Call to Order

Roll Call

Approval of Minutes

- Approval of April 19, 2002, Joint Committees Minutes

Action Item

- Biennial Budget Priorities, 2003-2005

Discussion Items

- Financial Aid/Tuition Overview (S. Weeks)
- Capital Construction Budget Request, 2003-2009 (B. Simonton)

Adjournment
Summary
The Oregon University System must prepare a biennial budget request for submission to the Governor. The biennial request is the vehicle through which funding decisions are made by the Governor and legislature. Developing Systemwide priorities is a critical first step in providing a framework to structure and assess funding and program requirements broadly, on a relative basis.

Background
As OUS creates a budget request for the 2003-2005 biennium, it is essential that it be grounded in priorities that represent Board goals and strategic directions. The request should further consider factors such as state funding availability, university priorities, and student tuition support as it establishes System priorities.

The Board goals, as reflected below, have provided the backdrop for budget building for the prior two biennia. The goals continue to be extremely relevant, and reflect the most recent position of the Board. They remain as standards against which the 2003-2005 budget will be developed and measured.

Board Goals
1. Access to qualified Oregonians.
2. Quality educational programs at all campuses.
3. Cost-effective operations.
4. Employable graduates.

The 2001-2003 budget priorities mirror Board goals with the emphasis on access, quality programming, and addressing state needs.

Budget Priorities 2001-2003
1. Preserve the CSL.
2. Quality educational programs.
3. Expanded access—all qualified resident undergraduates.
4. Contribute to the current needs of the state and its communities.

Recent System Strategic Planning discussions have focused on access, quality programming, accountability, cost effectiveness, and
flexibility in ways that suggest that the next biennial budget must incorporate these basic tenets to be reflective of the Board's evolving position.

**Proposed Operating Budget Priorities 2003-2005**

As we consider the combination of conditions that both challenge OUS and offer opportunities for the System's universities, a number of points are clear. Based on demographic and economic trends, enrollment demand is likely to grow beyond funding capacity. State funding support will likely decline on a per-student basis as enrollments grow. Each university must accommodate growth based on their annual budgetary boundaries. Student tuition will increase under the parameters set by each university to complement state funding. Qualitative concerns become a function (hydraulic) of each university's funding and growth strategy. Strategies will vary based on student tuition, cell values, and rate of growth.

The proposed Board priorities acknowledge, generally, the aforementioned conditions. They are simple, when compared to prior biennia, and should be more limited in cost when based on a realistic assessment of state resources. Access and quality are not viewed as separate goals, but connected. Addressing existing demand for services is viewed as more urgent than funding for new students. Responding to state needs is given a third level priority, and focuses on economic development and engineering initiatives. The fourth priority focuses on research and service programming. The basic intent in the ordering of the priorities is to achieve increased instructional/cell funding in advance of other priorities.

1. Access to quality programs—meeting existing demand:
   - balance funding requirements with campus enrollment strategies. *(Includes: Support for programs and services based on university priorities. Funding at 100% of cell value but within a predetermined level of enrollments)*
   - support operational commitments (e.g., debt service, inflation).
2. Access to quality programs—meeting future demand:
   • support faculty and staff salary/benefit adjustments.
   • support performance funding.

3. Responding to state needs:
   • continue investment in engineering.
   • address state economic development initiatives.

4. Mission-specific requirements:
   • Sustain research, public services, and key partnerships.

Allocating Student and State Resources to Support Budget Priorities

The budget priorities continue to focus on access and addressing the growing demand for instructional and support programs. The desire to set tuition and fee policy locally will drive a more market-based enrollment strategy. The strategy is built around setting tuition and fees based on choices including program cost, resident status, graduate and undergraduate differentials, and other options. The existing Board policy places greatest weight on access as defined by limiting program cost differentials and limiting sector (large vs regional university) differences in tuition rates. The intent has been to provide opportunities at relatively the same cost for all students. The transition to increased local decision making requires changes to system tuition policy. There is a continuing expectation that, as publicly supported institutions, universities will make every effort to ensure access to qualified undergraduate residents. As universities make individual strategic enrollment decisions through differing tuition and fee structures, they need to consider how best to support those students that are most needy and least likely to achieve a postsecondary education.

As we build the biennial request, it is useful to suggest how additional student funds will be allocated relative to the budget priorities. It will be of interest to state decision makers to know how the combination of state and student resources will be applied to address priorities. As an example, the "new" tuition revenues realized from rate increases and new students (enrollment growth) can be committed to specific university needs such as added faculty, operational support, technology enhancements, student services, etc. Ultimately, OUS'
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ability to secure additional state funds will depend on how clear and compelling a connection is made between the quality and quantity of services required, and the student and state funding necessary to function within a reasonable level of peers (and our own expectations).

Staff Recommendation to the Joint Committees:

Staff recommends the Board approve the proposed biennial budget priorities for 2003-2005.

COMMITTEE ACTION:

BOARD ACTION:

FINANCIAL AID/TUITION OVERVIEW
See enclosed document.
(No Board action required)

CAPITAL CONSTRUCTION BUDGET REQUEST, 2003-2009
Summary
Each biennium, prior to the legislative session, the Oregon State Board of Higher Education submits a capital construction program to the Governor covering the ensuing three biennia. For the 2003-2005 period, a formally approved Capital Budget request is made. For the 2005-2007 and 2007-2009 periods only a forecast of needs is shown. The 2003-2005 capital budget request will recommend to the Board for approval a total of $1,099,590,000 for the seven OUS campuses and University Centers. The capital construction program, covering the entire six-year period of 2003-2009, totals $2,143,261,500.

Background
The 2003-2005 capital budget consists of four categories of facility projects:

Education and General
• Fifty-two percent (52%) of the total or $575,790,000;
• Provides facilities for instruction, research, and service missions of the System.
Auxiliary
- Twenty-six percent (26%) of the total or $285,620,000;
- Projects that are expected to be fully self-supporting and self-liquidating from user fees, gifts, and grants.

Systemwide
- Nineteen percent (19%) of the total or $209,000,000;
- Pertains to projects-related capital repair, code needs, acquisitions, and project reserves.

Student Building Fee
- Three percent (3%) of the total or $29,180,000;
- Facilities projects that are selected by each campus’ student government and supported by student building fees.

The capital budget request is further defined by three capital program goals which present a very simple and concise message for our funding request:

1. **Quality Facilities**: Provide for capital repairs and code issues to keep the existing facilities operational. The need for quality facilities is clearly demonstrated with 43% of the budget request devoted to projects which attempt to arrest the significant deterioration of aging facilities.

   ![Quality Facilities Goal Summary](image)

2. **Enrollment Growth**: Projects which prepare for the projected growth in enrollment. Also a major concern, with 42% of the 2003-05 projects classified within this goal.

   ![Enrollment Growth Goal Summary](image)
3. **Program Needs:** Allows the universities to adapt to program changes to better meet their academic missions. This goal captured 15% of the requested projects.

<table>
<thead>
<tr>
<th>Program Needs Goal Summary</th>
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<tbody>
<tr>
<td>Number of Projects</td>
<td>17</td>
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<tr>
<td>General Fund</td>
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<tr>
<td>Article XI-G Bonds</td>
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<td>Article XI-F(1) Bonds</td>
<td>7,200,000</td>
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<tr>
<td>Other</td>
<td>$63,990,000</td>
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<td>Total</td>
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Capital Construction Summary and Goal Summary reports are appended to provide an appreciation for the magnitude of the request. A supplemental and formal budget recommendation is being prepared for the July Board meeting and will provide details of the requests by biennium, including information on the major issues, requests presented in order of the capital program goals, a summary of the outstanding and forecasted Article XI-F(1) bonds and Article XI-G bonds, and an enumeration of proposed Certificates of Participation.

See additional materials attached [*Note: for a hard copy of supplemental materials, contact the Board’s office.*]

(No Board action required)