proposals and the proposed Agency Request Budget in accordance with current and subsequent DAS or funding team directions to be presented to the full Board at its August meeting.

1) Work with institutions to propose budget allocation categories that will realign the Resource Allocation Model with an outcomes based approach;
2) Work with institutions to fine tune program proposals that align with funding team recommendations:
   a. In the case of the Education Funding Team, those proposals that would “make progress towards the 40/40/20 goal” and “accelerate time to completion through the system, employ proficiency-based approaches to teaching and learning, and blur the lines between high school and postsecondary education.”
   b. In the case of the Economy & Jobs Funding Team, once that team provides specific feedback, enhance existing proposals or develop new ones that would align with the team’s recommended directions.

3) Develop a financial framework for determining the program components and funds available for new programs within the upper limits established by DAS.

(Committee action required.)
OUS, Internal Audit Progress Report

The Charter of the Oregon State Board of Higher Education Finance and Administration Committee requires that the Oregon University System Internal Audit Division (IAD) provide a quarterly report to the Chancellor and the Finance and Administration Committee. This report highlights the recommendations made to improve OUS operations. IAD recommendations are being adequately addressed by management. In addition, the report serves to provide a summary of progress made towards completing the annual internal audit plan.

2012 AUDIT REPORTS ISSUED – 2ND QUARTER

During the period from May through June 2012, IAD issued the following reports:

<table>
<thead>
<tr>
<th>Institution</th>
<th>Engagement Title &amp; Risk Ranking</th>
<th>Assurance Provided Based Upon Procedures Performed</th>
</tr>
</thead>
<tbody>
<tr>
<td>OSU</td>
<td>Human Resources Administrative Processing <em>High</em></td>
<td>Evaluated the recruitment and compensation processes to determine whether these processes foster effective, efficient, and compliant services to the campus. Control improvements are being made to realign roles and responsibilities, strengthen policies and procedures, and enhance performance measurements and monitoring procedures.</td>
</tr>
<tr>
<td>OUS</td>
<td>Treasury <em>Medium</em></td>
<td>Evaluated control infrastructure over governance, cash reconciliations and approvals, and investment compliance with policies. Determined that cash reconciliations were occurring and investments complied with policies. Control improvements are being made to further strengthen the oversight committee membership, financial statement preparation, and policies and procedures documentation.</td>
</tr>
<tr>
<td>UO</td>
<td>President Transition <em>Low</em></td>
<td>Evaluated controls over fiscal processes and contracts approved by the former president and whether payments to the former president were in accordance with the employment contract and deferred compensation plan. Determined that transactions were in accordance with policy and that appropriate actions were taken to ensure a successful transition of the President’s Office.</td>
</tr>
<tr>
<td>UO</td>
<td>Vice President for Finance and Administration Transition <em>Low</em></td>
<td>Evaluated controls over fiscal processes and contracts approved by the former VPFA and whether payments to the former VPFA were in accordance with the employment contract. Determined that transactions were in accordance to policies and that</td>
</tr>
</tbody>
</table>
Institution | Engagement Title & Risk Ranking | Assurance Provided Based Upon Procedures Performed
--- | --- | ---
 |  | appropriate actions were taken to ensure a successful transition of the VPFA office. A control improvement is being made to codify changes to the contract authority procedures and delegations.

**PROJECTS IN PROGRESS**
Below is a listing of planned IAD engagements that will be discussed in further detail at future Board meetings.

<table>
<thead>
<tr>
<th>Stage</th>
<th>Engagement Title</th>
<th>Audit Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>Departmental Fiscal Audits (OUS)</td>
<td>Review internal controls and monitoring activities over routine financial transactions. Conduct systemwide departmental testing to evaluate control effectiveness and reinforce best practices.</td>
</tr>
<tr>
<td></td>
<td>Budget Operations (PSU)</td>
<td>Review existing and newly-established controls to ensure accurate and complete budget reporting to executive management.</td>
</tr>
<tr>
<td></td>
<td>Athletics and Research Compliance Program Review (UO/OSU)</td>
<td>Review campus compliance programs and evaluate whether program design includes elements to prevent and detect noncompliance with NCAA Division I requirements and with Federal regulations over research.</td>
</tr>
<tr>
<td>Summary</td>
<td>Audit Follow-ups (OUS)</td>
<td>Review the status of previously issued audit recommendations.</td>
</tr>
<tr>
<td></td>
<td>Vice President Research Transition (UO)</td>
<td>Review the transition process from the former vice president to the new vice president to determine whether opportunities exist to improve the budgeting process and monitoring of balances for funds allocated by the Office of Research, Innovation, and Graduate Education. In addition, verify the existence of a contracting authority and ensure compliance of fiscal transactions with university policies.</td>
</tr>
</tbody>
</table>

In addition to the activities listed, IAD is also currently engaged in various complaint and management advisory engagements, external audit coordination activities, and coordinating with various campus units to expand the OUS Financial Concerns Hotline to include a human resource, research, and athletics compliance portal.
STAFF RECOMMENDATION TO THE COMMITTEE
Staff recommends that the Finance and Administration Committee of the Board approve the July 2012 Quarterly IAD Progress Report.

(Committee action required.)
Minutes

Committee members present included: Chair Kirk Schueler, Lynda Ciuffetti, Allyn Ford, and Farbodd Ganjifard.

Chancellor’s Office staff present included: Vice Chancellor Jay Kenton, Michael Green, Ellen Holland, Nathan Klinkhammer, Jan Lewis, Di Saunders, Patricia Snopkowski, Marcia Stuart, Charles Triplett, Alice Wiewel, and Denise Yunker.

Others present included: President Mark Weiss; Vice Presidents Mark McCambridge (OSU), Jamie Moffitt (UO), Craig Morris (SOU), and Mary Ann Zemke (OIT); and Sandra Burris (PSU), Chris Ramey (UO) and Eric Yahnke (WOU).

4. CALL TO ORDER/ROLL CALL/WELCOME

Chair Schueler called the meeting to order at 12:58 p.m.

5. CONSENT ITEM

d. OUS, Approval of May 11, 2012 Committee Minutes

Chair Schueler called for a motion to approve the minutes as amended; Directors Allyn Ford and Lynda Ciuffetti made the motion and second, respectively. Motion carried.

6. ACTION ITEM

a. OUS, Proposed Fiscal Year 2012-13 Operating Budget Allocations

Chair Schueler called upon Assistant Vice Chancellor Jan Lewis to present the proposed 2012-13 allocations. During discussion, Director Ciuffetti queried about graduate education funding. Vice Chancellor Kenton responded that he anticipates the OEIB may change the funding process to a funding-per-student by student-level model (omni-budget) and will be deciding on the continuance of current targeted funding.

ACTION: Chair Schueler called for a motion to recommend to the full Board for approval at the August meeting the proposed allocation of state funding for FY 2012-13 as
reflected in the docket materials. Directors Lynda Ciuffetti and Farbodd Ganjifard made the motion and second, respectively. Motion carried.

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

Vice Chancellor Kenton introduced the item, noting that the special procurement process was placed into rule in order to provide opportunity for campuses to realize substantial cost savings or promote public interest. Vice President Moffitt advised that the University of Oregon is requesting special procurement approval in order to amend existing contracts and allow for cost savings and an expedited opening of additional classroom space. Although the expansion would add an additional $22 million to the current project contracts, it was noted that no 2013-2015 funding would be applied prior to the approval of that biennial budget and would include terms for the voidance of the contract if funding is not available. It was emphasized that the special procurement pertains only to the design phase and not the actual construction; only when 2013-2015 bonding has been approved will the actual construction begin. Chair Schueler indicated that cost savings will be applied to the infrastructure of the project.

ACTION: Chair Schueler called for a motion to approve the use of a Special Procurement exemption as provided in OAR 580-063-0020(7)(s) allowing the 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 as stated in the docket. Directors Allyn Ford and Lynda Ciuffetti made the motion and second, respectively. Motion carried.

c. Financial Projection Project

Chair Schueler provided background on the proposed project and then called upon Vice Chancellor Kenton to lead the discussion. Dr. Kenton shared that achieving the state’s education attainment goals, in light of current economic and fiscal challenges, requires that campuses change to adapt to these new realities. Given this, the Board has requested each campus 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 and need-based aid for resident undergraduate students in line with current Board policies. He concluded by stating the implementation of this project is timely given the changes occurring in the state budgeting process and impacts to collective bargaining. Vice President Moffitt cautioned that public perception of the statistics resulting from the projections may complicate issues on campuses. Director Ford agreed and suggested that a sensitivity test be applied to the model but that a forecasting tool is greatly needed for use by the Committee and Board. Dr. Kenton stressed that this is a tool only and Vice President Morris agreed, advising that this could be used as a dialogue tool at the campus level. Forecasting can
be used as a catalyst for decision-making. It was suggested that the projections be discussed under executive session privileges to allow for frank Board discussion.

**Next Steps:** Chancellor’s staff and campus vice presidents for finance will work on the model with the anticipated first presentation in November.

**ACTION:** Chair Schueler called for a motion to 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. Directors Allyn Ford and Farbodd Ganjifard made the motion and second, respectively. Motion carried.

### 7. **Reports**

#### a. **OUS, Health and Welfare Insurance Plan Options**

Vice Chancellor Kenton provided background to the agenda item, advising that, as a result of the implementation of Senate Bill 242, the legislature has tasked the Committee on Health and Welfare Insurance (HWI) with the development of a new healthcare plan. Denise Yunker, Director of OUS human resources, shared that, over the past five months, the committee (consisting of both faculty and staff from each campus) has been concentrating on learning about state and federal healthcare requirements. Currently, consultants are developing recommendations for committee action but there are a number of unknowns at the present time.

The HWI committee developed a health and welfare benefits vision/philosophy statement and also conducted a survey concerning possible changes in PEBB, healthcare coverage, and costs. The survey identified that personnel are generally satisfied with their healthcare coverage but are concerned with the changes in deductible and increased cost.

**Next Steps:** The HWI committee will be drafting an initial report and submission to campuses for comment, with a subsequent final draft submitted to the Board for review. As a report must be submitted to the legislature in December, this item will be brought back to the Committee at the September meeting with a recommendation for submission to the full Board in October.

#### b. **OUS, Optional Retirement Plan Review Committee Status**

Vice Chancellor Kenton introduced Mr. Nathan Klinkhammer, OUS Human Resources, and provided background that the ORP, implemented in 1995, provides unclassified faculty and staff with a one-time, irreversible choice to opt-out of PERS and into ORP.
Mr. Klinkhammer reported that SB 242 created an Optional Retirement Plan (ORP) Review Committee comprised of representatives of public university management and employees, both represented and unrepresented, to evaluate options for the ORP. This committee met between February and May on an informational basis and that the process is transitioning into the development stage. A survey revealed that participants are generally satisfied but they have concerns that plans will change. The committee noted that the scope and linkage between the PERS/ORP plans are 1) simplification of the investment provider selection, 2) discontinuation of the refund cycle of contributions, 3) recovery of contributions when 600 hours have not been worked, and 4) adoption of the defined contribution rate for new employees.

Next Steps: A report is being drafted for submission to the legislature in December. This item will be brought back to the Committee in September for consideration to forward to the full Board in October.

8. **ADJOURNMENT**

Vice Chancellor Kenton introduced Ellen Holland, who provided an update on the OUS Risk Management program. Of note, she advised that coverage will begin to providers on July 1 upon the transition from the Department of Administrative Services. It was decided to remain with SAIF; however, a lower rate has been negotiated.

With no further business proposed, Chair Schueler adjourned the meeting at 3:28 p.m.
Committee members present included: Chair Kirk Schueler, Lynda Ciuffetti, Allyn Ford, and Farbod Ganjifard.

Chancellor’s Office staff present included: Vice Chancellor Jay Kenton, Michael Green, Ellen Holland, Nathan Klinkhammer, Jan Lewis, Di Saunders, Patricia Snopkowski, Marcia Stuart, Charles Triplett, Alice Wiewel, and Denise Yunker.

Others present included: President Mark Weiss; Vice Presidents Mark McCambridge (OSU), Jamie Moffitt (UO), Craig Morris (SOU), and Mary Ann Zemke (OIT); and Sandra Burris (PSU), Chris Ramey (UO) and Eric Yahnke (WOU).

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

Chair Schueler called the meeting to order at 12:58 p.m.

2. **CONSENT ITEM**

   a. **OUS, Approval of May 11, 2012 Committee Minutes**

   Chair Schueler called for a motion to approve the minutes as amended; Directors Allyn Ford and Lynda Ciuffetti made the motion and second, respectively. Motion carried.

3. **ACTION ITEM**

   a. **OUS, Proposed Fiscal Year 2012-13 Operating Budget Allocations**

   Chair Schueler called upon Assistant Vice Chancellor Jan Lewis to present the proposed 2012-13 allocations. During discussion, Director Ciuffetti queried about graduate education funding. Vice Chancellor Kenton responded that he anticipates the OEIB may change the funding process to a funding-per-student by student-level model (omni-budget) and will be deciding on the continuance of current targeted funding.

   **ACTION:** Chair Schueler called for a motion to recommend to the full Board for approval at the August meeting the proposed allocation of state funding for FY 2012-13 as
reflected in the docket materials. Directors Lynda Ciuffetti and Farbodd Ganjifard made the motion and second, respectively. Motion carried.

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

Vice Chancellor Kenton introduced the item, noting that the special procurement process was placed into rule in order to provide opportunity for campuses to realize substantial cost savings or promote public interest. Vice President Moffitt advised that the University of Oregon is requesting special procurement approval in order to amend existing contracts and allow for cost savings and an expedited opening of additional classroom space. Although the expansion would add an additional $22 million to the current project contracts, it was noted that no 2013-2015 funding would be applied prior to the approval of that biennial budget and would include terms for the voidance of the contract if funding is not available. It was emphasized that the special procurement pertains only to the design phase and not the actual construction; only when 2013-2015 bonding has been approved will the actual construction begin. Chair Schueler indicated that cost savings will be applied to the infrastructure of the project.

**ACTION:** Chair Schueler called for a motion to approve the use of a Special Procurement exemption as provided in OAR 580-063-0020(7)(s) allowing the 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 as stated in the docket. Directors Allyn Ford and Lynda Ciuffetti made the motion and second, respectively. Motion carried.

c. Financial Projection Project

Chair Schueler provided background on the proposed project and then called upon Vice Chancellor Kenton to lead the discussion. Dr. Kenton shared that achieving the state’s education attainment goals, in light of current economic and fiscal challenges, requires that campuses change to adapt to these new realities. Given this, the Board has requested each campus 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 and need-based aid for resident undergraduate students in line with current Board policies. He concluded by stating the implementation of this project is timely given the changes occurring in the state budgeting process and impacts to collective bargaining. Vice President Moffitt cautioned that public perception of the statistics resulting from the projections may complicate issues on campuses. Director Ford agreed and suggested that a sensitivity test be applied to the model but that a forecasting tool is greatly needed for use by the Committee and Board. Dr. Kenton stressed that this is a tool only and Vice President Morris agreed, advising that this could be used as a dialogue tool at the campus level. Forecasting can
be used as a catalyst for decision-making. It was suggested that the projections be discussed under executive session privileges to allow for frank Board discussion.

Next Steps: Chancellor’s staff and campus vice presidents for finance will work on the model with the anticipated first presentation in November.

ACTION: Chair Schueler called for a motion to 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. Directors Allyn Ford and Farbodd Ganjifard made the motion and second, respectively. Motion carried.

4. REPORTS

a. OUS, Health and Welfare Insurance Plan Options

Vice Chancellor Kenton provided background to the agenda item, advising that, as a result of the implementation of Senate Bill 242, the legislature has tasked the Committee on Health and Welfare Insurance (HWI) with the development of a new healthcare plan. Denise Yunker, Director of OUS human resources, shared that, over the past five months, the committee (consisting of both faculty and staff from each campus) has been concentrating on learning about state and federal healthcare requirements. Currently, consultants are developing recommendations for committee action but there are a number of unknowns at the present time.

The HWI committee developed a health and welfare benefits vision/philosophy statement and also conducted a survey concerning possible changes in PEBB, healthcare coverage, and costs. The survey identified that personnel are generally satisfied with their healthcare coverage but are concerned with the changes in deductible and increased cost.

Next Steps: The HWI committee will be drafting an initial report and submission to campuses for comment, with a subsequent final draft submitted to the Board for review. As a report must be submitted to the legislature in December, this item will be brought back to the Committee at the September meeting with a recommendation for submission to the full Board in October.

b. OUS, Optional Retirement Plan Review Committee Status

Vice Chancellor Kenton introduced Mr. Nathan Klinkhammer, OUS Human Resources, and provided background that the ORP, implemented in 1995, provides unclassified faculty and staff with a one-time, irreversible choice to opt-out of PERS and into ORP.
Mr. Klinkhammer reported that SB 242 created an Optional Retirement Plan (ORP) Review Committee comprised of representatives of public university management and employees, both represented and unrepresented, to evaluate options for the ORP. This committee met between February and May on an informational basis and that the process is transitioning into the development stage. A survey revealed that participants are generally satisfied but they have concerns that plans will change. The committee noted that the scope and linkage between the PERS/ORP plans are 1) simplification of the investment provider selection, 2) discontinuation of the refund cycle of contributions, 3) recovery of contributions when 600 hours have not been worked, and 4) adoption of the defined contribution rate for new employees.

**Next Steps:** A report is being drafted for submission to the legislature in December. This item will be brought back to the Committee in September for consideration to forward to the full Board in October.

5. **ADJOURNMENT**

Vice Chancellor Kenton introduced Ellen Holland, who provided an update on the OUS Risk Management program. Of note, she advised that coverage will begin to providers on July 1 upon the transition from the Department of Administrative Services. It was decided to remain with SAIF; however, a lower rate has been negotiated.

With no further business proposed, Chair Schueler adjourned the meeting at 3:28 p.m.