Call to Order

Roll Call

Approval of Minutes
* September 20, 2002, Executive Committee Meeting

Action Items
* Internal Audit Division Progress Report and Plan
* Amendment to OAR 580-040-0040 Academic Year Fee Book, Pertaining to Tuition Surcharges (Temporary Rule)

Discussion Items
* Current Budget Status and Projections
* Directions from Current Governor
* OUS Strategic Agenda
* Use of Committees and Approach to Governance and Assignments

Adjournment
INTERNAL AUDIT PROGRESS REPORT AND PLAN

Summary:
The attached report outlines the internal audit progress report for activities occurring in calendar year 2002 and plans for the calendar year 2003. In accordance with the Board audit charter, the Executive Committee has the responsibility to review and approve the resources, plans, and results of internal audit activity.

Background:
The authority and responsibilities of the Internal Audit Division (IAD) have been established in an office charter revised and approved by the Vice Chancellor for Finance and Administration, Chancellor, and the Board of Higher Education.

The IAD is an independent appraisal activity established to perform audits of Oregon University System (OUS) operations. The division’s responsibilities include conducting reviews and providing OUS personnel with information related to the following:

- Reliability and integrity of financial and operating information;
- Compliance of systems to applicable policies, procedures, laws, and regulations;
- Safeguarding of assets; and
- Efficiency and effectiveness of resources employed.

The OUS Internal Audit Division also serves as a liaison for external audit activity conducted at OUS campuses. IAD has a number of primary stakeholders:

- Oregon State Board of Higher Education;
- Chancellor and Vice Chancellor of Finance and Administration; and
- University Presidents, Provosts, and Vice Presidents.

Staff Recommendation to the Executive Committee:

Staff recommends that the Committee review and approve the Internal Audit Division Progress Report and Plan.

COMMITTEE ACTION:

BOARD ACTION:
Report to the Executive Committee:

The staff recommends the Executive Committee of the Board approve a temporary rule change to the 2002-03 Academic Year Fee Book through the conditional assessment of tuition surcharges for Winter and Spring Terms 2002-03. The Executive Committee was granted this expressed delegation of authority by the Board at the October 18, 2002 meeting.

The Board also approved the concept of assessing tuition surcharges to help mitigate the further loss of state general revenues should the voters reject the proposed Income Tax Surcharge in the January 2003 special election. The Legislature, in the September 2002 Special Session 5, stipulated the Oregon University System would be subject to further state appropriation reductions totaling $26,914,987 if the Income Tax Surcharge were rejected. Approximately $23.4 million of the $26.9 million will come from instruction and instructional support allocations.

Enrollment demand at the OUS institutions is at an all time high and continues to grow. The growth, coupled with the series of general fund reductions over five special sessions of the Legislature this biennium, has resulted in a decline in the amount of total resources per student that institutions have available for instruction and support services.

The institutions, following discussions with student leadership, propose assessing tuition surcharges to offset approximately one-half the amount of the general fund reductions should the voters reject the Income Tax Surcharge and the Legislature take no further action to offset the scheduled reductions (see supplementary materials for assumptions that underlie surcharges and tables for each university). The universities will reduce services and use limited fund balances to offset the remaining General Fund reduction.

The tuition surcharges being approved through this temporary rule are conditional. If the voters approve the Income Tax Surcharge in January, these charges will be null and void. Any tuition surcharges assessed in advanced will be refunded. Likewise, if the voters reject the ballot measure, but the Legislature takes action to offset the scheduled general fund reductions, the tuition surcharge will be null and void. However, if the voters reject the measure and the Legislature does not offset the reductions then the surcharges will be assessed.
**Need for the Temporary Rule:**
The conditions precipitating the need for the tuition surcharges were unknown at the time the original tuition and fees were approved by the Board in July 2002. The continued eroding economic condition of the State of Oregon resulted in two additional Special Sessions of the Legislature after the 2002-03 Academic Year Fee Book was adopted.

The timing for this amendment is critical. Registration for Winter Term 2003 begins in mid-November. There are two options in dealing with the timing of tuition and fee assessment given the late date of the election. One is to assess the surcharge in advance and refund it if the voters approve the ballot measure in January. The other is to delay assessment of the surcharge until after the election and respond to the outcome at that time. Among the seven institutions, both options are being exercised.

**Staff Recommendation to the Executive Committee:**

Staff recommends that the Board amend OAR 580-040-0040 as follows:

(Underlined material is added; brackets denote deletion.)

**OAR 580-040-0040 Academic Year Fee Book**
The document entitled Academic Year Fee Book, dated July 19, 2002 is hereby amended by reference as a temporary rule to incorporate assessment of tuition surcharges in the event the voters reject the Income Tax Surcharge ballot measure in the January 28, 2003 Special Election and the Legislature takes no further action to offset the scheduled reductions.

Through the amendment, the Board adopts, as a temporary rule, the document entitled Tuition Surcharges 2002-03, memos of attachment amending the draft document, and other amendments and attached schedules noted in this agenda item. Consideration of the permanent rule will occur at the earliest possible meeting of the Board of Higher Education consistent with permanent rule-making requirements. (Roll call vote required)

COMMITTEE ACTION:

BOARD ACTION: