1. Call to Order/Roll Call

2. Approval Of Minutes
   - April 18, 2003, Board Meeting Minutes

3. Board President’s Report

4. Chancellor’s Report
   - Items from Presidents

5. Reports
   - IFS President
   - OSA President

6. SYSTEM STRATEGIC PLANNING COMMITTEE (see yellow section)

Action Item

a. Board Statement on Commitment to Quality
   Review of draft document containing quality commitment statement from the
   Board of Higher Education and the Board of Education. (Draft to be mailed
   separately with a staff recommendation for action.)

Consent Item

a. Authorization to Award an Honorary Degree, SOU
   SOU seeks Board approval to award an honorary doctorate to Ben Tyran at its
   June 2003 Commencement.

Committee Chair’s Report

7. BUDGET AND FINANCE COMMITTEE (see green section)

Committee Chair’s Report

8. FULL BOARD (see tan section)
Action Items

a. **Report of Nominating Committee and Election of Officers**
   The Board’s By-laws stipulate that officers will be elected annually prior to July 1. No regular meeting of the Board is scheduled for June. Therefore, the Nominating Committee, consisting of Director Don VanLuvanee, chair, and Directors Barnett and Wustenberg, will present a slate of officers for Board consideration at this meeting.

b. **Affirmation of Presidential Search Procedures, OSU**
   It is anticipated that in early June the Board will be conducting interviews with finalists for the position of president of Oregon State University. The Board is asked to affirm the principles, procedures, and criteria for selection established by the Board. Members of the public will be provided further opportunity to comment on these procedures and criteria at this meeting of the Board.

9. **Other Reports**
   - Joint Boards Working Group
   - OHSU
   - Oregon College Savings Plan
   - Oregon Council on Knowledge and Economic Development
   - OSU Presidential Search Committee
   - EOU Presidential Search Committee
   - Legislative Report

10. **Public Input**

11. **Items From Board Members**

12. **Delegation of Authority to Board’s Executive Committee**

13. **Adjournment**

Note: All docket materials are available on the OUS website at: http://www.ous.edu/board/meetingmaterials.htm. Please contact the Board’s office at (541) 346-5795 if you have any questions regarding these materials. This agenda may be amended at any time prior to 24 hours before the Board meeting. Estimated starting times for the agenda items are indicated; however, discussions may commence, or action may be taken, before or after the suggested times. Any item on the agenda may be considered at any time out of order at the discretion of the President of the Board. During the meeting, the Board may convene in Executive Session to receive legal advice regarding any item on the agenda or for any reasons permitted under Oregon law.
1. Call To Order/Roll Call

2. Approval Of Minutes
   • April 17, 2003, System Strategic Planning Committee Meeting Minutes

3. Action Item
   a. Board Statement on Commitment to Quality
      Review of draft document containing quality commitment statement from the Board of Higher Education and the Board of Education. (Draft to be mailed separately with a staff recommendation for action.)

4. Consent Item
   a. Authorization to Award an Honorary Degree, SOU
      SOU seeks Board approval to award an honorary doctorate to Ben Tyran at its June 2003 Commencement.

5. Discussion Items
   a. Mission Differentiation: Initial Discussion
   b. Preparation for College: Initial Discussion
   c. Revised SSP Work Plan Through October 2003

6. Adjournment

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Authorization to Award An Honorary Degree, SOU

Summary
Board of Higher Education policy permits institutions, with the concurrence of their faculty, to award honorary degrees. Each institution proposing the award of honorary degrees has received the Chancellor’s approval of criteria and procedures for selection that ensure the award honors distinguished achievement and outstanding contributions to the institution, state, or society.

Southern Oregon University
Southern Oregon University requests authorization to award an honorary doctorate to Ben Tyran at its June 2003 Commencement ceremony.

Ben Tyran’s highly distinguished business career spans over 50 years. His educational preparation began at Ryder College where he earned a Bachelor’s in Business Education in 1944. He taught high school for a year before signing on with the Arabian American Oil Company to work in Saudi Arabia, New York, and San Francisco as an accountant, economic analyst, and marketing account executive. He returned to school, completing a Master’s in Business Administration at New York University in 1950, and soon thereafter pursued doctoral program coursework at American University.

After serving as a shipping industry analyst with the Labor Management Maritime Committee in Washington, D.C., Tyran moved to San Francisco where he served as general sales manager for the American Independent Oil Company. He moved on to found the International Petroleum Supply Company, serving as president and chief executive officer. In 1962 Tyran joined Natomas, Inc., where he served as director and vice president in charge of developing oil activities. As his career continued to evolve, Tyran was increasingly sought out to assume positions of oil industry leadership. For example, he founded the Isle of Man Petroleum Ltd.; served as managing director of the West Indies Oil Company, and director of the Independent Indonesian American Petroleum Company. Finally, culminating a long career of executive entrepreneurship, Tyran became president and director of Natomas Canada, and director of Independent Petroleum Supply (Eastern, Tokyo, and Riyadh). For the decade that followed his retirement until the mid-1980s, Tyran actively consulted with Natomas and other companies and agencies on all aspects of the international oil industry.

Tyran’s retirement has been characterized by dedicated service to Oregon, where he has long resided. At the state level, Tyran served as president of the Council for Economic Development in Oregon and accompanied more than one Governors’ trade missions to the Middle East and Japan. Locally, for many years he led the Economic Development Commission of Ashland, and later joined the board of Rogue Valley Manor.

Southern Oregon University has enjoyed a long-time relationship with Tyran. He was a member and then president of the foundation board from 1979-1983. Two endowments
given to the School of Business for lectureships and scholarships, attest to his personal generosity. Tyran’s legacy also includes his visionary advocacy for Southern Oregon University’s full development as a distinctive university.

*Staff Recommendation to the System Strategic Planning Committee*
Staff recommend the Board authorize Southern Oregon University to award an honorary doctorate to Ben Tyran at its June 2003 Commencement ceremony.

*(Board action required.)*
Revised SSP Work Plan Through October 2003

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Timelines</th>
<th>Status &amp; Next Steps</th>
<th>Related Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopt a vision for OUS.</td>
<td>December 2002</td>
<td>Completed</td>
<td></td>
</tr>
<tr>
<td>Develop a statement of the OUS goals and anticipated services to the citizens of Oregon.</td>
<td>December 2002</td>
<td>Completed</td>
<td></td>
</tr>
<tr>
<td>Refine mission statements for each university and align with OUS vision and goals, identifying distinctions between and strengthening collaborative relationships among the institutions.</td>
<td>To be determined.</td>
<td>Initial discussion in SSP in May 2003</td>
<td></td>
</tr>
<tr>
<td>Develop policies that include measurable outcomes and outline the respective OUS and University responsibilities for:</td>
<td>January – October 2003</td>
<td>Initial position statement on quality commitment adopted by Board in April; final position in context of funding, quality, access, and affordability relationships to be adopted May 2003.</td>
<td>Similar position statement being developed by the State Board of Education. Both statements to be included in a communications piece, Choices and Challenges in Public Postsecondary Education in Oregon.</td>
</tr>
<tr>
<td>• Affordability</td>
<td>January – April 2003</td>
<td>Introduction in January, discussion in February and April.</td>
<td>Board resolution in support of increased funding for the Oregon Opportunity Grant adopted in October 2002. Report to Budget &amp; Finance Committee on fee remissions in</td>
</tr>
<tr>
<td>Strategy</td>
<td>Timelines</td>
<td>Status &amp; Next Steps</td>
<td>Related Initiatives</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>--------------------------------</td>
<td>-------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>• Access/Enrollment Demand</td>
<td>February – April 2003</td>
<td>Introduction in February, full discussion in April. Report to SSP Committee on admissions policy in February; new admissions policies adopted.</td>
<td>Report to Board Work Session on OUS enrollment in January. OUS updated enrollment projections completed in June. Changing Directions Roundtable discussions February and June. Ongoing work on Oregon GEAR UP Network; status reports presented to Joint Boards (January) and to Joint Ways and Means Subcommittee on Education (April).</td>
</tr>
<tr>
<td>➢ Admission policy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>➢ Unmet higher educational needs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Increased diversity of students and faculty</td>
<td>April – October 2003</td>
<td>Initial discussion with Annual Report on Diversity presented in April. Focused discussion with presidents on specific campus initiatives in September. Broader discussion, including students, in October.</td>
<td>Staff to develop study of promotion and tenure of faculty of color and an update of salary equity study for faculty of color. Studies to be completed for either the September or October discussions.</td>
</tr>
<tr>
<td>• Preparation for college</td>
<td>May – July 2003</td>
<td>Initial discussion in May to frame questions for more focused discussions in July.</td>
<td>Discussions initiated in Joint Boards Working Group in April, to be continued in May.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Timelines</th>
<th>Status &amp; Next Steps</th>
<th>Related Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Mission differentiation</td>
<td>May 2003 - ?</td>
<td>Initial discussion in May to frame questions for more focused discussions in July and beyond.</td>
<td>Discussions initiated in Joint Boards Working Group in April, to be continued in May.</td>
</tr>
</tbody>
</table>

Strengthen the role of OUS and individual institutions working with the business community in support of Oregon’s economic development.

Strengthen the role of OUS and individual institutions working with the business community in support of Oregon’s economic development.

Presentation made to Joint Ways and Means Subcommittee on the contributions of instruction (through degree production) and research (with the example of the first Signature Research Center) to Oregon’s economic vitality.

Develop policies to facilitate and direct the System and the Universities to increase the effectiveness of their partnerships with other education sectors.

- Oregon K-12 education, to support seamless transitions through K-16.
- Oregon community colleges, to optimize access through dual enrollment, articulation, and transfer.

Completing joint statements on the commitment to quality for postsecondary education, reflected in *Choices and Challenges in Public Postsecondary Education in Oregon*.

The OUS report, *Partnerships*..., describes many K-16 initiatives in areas of enrollment, articulation, and transfer; distance education programming; technology support; and library services. Examples of some of these initiatives were presented to the Joint Ways and Means Subcommittee in April.
<table>
<thead>
<tr>
<th>Strategy</th>
<th>Timelines</th>
<th>Status &amp; Next Steps</th>
<th>Related Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Joint Boards Working Group</td>
<td></td>
<td>Strategic planning framework for K-16 under development. Focused discussions on quality, access and affordability conducted January through March; initial discussions on preparation and mission differentiation in April and May.</td>
<td>Proposal under consideration to alternate Joint Boards Working Group meetings with meetings of staff from K-12, community colleges, and OUS, to facilitate regular communication and joint project development.</td>
</tr>
<tr>
<td>• Joint Boards Articulation Committee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Community college partnerships</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Explore effectiveness of current <strong>governance</strong> structures as needs arise. Assess possible scope of local university advisory boards in light of progress on Flexibility (Efficiency) Initiatives presented to the 2003 Legislature, and determine whether formal Board policy statement is necessary.</td>
<td>To be determined later.</td>
<td>On hold.</td>
<td></td>
</tr>
</tbody>
</table>
1. Call To Order/Roll Call

2. Approval of Minutes
   • April 18, 2003, Budget and Finance Committee Meeting Minutes

3. Report Item
      The Governor and Ways and Means Co-Chairs have offered budget recommendations that better “fit” the revised revenue projections. The two sets of recommendations use the Governor’s original budget as a starting point.
   b. Review of Extension Services Programming and Resources
      Oregon State University will provide a brief review of programs that comprise the Extension Services. The review is intended to inform the Committee of current issues.

4. Discussion Item
   a. Discussion of the Connection of Tuition Increases and Enrollments
      The Oregon University System uses a set of variables that connect state funding levels with quality, affordability, and access. The most common focus is on the quality funding index (QFI), an index that compares the OUS state funding to the median of their peers. The Budget and Finance Committee has requested staff to select different tuition rates from those recently approved by the Board and assess the potential effects on enrollments.

5. Adjournment

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Executive Summary
The Governor and Ways and Means Co-Chairs have offered budget recommendations that better “fit” the revised revenue projections. The sets of recommendations use the Governor’s original budget as a starting point. The following table highlights the different paths that the executive and legislative leadership took in allocating reductions.

Comparison of Proposed 2003-2005 Budget Reductions
(Based on the 2003-2005 Governor's Balanced Budget)

<table>
<thead>
<tr>
<th>Enrollment impact:</th>
<th>Co-Chairs’ Proposed Reductions</th>
<th>Governor’s Proposed Reductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funded Enrollment (biennial)</td>
<td>104,079</td>
<td>114,358</td>
</tr>
<tr>
<td>Loss of Fundable Enrollment (biennial)</td>
<td>14,172</td>
<td>3,893</td>
</tr>
<tr>
<td>Reduction items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Financial Aid (fee remissions)</td>
<td>$30.00</td>
<td>$0</td>
</tr>
<tr>
<td>Undergraduate Instruction</td>
<td>22.20</td>
<td>8.59</td>
</tr>
<tr>
<td>Graduate Instruction</td>
<td>9.80</td>
<td>11.26</td>
</tr>
<tr>
<td>Campus Administration</td>
<td>4.78</td>
<td>0</td>
</tr>
<tr>
<td>Central Administration</td>
<td>3.22</td>
<td>2.42</td>
</tr>
<tr>
<td>Capital Construction</td>
<td>1.00</td>
<td>1.87</td>
</tr>
<tr>
<td>Engineering (ETIC/Top Tier)</td>
<td>.90</td>
<td>0</td>
</tr>
<tr>
<td>Systemwide Expenses</td>
<td>.72</td>
<td>2.16</td>
</tr>
<tr>
<td>Research</td>
<td>.51</td>
<td>1.27</td>
</tr>
<tr>
<td>OCECS</td>
<td>.47</td>
<td>0</td>
</tr>
<tr>
<td>Statewide Public Services Building Maintenance</td>
<td>.30</td>
<td>.63</td>
</tr>
<tr>
<td>Campus Public Service Programs</td>
<td>.29</td>
<td>.73</td>
</tr>
<tr>
<td>Community College Partnerships</td>
<td>.28</td>
<td>.28</td>
</tr>
<tr>
<td>Western Undergraduate Exchange (WUE)</td>
<td>.27</td>
<td>.27</td>
</tr>
<tr>
<td>Collaborative Academic Programs</td>
<td>.23</td>
<td>.23</td>
</tr>
<tr>
<td>Statewide Public Services</td>
<td>0</td>
<td>7.18</td>
</tr>
<tr>
<td>OSU Cascades Campus</td>
<td>0</td>
<td>.34</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$74.97</td>
<td>$37.23</td>
</tr>
</tbody>
</table>
Selected comparisons:

- The Co-Chairs' budget identifies a 4.4 percent reduction in state agency funding
- The Governor’s revised budget identifies a 2.7 percent reduction in state agency funding

- The OUS budget represents 6.5 percent of the Co-Chairs’ budget
- OUS reductions represent 14.4 percent of the total agency reductions identified in the Co-Chairs’ budget

- The OUS budget represents 6.8 percent of the Governor’s revised budget
- OUS reductions represent 10.1 percent of the total agency reductions identified in the Governor’s revised budget

- The Co-Chairs' budget identifies an 8.9 percent reduction in total OUS funding
- The Governor’s revised budget identifies a 3.9 percent reduction in total OUS funding

- The Co-Chairs' budget identifies an 11.4 percent reduction in OUS Education and General (E&G) funding
- The Governor’s revised budget identifies a 4.3 percent reduction in OUS E&G funding

The key reduction differences include:

- $75 million (legislature) vs. $37.2 million (Governor)
- $30 million in fee remissions by legislature
- $32.2 million (legislature) vs. $19.85 (Governor) in Instructional Funding
- $7.18 million (Governor) vs. $0 (legislature) in Statewide Public Service programs at OSU

Additional analysis on Systemwide expenses, fee remissions, and the Chancellor’s Office budget is provided to clarify the implications of the recommendations.
Systemwide Expenses

Systemwide expenses represent programs that are allocated to campuses based on System requirements or programs that are funded solely by the Chancellor’s Office. The reductions will be $1,432,500 (10 percent) by the legislature, or $2,148,000 (15 percent) by the Governor. A number of the programs cannot be reduced—Certificates of Participation (COPs), Faculty Diversity, and Statewide assessments total nearly 40 percent of the funding. The remaining 60 percent will largely be reductions from campus budgets in addition to other instructional and targeted programs. The following are the programs:

Systemwide Expenses 2003-2005

<table>
<thead>
<tr>
<th>Program</th>
<th>2001-2003</th>
<th>Legislation 10%</th>
<th>Governor 15%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of Participation</td>
<td>$1,766,864</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Justice</td>
<td>1,600,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment Match</td>
<td>3,454,979</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Faculty Diversity</td>
<td>697,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ORBIS (Library Consortium)</td>
<td>339,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oregon Jt. Business Programs</td>
<td>831,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OWEN (Statewide Network)</td>
<td>1,042,095</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IP Video Network</td>
<td>54,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Students-Disabilities</td>
<td>500,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SWOUC (Coos Bay Center)</td>
<td>344,364</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statewide Assessments</td>
<td>2,895,786</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WICHE (membership) Dues</td>
<td>202,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WICHE/PSEP</td>
<td>598,224</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>$14,325,312</strong></td>
<td><strong>$1,432,500</strong></td>
<td><strong>$2,148,000</strong></td>
</tr>
</tbody>
</table>

COPs: Mandatory debt service
DOJ: Depends on campus usage/PSU having own attorney
Endowment Match: Depends on legal requirements
Faculty Diversity: Board approved no reduction for 2003-2005
Oregon Jt. Business Programs: Transition program support to campuses—support through cells
OWEN: System share of statewide network
Statewide Assessments: Dependent on DAS charge-backs
WICHE/PSEP: Reduce participation
Fee Remissions

The most apparent difference between the Governor’s and legislative recommendations is that the legislative is twice that of the Governor’s—$75 million to $37.2 million.

The most significant difference is the legislative choice to reduce $30 million in the General Fund while designating an equal amount of tuition remission to offset the General Fund. The assumption is that tuition remissions are “available” to supplant General Fund. The reality is, $30 million in tuition remissions is not uncommitted and elimination of financial aid will limit access. The following helps define fee remissions, their availability, and the impact of a $30 million cut.

Summary of Impact of Co-Chairs’ Proposal to Cut $30 Million of Fee Remissions in Multi-Year Commitment Programs

Definition
- Programmatic Fee Remissions are those excluding Graduate Assistant Fee Remissions. They include:
  - Educational Diversity Initiative, International Cultural Services Program, OUS Supplemental Tuition Grant, and various institutional fee remission programs.

Fee Remission Allocations
- $58.8 million—total of Programmatic Fee Remissions budgeted in Governor’s balanced budget (prior to April 18, 2003).
- On average, 76 percent of all fee remissions are made with multi-year commitments.
  - These include Educational Diversity Initiative, International Programs, etc., that are focused on enrollment management for diversity and merit criteria.
  - The multi-year commitment is generally for five years if the student maintains eligibility requirements.
  - Estimates are based on recent campus financial aid offices’ feedback.
- The remaining 24 percent is awarded annually on a need-basis.
  - Student must re-qualify annually on basis of “need.”
- Few students receiving Programmatic Fee Remissions have their entire tuition offset by remissions and other financial aid and continue to pay a portion of their tuition.
- Of Programmatic Fee Remission allocations for 2003-04, approximately 95 percent-plus has been committed as of April 15, 2003.

Implication of Co-Chairs’ Proposed Reduction
- The Ways and Means Co-Chairs’ recommendations propose elimination of $30 million of fee remissions, earmarked as multi-year awards.
  - The reduction of fee remissions directly reduces financial aid to students.
Elimination of $30 million of fee remission is apparently intended to increase net available tuition income.

This fee remission reduction is linked directly to a $30 million reduction in state General Fund.

- The intent is for the resulting net tuition income increase to offset the reduction of state General Fund.

Hypothetically, the net impact on total resources would appear to be $0.

- However, it is expected that a number of students would no longer be able to continue their education with OUS, resulting in a loss of the tuition income paid by these students.
  - This would be a net loss in total resources to the institution.

Reducing only multi-year awards would require rescinding approximately $30 million of awards already committed for the 2003-2005 biennium.

- This would require rescinding 78.5 percent of all multi-year awards already committed to students.
  - This would impact almost 5,000 students currently receiving multi-year committed awards expecting to have their fee remission commitment continued.

- Withdrawing fee remissions already awarded to students would have multiple impacts.
  - There would be legal liability due to financial commitments made to students and families based on the assurance of this financial aid.
  - Many of these students would likely withdraw from OUS institutions with long-lasting negative attitudes toward the institutions and OUS.
  - The loss of these students would result in a loss of tuition income.

**Chancellor’s Office**

The Chancellor’s Office, minimally, will be implementing a 10 percent reduction of $2.4 million. It is probable that number will increase before the session is over. There had been vacant positions or excess operating dollars prior to the $3.6 million reduction incurred in 2001-2003 (13.3 percent), however, that flexibility no longer exists. The System is reviewing program options that will reduce centralized services to the campuses and shift the responsibility where appropriate. There are a number of possibilities under consideration that will be discussed with the campuses as alternatives are finalized.

While there seems to be an inevitability by many internal and external constituents accepting the concept that “administrative” costs located centrally must be minimized, there will be added costs at the campus levels and that cannot be ignored. If services are being performed centrally to the benefit of the campuses, then the only way those services can continue is for universities to create a resource base to maintain support. There is an array of mandatory campus-focused activities such as payroll,
telecommunications, information systems (Banner) management, web development, cash management, tax development, collective bargaining, and much more that, if unfunded at the System level, will be a cost assumed by each university.

There are, as well, System activities that provide services to the Board, campuses, and external bodies. We have made marginal cuts in most activities and now must decide what responsibilities we simply will not be able to meet. Ultimately, we are determining how we will be accountable and to whom, conditioned not only on pertinent Internal Management Directives, Oregon Administrative Rules, and Board priorities, but also with cost as a critical factor.

As we move toward final decisions, we will work closely with the campuses and keep the Board informed of the status of programs and services.

(No Board action required.)
Board of Higher Education

Action Item

Affirmation of Presidential Search Procedures, OSU

May 16, 2003

Oregon State Board of Higher Education
Affirmation of Presidential Search Procedures, OSU

Summary
It is anticipated that in early June the Board will be conducting interviews with finalists for the position of president of Oregon State University. The Board will be asked to affirm the principles, procedures, and criteria for selection established by the Board. Members of the public will be provided further opportunity to comment on these procedures and criteria at the meeting of the Board of Higher Education.

Background
In accordance with ORS 192.660(1)(a)(D), to consider the employment of a public employee in executive session, the vacancy in that office must have been advertised; must have followed regularized procedures for hiring that have been adopted by the public body; and, the standards, criteria, and public directives to be used in hiring the chief executive officer must have been adopted by the governing body in meetings open to the public in which there has been opportunity for public comment.

The conduct of the OSU presidential search has followed the Board’s Internal Management Directive 1.140 as well as The Presidential Search Process adopted by the Board in public session, re-affirmed at the time the Search Committee was appointed at the December 2002 meeting of the Board. The criteria for selection of the president are based on the Board’s Internal Management Directives 1.102, 1.103, and 1.120 and on the following advertised demonstrated qualities:

- Visionary leadership in a large, complex organization;
- Capacity to lead effectively in an environment characterized by collaboration and shared governance;
- Ability to work creatively in forming and nurturing strong partnerships with a wide variety of constituents within the institution including students, faculty, and staff and outside the institution including foundations, businesses, and political leaders;
- Commitment to multiculturalism and diversity in all aspects relevant to the OSU culture as well as achievement in affirmative action and equal educational and employment opportunities;
- Significant experience and achievement in securing resources and other important forms of support from external organizations and individuals; and,
- A record of a high level of commitment to the maintenance and enhancement of the unique environment of the university within which the development, study, testing, and communication of ideas can occur.

Applicants will have appropriate credentials with an earned doctorate or other appropriate terminal degree or extraordinary accomplishment in a field of teaching, research, and service in one of the major areas of endeavor at OSU.
Staff Recommendation to the Board

Staff recommends the Board affirm the principles, procedures, and criteria for selection of the president of Oregon State University stated above.

(Board action required.)
Oregon State Board of Higher Education

Minutes

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May 15 & 16, 2003
Oregon State Board of Higher Education
1. **CALL TO ORDER/ROLL CALL**

President Lussier called the meeting of the State Board of Higher Education to order at 10:09 a.m.

On roll call, the following Board members answered present:

- Kerry Barnett
- Roger Bassett
- Tom Imeson
- Leslie Lehmann
- Jim Lussier
- Geri Richmond
- Don VanLuvanee
- Erin Watari
- Phyllis Wustenberg

Absent: Bill Williams (business conflict)

**Chancellor’s Office staff present:** Chancellor Richard Jarvis, Tom Anderes, Shirley Clark, Grattan Kerans, Ben Rawlins, Virginia Thompson, Diane Vines, and Susan Weeks.

**Others:** Dan Bernstine (PSU), Philip Conn (WOU), Phillip Creighton (EOU), Bill Danley (IFS), Martha Anne Dow (OIT), Dave Frohnmayer (UO), Lesley Hallick (OHSU), Dixie Lund (EOU), Rachel Pilliod (OSA), Tim White (OSU), and Elisabeth Zinser (SOU).

Meeting attendees also included other institutional representatives, members of the Chancellor’s Office staff, and interested observers.

2. **APPROVAL OF MINUTES**

- February 21, 2003, Board Meeting Minutes
- February 28, 2003, Special Board Meeting Minutes
- March 21, 2003, Special Board Meeting Minutes
- April 3, 2003, Special Board Meeting Minutes

The Board dispensed with the reading of the February 21, 2003, regular Board meeting, and the February 28, 2003; March 21, 2003; and April 3, 2003, Special Board meeting minutes. Director VanLuvanee moved and Director Barnett seconded the motion to approve the minutes as submitted. The following voted in favor: Directors Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Watari, Wustenberg, Young, and Lussier. Those voting no: none.

3. **BOARD PRESIDENT’S REPORT**

President Lussier thanked WOU President and Mrs. Conn and the campus community for their warm hospitality during the visit to the campus. He recognized the unrest on the
national and international scenes and commended the campuses on the exemplary job of maintaining free speech. In addition, he acknowledged the challenges facing the state and OUS during extremely difficult financial times. He pointed out that an article in the Wall Street Journal highlighted that many of Oregon’s challenges are being experienced on the national scene as well.

4. **CHANCELLOR’S REPORT**

Chancellor Jarvis reported that the major activity since the last Board meeting had been the OUS testimony before the Education Committee of Ways and Means. “Two weeks of hard work and an enormous amount of effort, both by those who gave testimony and by the equally or even larger number of folks who helped prepare testimony and follow-up on the many messages received requesting information and analyses required.” In particular, Chancellor Jarvis thanked Directors Lussier, Lehmann, and Bassett for their presentations on the opening day of the testimony; the presidents; and other community people. A listing of the names of others who assisted had been prepared for the Board.

The Chancellor thanked President Zinser for the invitation to participate in an SOU fundraising event. “It was one of those evenings where you see a community turn out and express their support for the president and the campus.” He acknowledged his gratitude to President Bernstine for entrusting a class at PSU to his teaching. Finally, he reported that he continues his efforts to establish better links with the rest of the public education system through meeting regularly with the Superintendent of Public Instruction and the Community College Commissioner.

**Presidents’ Reports**

President Zinser reported that SOU has hired Dr. Earl Potter, Dean of the College of Business at Eastern Michigan University, as provost. She indicated that an SOU graduate recently donated a collection of wireless technology to the Smithsonian Institute, which will be creating an exhibit around it.

Fire management experts recently convened at OSU, according to President White, to find better ways to manage forest and wildland fires; the Linus Pauling Institute recently received a $6.8 million grant over five years to investigate natural dietary ingredients and how they are an effective remediation in cancer; and two OSU students have received the prestigious Goldwater scholarships worth about $7,500 each.

Provost Hallick noted with pride that even in the very difficult times in which we find ourselves, the institution maintains high national standings, especially in the research arena. OHSU will become a national resource center for Indian Alcohol Studies; a collaborative venture that involves 51 tribal affiliations. OHSU Medical School sustained its number 2 ranking in primary care, while the Nursing School went to number 7 in the country.

President Creighton acknowledged the kind remarks of congratulations from OUS and others regarding his new appointment as President of Pacific University. He reported that, in close collaboration with OHSU, EOU has received federal funding to continue
the rural frontier delivery system that provides training for nurses across the state in rural communities. EOU faculty, staff, and students recently participated in a day of planning called, “The Courage to Question.”

President Bernstine announced that PSU has its first incubator. The Octavia Scientific Company is now housed in the School of Engineering and is working with faculty that run the chip-testing machines. Ground was broken for the new dormitory, “Broadway House.” Evidence of extensive construction is beginning to take place.

President Conn thanked the Board for coming to WOU and providing an opportunity for the campus to showcase students, faculty, and programs.

President Dow noted that OIT has a new provost. Dr. David Woodall, Dean of Engineering in Alaska/Fairbanks, will be assuming the position on July 1, 2003. There is a campus-wide planning and budget build-up process underway and some exciting new initiatives are under discussion. OIT has established a new collaboration with Clackamus Community College at the Wilsonville Center that involves the new Oregon Renewable Energy Center.

President Frohnmayer announced that, of the 186 Guggenhiem Fellows for this year, one is a UO Chemist. The College of Education is ranked within the top five in the nation; construction continues on the Art Museum; ground was broken for a new childcare center; and the Many Nations Longhouse groundbreaking will occur in the near future. Finally, he reported that the men’s a cappella group recently won the West Coast regional competition.

5. **Reports**

   **IFS President**

Dr. Bill Danley, IFS President, began his report by thanking Chancellor Jarvis for an extraordinary amount of communication with the faculty since he came to the System. He continued by acknowledging the current conditions in Oregon and the fact that, “The future of the Oregon University System lies in our being the driver of our economic recovery which will happen when we take care of business and get Oregon back on its feet.” While acknowledging the loss of students’ ability to access quality education at affordable levels, he reminded the Board “if we endure more cuts in our budget, it will come at the expense of the jobs of our colleagues and friends.” He concluded his remarks by stating that, “All of Oregon and all of America are suffering economically right now, and we on the faculty are committed to work with you and do our part to keep us going.” (The full text of Dr. Danley’s remarks are found in Attachment “A”.)

   **OSA President**

Ms. Rachel Pilliod, Board Chair of the Oregon Student Association (OSA), indicated that this was her final meeting as Chair of OSA. “I’d like to thank you all personally for the work this academic year and also for your willingness to include students in your discussions.” Secondly, she thanked the Board for the work that had been done on shared governance and indicated that, overall, OSA sees this as a broad reflection of
Continuing, she said there were a few friendly additions OSA would recommend:

1) Student governments should be added into the implementation part of the policy, ensuring that the recognized student government is involved in the writing and finalizing of the campus policy.
2) The implementation part of the policy should note that the student government and the administration will work to agree on the policy before it is submitted to the Chancellor.
3) Student government should be recognized as the official student liaison on shared governance issues.

Ms. Pilliod thanked those from OUS and the institutions who had supported students in their “fight to protect the student incidental fee and the democratic, student-controlled process.” This, she said, stopped House Bill 3600. The remainder of the OSA report focused on the need to establish a balance among access, affordability, and quality, and she encouraged the Board not to take any final action on enrollment at the present meeting, stating a need to have further discussions with legislators. (The full text of Ms. Pilliod’s remarks are available in Attachment “B”.)

6. **SYSTEM STRATEGIC PLANNING COMMITTEE**
   **CONSENT ITEMS**
   a. **PSU, M.S., Statistics**

**DOCKET ITEM:**
Portland State University proposed a program leading to the M.S. degree in Statistics, effective immediately. Currently, PSU offers statistics as an option in the Mathematical Sciences master’s program; that option will be terminated upon approval of this program.

Virtually all coursework needed for the proposed program is in place. Some courses are shared with Oregon Health and Science University. Faculty from both institutions co-teaches in this program and students from the two institutions utilize coursework on both campuses. Students in the proposed program would complete 45 credits, at least 30 of which would be in statistics. In addition, they would be required to pass two examinations: one in mathematical statistics and one in applied statistics. Three credits of statistical consulting are required, as well. The consulting courses include a community service component that gives students the opportunity to be involved in community projects in the Portland metro area.

The only other OUS institution offering graduate degrees in statistics is Oregon State University (M.A., M.S., Ph.D.). During review and discussion of this program by the Academic Council, members observed that the demand for such programs seems almost insatiable, and program duplication is not an issue.
With the enormous amount of data generated in this information-based society, people skilled in statistics are a valuable and necessary resource. PSU’s mathematics department routinely receives requests for students with statistical skills at the graduate level. Most commonly, these requests center on risk analysis work, actuarial employment, or more general data analysis employment. At the national level, 750 job advertisements for statisticians were listed with Amstat Online in 2001, many with multiple openings. Best estimates are that the demand for statisticians is approximately twice the supply.

The work of statisticians ranges from the theoretical to the applied. Graduates of this program may find employment across the breadth of industry and government, doing such things as analyzing consumer prices, clinical trials, and agricultural techniques; predicting consumer behavior; ensuring viability of retirement accounts; and training teachers.

PSU anticipates serving approximately 30 to 40 students annually, with eight graduates per year. A baccalaureate degree in mathematics is not required for entry into the program. However, a number of math prerequisites must be met prior to admission (i.e., Calculus, Advanced Calculus, Differential Equations, Linear Algebra, Abstract Algebra). Students may be admitted conditionally if not all of the prerequisite courses have been completed.

Eight faculty will participate in offering the program. PSU anticipates adding one assistant professor in applied statistics in the third year of the program, to be supported from reallocated institutional resources. This will allow the department to offer the proposed additional courses and meet the expected enrollment demands of the program in the near future. Currently, 30 to 40 percent of student credit hours in the department are generated under the Stat prefix. Existing math faculty supports the statistics program as instructors of introductory sequences. However, trained statisticians are needed to teach more advanced applied courses in the program. Beyond the additional faculty member, no other resources are required to offer the program.

Drs. Xuming He, University of Illinois, and Jessica Utts, University of California, Davis, formed the external review team. Both are professors of statistics at their respective institutions. Overall, they were supportive of the program and viewed the close collaboration with OHSU as very positive. The team thought that the breadth of faculty expertise and interests exceeded that of many statistics programs and indicated that this program will benefit the institution, the region, and the state. They recommended that the coursework should reflect guaranteed skill development in statistical software; the program has been revised accordingly.

All appropriate University committees and the OUS Academic Council have positively reviewed the proposed program.
Staff Recommendation to the System Strategic Planning Committee

Staff recommended that the Board authorize Portland State University to establish a program leading to the M.S. in Statistics. The program would be effective immediately. The OUS Office of Academic Affairs would conduct a follow-up review in the 2008-09 academic year.

BOARD DISCUSSION AND ACTION:

It was moved by Director Bassett and seconded by Director Lehmann that the Board endorse the System Strategic Planning Committee’s recommendation to approve the staff recommendation. Those voting in favor of the motion: Directors Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Watari, Wustenberg, Young, and Lussier. Those voting no: none.

b. PSU, Graduate Certificate, Geographic Information Systems

DOCKET ITEM:

Portland State University proposed to offer the graduate certificate in Geographic Information Systems (GIS), effective summer 2003. This program would provide introductory and in-depth study of the design and application of GIS technology. Although administered by the PSU Department of Geography, courses would also be drawn from urban studies and planning and geology, thus reflecting the multidisciplinary nature of GIS.

GIS is an important methodology for scientific research, planning, and engineering. The goals of the program are to (1) provide a solid grounding in the science of geo-spatial data representation and spatial analysis, (2) provide opportunities to work with advanced specializations in GIS at an extended level, and (3) include GIS projects embedded in the courses and utilizing a range of technical and analytical skills required of GIS practitioners. Students would be required to complete 20 graduate credits in such courses as GIS applications, GIS for the natural sciences, field GIS, satellite digital image analysis, and maps and models. Students would also be required to meet the prerequisites for some of these graduate-level courses.

Many occupations, both public and private, require evidence of professional development for working with geographic information systems. Environmental management, planning, engineering, and business professions all employ people with GIS expertise. PSU anticipates student enrollment of no more than 40 students at a time.

No new courses or faculty are required for this program. Support for this certificate program will be provided by the Colleges of Liberal Arts and Sciences and Urban and Public Affairs, as well as PSU’s Office of Information Technologies and Graduate Studies and Research.
Although other OUS institutions offer coursework in GIS, none of them offers a graduate certificate program in GIS. All appropriate University committees and the OUS Academic Council have positively reviewed the proposed program.

Staff Recommendation to the System Strategic Planning Committee
Staff recommended that the Board authorize Portland State University to establish a program leading to the graduate certificate in Geographic Information Systems. The program would be effective summer 2003. The OUS Office of Academic Affairs would conduct a follow-up review in the 2008-09 academic year.

BOARD DISCUSSION AND ACTION:
It was moved by Director Bassett and seconded by Director Lehmann that the Board approve the staff recommendation. Those voting in favor of the motion: Directors Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Watari, Wustenberg, Young, and Lussier. Those voting no: none.

c. UO, B.A./B.S., Multimedia Design

DOCKET ITEM:
The University of Oregon proposed to offer a program leading to the B.A./B.S. degree in Multimedia Design, effective fall 2003. This program builds on the success of UO’s B.F.A. in Multimedia Design.

The proposed B.A./B.S. is a straightforward liberal arts degree with a major focus in multimedia design, whereas the current B.F.A. program requires an additional 46 upper-division studio credits. The intensity of the B.F.A.’s mandatory fifth year is not appropriate for all students. Therefore, in an effort to address student demand in this area, the proposed B.A. and B.S. degree options were developed.

Other related programs in the state include a baccalaureate degree program in Computer Science/Multimedia at Eastern Oregon University, multimedia associate degrees at Lane and Portland Community Colleges, a certificate program at Portland State University, and a multimedia minor at Oregon State University. The UO program differs from EOU’s program in its strong art emphasis rather than computer science.

Students in the proposed program will complete 180 credits in the use, invention, and production of all forms of multimedia creative works and Internet-based communications. The curriculum, which is based on the history and practice of visual arts and communications, will include issues of concept, theory, and authoring. Students will share with art majors a foundation of Basic Design, Drawing, and Art History. This connection to the history and practice of visual communication is a primary strength of the program. One art history course will be exchanged with an historical survey entitled Multimedia Survey that places digital media in a specific cultural and historical context. Students will also develop original multimedia work in hands-on labs, studios, seminars, and internships.
Student demand for the B.F.A. in multimedia design has been significant; only 40 percent of applicants are accepted. Adding the four-year degree option will not increase the total number of students in the program (currently, 160 to 200 students). Rather, the same number of students majoring in multimedia design will now have the choice of either a four-year or five-year program (approximately 80 percent in the B.A./B.S. and 20 percent in the B.F.A.).

Graduates of this program will be qualified for work in professional digital media design and production, as well as work in other culture industries. They will also be prepared to work independently creating art. Graduates may elect to continue toward the B.F.A., attend graduate school in another field, or immediately enter the workforce.

No new faculty, library, studio, equipment, or other resources are required for this program.

All appropriate University committees and the OUS Academic Council have positively reviewed the proposed program.

Staff Recommendation to the System Strategic Planning Committee
Staff recommended that the Board authorize the University of Oregon to establish a program leading to the B.A./B.S. in Multimedia Design. The program would be effective fall 2003. The OUS Office of Academic Affairs would conduct a follow-up review in the 2008-09 academic year.

BOARD DISCUSSION AND ACTION:
Director Bassett moved and Director Lehmann seconded the motion to accept the System Strategic Planning Committee recommendation to approve the staff recommendation. Those voting in favor: Directors Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Watari, Wustenberg, Young, and Lussier. Those voting no: none.

d. SOU, Undergraduate Certificate, Interactive Marketing & e-Commerce

DOCKET ITEM:
Southern Oregon University proposed to offer an undergraduate certificate in Interactive Marketing and e-Commerce, effective immediately. Students in this program will complete 32 credits–24 credits of core coursework (direct marketing, Internet marketing and e-commerce, programming II, web authoring, introduction to multimedia, and a course on databases) and 8 elective credits in an approved, related area.

Traditionally, marketing curriculum focuses on mass marketing or segment marketing. It is now practical for companies to reach large numbers of consumers and businesses with marketing that targets individual needs and wants, potentially reducing the amount of unappreciated marketing messages. American consumer spending on products ordered directly online, or influenced by online Internet marketing, reached $36.6 billion in 1999 and was estimated to exceed $1.2 trillion, worldwide, in 2002.
The Southern Oregon region is no exception to this significant shift. Interactive marketing and e-commerce is a foundation of many area businesses, from home office to large companies. Bear Creek Corporation, one of the world’s largest direct marketers, is headquartered in Medford. Bear Creek and other regional businesses that conduct e-commerce and other interactive direct marketing experience a chronic shortage of skilled marketing and information technology professionals. This proposed certificate program would help meet that need.

The program is designed for SOU’s business majors, but would also be useful for working professionals who want to update their skills. Graduates of the certificate program would be prepared with the technical skills to work closely with information and web technology groups in business, government, or educational settings. SOU anticipates five graduates per year, doubling to ten or more by the fifth year of operation.

There is no similar program offered by OUS institutions. SOU has sufficient faculty, staff, and facilities to offer this program. All appropriate University committees and the OUS Academic Council have positively reviewed the proposed program.

Staff Recommendation to the System Strategic Planning Committee
Staff recommended that the Board authorize Southern Oregon University to establish a program leading to the undergraduate certificate in Interactive Marketing and e-Commerce. The program would be effective immediately. The OUS Office of Academic Affairs would conduct a follow-up review in the 2008-09 academic year.

BOARD DISCUSSION AND ACTION:
It was moved by Director Bassett and seconded by Director Lehman that the Board approve the System Strategic Planning Committee’s recommendation to approve the program. Those voting in favor: Directors Barnett, Bassett, Imeson, Lehman, Richmond, VanLuvane, Watari, Wustenberg, Young, and Lussier. Those voting no: none.

e. Nominations to the Forest Research Laboratory Advisory Committee, OSU

DOCKET ITEM:
Summary
Pursuant to ORS 526.225, Oregon State University nominated Linda Goodman and Roy Woo to the Forest Research Laboratory Advisory Committee and requests the Board make the recommended appointments.

Background
ORS 526.225 specifies that the Board of Higher Education shall appoint a Forest Research Laboratory Advisory Committee composed of 15 members, nine of whom are to be individuals engaged, actively and principally, in timber management of forest lands, harvesting, or processing of forest products; three individuals who are the heads
of state and federal public forestry agencies; and three individuals from the public-at-large. Although the statute does not prescribe the terms of the Committee members, the practice has been to make appointments for a period of three years. Traditionally, those who are performing actively and effectively have been recommended for reappointment to a second three-year term, with all members replaced at the conclusion of a second term.

**Recommendation by Forest Research Laboratory Director**

Dr. Hal Salwasser, director of the Forest Research Laboratory, with the concurrence of President Tim White, has made the following recommendations:

- Appointment of Linda Goodman, newly appointed Regional Forester for the Pacific Northwest Region to fill the vacant position as head of a public forestry agency. The position was previously held by Harv Forsgren, who has transferred to Albuquerque, New Mexico. Ms. Goodman began her career with the Forest Service on the Olympic National Forest in Washington State in 1974. During her career, she has worked in a wide variety of administrative and managerial roles at every level of the organization. She has worked in five different National Forests in the Pacific Northwest Region. From October 2001 to June 2002, Ms. Goodman served as Acting Chief of Staff for the Forest Service in Washington, DC. She provided advice and counsel on all aspects of the management of the Forest Service and represented the Chief of the Forest Service in meetings with the Department of Agriculture, other federal, state, and local agencies, as well as with external partners. Ms. Goodman graduated from Linfield College in McMinnville, Oregon with a Bachelor of Science degree in Management. She continued her education in Forestry at Oregon State University.

- Appointment of Roy Woo, who has been named the Acting State Forester until a permanent State Forester has been chosen. The previous State Forester, James Brown, has resigned to accept a position in the Governor’s Office as the Natural Resources Policy Director. The State Forester position on the Advisory Committee is a statutory requirement. Mr. Woo has served as Deputy State Forester of the Oregon Department of Forestry since June 1, 2000. In his 30 years with the agency, he has held several positions including: Northwest Oregon Area Director, Klamath Falls District Forester, Assistant Personnel Director in Salem, and forester positions in Coos Bay, Dallas, Tillamook, and Prineville. Mr. Woo graduated in 1972 from Washington State University with a degree in forest management.

**Staff Recommendation to the System Strategic Planning Committee**

Staff recommended that the Board approve the above appointments to the Forest Research Laboratory Advisory Committee.

**BOARD DISCUSSION AND ACTION**

It was moved by Director Bassett and seconded by Director Lehmann that the Board approve the appointments to the Forest Research Laboratory Advisory Committee.

**SYSTEM STRATEGIC PLANNING COMMITTEE REPORT**

Director Bassett summarized the discussion of the *2003 OUS Diversity Report* that was presented to the SSP Committee by Dr. Yvette Webber-Davis, Director of Diversity Planning for OUS. He indicated that the results in the Report demonstrated that OUS and the institutions have taken the goals of diversity seriously. Further, it reflects continued campus commitment and adoption of practices that sustain improvement. The SSP Committee will be scheduling a time when there can be an extended discussion of diversity challenges.

It was reported that the SSP Committee continues to wrestle with the intersection of quality and access. Director Bassett shared a proposed motion the Committee had discussed:

Moved that the State Board of Higher Education henceforth link state funded enrollment directly to a minimum value of funding per FTE, based upon a recent enrollment period and indexed to the agreed state RAM appropriation. This policy shall be known as the “sustainable enrollment level” of OUS and shall represent the commitment of the State Board to stop the erosion of quality in the delivery of OUS instructional services.

When a campus seeks to enroll additional resident students beyond the limits of those funded by state appropriation (i.e., on the margin of support provided by their tuition alone), the Board shall hold the institution accountable for assuring that the quality of the student experience and the level of campus performance be maintained.

Director Bassett continued by pointing out that this is a starting point for additional work with the Governor, legislative leaders, and others. At the Joint Boards Working Group meeting, the discussion led to major convergence with the State Board of Education and how they had presented the community college budget at the beginning of the legislative session with a decision to accept declining enrollment as distinguished from a decline in per-student funding. “This is pretty unprecedented to have the two Boards taking the position on something this significant,” he observed.

This led to plans for a discussion with the Governor and key legislative leaders, Director Bassett reported. President Lussier added that there was no immediate need for approval of the statement at this meeting; rather there was a desire to get a general consensus that this was in the direction the Board would approve. Director Young said his observation from the Joint Boards Working Group meeting was that K-12 and community colleges share the same plight as higher education, “and I think they also share our sense of responsibility. The feeling that I left with was that we’re all unwilling to sacrifice the integrity of the experience any longer. I think the unification of our voices is pretty powerful and unprecedented. I fully endorse this approach,” he concluded.
Director Imeson urged the Board to distinguish between short-, medium-, and long-term outcomes. He questioned whether the Board should deal with the enrollment whenever the tuition issues are raised because of the direct linkages between them. His assertion was the state has in the past, and continues today, to act as if there were no consequences to various levels of funding. Part of the responsibility of the Board is to offer alternative solutions. He pointed out the benefits of having an honest discussion with the legislature, the executive branch of government, and stakeholders to determine the best way to address the resource issues. “I don’t know if the precise words are right, but I think the conversation is the right one to have. And, to me, it’s also about more transparency in the way that our System and budget works so that people can understand what the levers are and can make informed judgments about them.” Director Imeson concluded by saying that, “In the immediate crisis situation, we can’t be too strident about how we make our case.”

7. **Budget and Finance Committee**

   **Action Items**

   a. **Institutional Tuition Proposal 2003-04 and 2004-05**

   **REVISED DOCKET ITEM:**

   At the March 21, 2003 Special Meeting the Board approved five recommendations concerning funding priorities, tuition, and enrollment planning for the 2003-2005 biennium. These recommendations included directives to the staff to return in April with tuition plans for each institution for 2003-04 and 2004-05. The proposals incorporate the mid-year tuition surcharges initiated in the 2002-03 academic year.

   In developing the proposal for each tuition rate, campuses have had to evaluate its financial conditions in light of several considerations including: 2001-2003 reductions; funding the 4 percent “rainy day” fund directed by the Governor; continued enrollment growth; potential impact on each student category of tuition differentials; ability to support fee remissions; and, the uncertain economics of the 2003-2005 biennium.

   Tuition increases for 2003-04 are measured against the annualized 2002-03 spring term tuition with the tuition surcharges. The 2003-04 tuition plans for the various student categories vary widely by institution. Resident undergraduate rate increases range from 0 percent to 8 percent; non-resident undergraduate rate increases range from 0 percent to 16 percent; resident graduate rate increases range from 3 percent to 16 percent; and non-resident graduate rate increases range from 0 percent to 30 percent. The rates of increase for 2004-05 range between 3.5 percent and 12 percent and are more uniformly applied by institutions to student all categories.

   Additionally, institutions are considering alternative ranges to the tuition plateau. Historically students have paid the same tuition as undergraduates from 12-18 credit hours and as graduates from 9-16 credit hours. With the UO being approved to compress the plateau in 2002-03, other institutions are considering similar changes.
The Chancellor will be permitted to authorize minor adjustments to this plan as deemed necessary and report these adjustments to the Board at the earliest opportunity.

Summary
The staff recommends approval of the 2003-04 and 2004-05 tuition plans proposed by the institution presidents. At its March 21, 2003 meeting, the Board directed the staff to return in April with a formal tuition plan for the ensuing biennium. More complete details and proposed fee and policy changes will be brought to the Board in July for adoption of the 2003-04 Academic Year Fee Book as a permanent Administrative Rule.

Background
At the March 21, 2003 Special Meeting the Board approved five recommendations concerning funding priorities, tuition, and enrollment planning for the 2003-2005 biennium.

Recommendation #2 of that proposal ratified, as permanent tuition rates, the temporary tuition surcharges previously approved in December 2002 and January 2003. That recommendation calls for the staff to prepare the necessary Oregon Administrative Rule changes to reflect this tuition rate. The permanent rule change will be done in July 2003 when the Board is presented with the 2003-04 Academic Year Fee Book for its adoption.

Recommendation #3 directed the Chancellor to prepare a formal tuition and enrollment plan to be considered for approval by the Board. The tuition plan, as recommended by the institution Presidents is presented herein. The status of enrollment planning will be reviewed at the Board meeting.

Information
The Board has expressed a goal of limiting tuition increases at predictable minimal levels to maintain access for Oregonians and allow students to better plan and manage costs. The institutions were encouraged to assure that financial aid, through fee remissions, continue to be set aside to fund financial aid for low-income students. Additionally, the commitment to 2004-05 tuition plans will further provide a measure of predictability for students and their families over the 2003-2005 biennium.

In developing the proposal for each tuition rate, campuses have had to evaluate its financial conditions in light of several considerations:

- General fund reductions incurred in 2001-2003 which reduced the state support for operating expenses by over 10 percent;
- The 4 percent General Fund reductions in 2003-2005 off the Governor’s Recommended Budget to fund a “rainy day fund” as directed by the Governor;
- Enrollment projections that indicate continued growth in demand;
- Potential impact on each student category from tuition increase differentials;
- Ability to support financial aid through fee remissions to maintain access for financially needy students; and
• The uncertainty of estimating the tuition income needs in 2004-05 in uncertain economic times.

The results are the proposed institution tuition plans, presented in this report, including a statement of intent for continuing fee remission programs for financial aid. These plans are consistent with the Board’s ratification of incorporating the 2002-03 mid-year tuition surcharges into the tuition base of each institution. It should be noted that the tuition rates in the current proposal do not address any impact that might occur should the Governor’s Recommended budget be reduced by more than the 4 percent for the “rainy day” fund.

**Institution Tuition Plans**
The tuition plans for each institution for 2003-04 and 2004-05 are summarized below. Following action of the Board in March to make permanent the tuition surcharges of 2002-03, the increases for 2003-04 are measured against the Spring 2003 tuition levels, with tuition surcharges, annualized to three terms. The rates are only for tuition and not other mandatory enrollment fees.

Institutions are also considering alternatives to the tuition plateau. Historically, undergraduate students have paid the same tuition for 12-18 credit hours and graduates for 9-16 credit hours. The UO was approved to compress the plateau in 2002-03. Institutions are considering further changes for 2003-04. Details of these changes will be brought to the Board in July with the Academic Year Fee Book.

**Eastern Oregon University**
EOU tuition rates for 2003-04 will increase as follows: resident undergraduates–3.2 percent to $3,102; non-resident undergraduates–3.2 percent to $3,102; resident graduates–15.6 percent to $8,046; nonresident graduates–30.4 percent to $15,429.

EOU tuition rates for 2004-05 will increase as follows: resident undergraduates–10.0 percent to $3,411; non-resident undergraduates–10.0 percent to $3,411; resident graduates–10.0 percent to $8,850; nonresident graduates–10.0 percent to $16,971.

EOU has increased its long term, ongoing fee remissions programs to maintain parity with historical fee remission rates.

**Oregon Institute of Technology**
OIT tuition rates for 2003-04 will increase as follows: resident undergraduates–3.3 percent to $3,333; non-resident undergraduates–0.6 percent to $12,534; resident graduates–3.3 percent to $5,955; nonresident graduates–0.3 percent to $10,596.

OIT tuition rates for 2004-05 will increase as follows: resident undergraduates–9.0 percent to $3,633; non-resident undergraduates–9.0 percent to $13,662; resident graduates–9.0 percent to $6,492; nonresident graduates–9.0 percent to $11,550.
OIT will maintain its fee remission efforts at its historic level of 17 percent of tuition revenues.

Oregon State University
OSU tuition rates for 2003-04 will increase as follows: resident undergraduates – 4.0 percent to $3,492; non-resident undergraduates – 14.1 percent to $16,248; resident graduates – 13.1 percent to $8,139; nonresident graduates – 13.6 percent to $14,376.

OSU tuition rates for 2004-05 will increase as follows: resident undergraduates – 5.0 percent to $3,666; non-resident undergraduates – 5.0 percent to $17,061; resident graduates – 5.0 percent to $8,547; nonresident graduates – 5.0 percent to $15,096.

OSU will maintain its fee remission efforts at its historic level of 11 percent of tuition revenues.

Portland State University
PSU tuition rates for 2003-04 will increase as follows: resident undergraduates – 0.0 percent remaining at $3,240; non-resident undergraduates – 2.0 percent to $12,888; resident graduates – 5.7 percent to $6,966; nonresident graduates – 8.4 percent to $12,582.

PSU tuition rates for 2004-05 will increase as follows: resident undergraduates – 8.0 percent to $3,498; non-resident undergraduates – 4.0 percent to $13,404; resident graduates – 8.0 percent to $7,524; nonresident graduates – 8.0 percent to $13,590.

PSU will support fee remission efforts, including Graduate Assistantships, at 13 percent of tuition revenues. However, this level does not provide aid to all of the neediest students.

Southern Oregon University
SOU tuition rates for 2003-04 will increase as follows: resident undergraduates – 3.4 percent to $3,138; non-resident undergraduates – 8.3 percent to $11,811; resident graduates – 9.3 percent to $6,312; nonresident graduates – 7.3 percent to $11,559.

SOU tuition rates for 2004-05 will increase as follows: resident undergraduates – 12.0 percent to $3,516; non-resident undergraduates – 8.0 percent to $12,756; resident graduates – 12.0 percent to $7,068; nonresident graduates – 8.0 percent to $12,483.

SOU will increase the level of fee remissions in both 2003-04 and 2004-05. New scholarship programs are being created from private funds.

University of Oregon
UO tuition rates for 2003-04 will increase as follows: resident undergraduates – 2.0 percent to $3,540; non-resident undergraduates – 0.6 percent to $15,090; resident graduates – 9.0 percent to $7,587; nonresident graduates – 0.2 percent to $12,387. The
undergraduate tuition cost can be reduced with a 15 percent discount per credit hour for time-of-day discounts on selected courses.

UO tuition rates for 2004-05 will increase as follows: resident undergraduates—12.0 percent to $3,966; non-resident undergraduates—3.5 percent to $15,618; resident graduates—12.0 percent to $8,496; nonresident graduates—3.5 percent to $12,822. The undergraduate tuition cost can be reduced with a 15 percent discount per credit hour for time-of-day discounts on selected courses.

UO will maintain its level of fee remissions, but will likely shift some allocation from merit-based awards to the need-based pool.

Western Oregon University
WOU tuition rates for 2003-04 will increase as follows: resident undergraduates—8.0 percent to $3,240; non-resident undergraduates—4.1 percent to $11,505; resident graduates—13.8 percent to $6,549; nonresident graduates—10.8 percent to $11,793.

WOU tuition rates for 2004-05 will increase as follows: resident undergraduates—6.0 percent to $3,435; non-resident undergraduates—3.5 percent to $11,907; resident graduates—6.0 percent to $6,942; nonresident graduates—3.5 percent to $12,207.

WOU will set aside 7 percent of the tuition increase for additional fee remissions.

As the Legislative Session continues and further information becomes known, it may be necessary to make minor adjustments to these plans. In such an event, the Chancellor would authorize such changes and report to the Board at the next earliest opportunity.

Staff Recommendation to the Budget and Finance Committee
Staff recommended that the Board Budget and Finance Committee approve the tuition plans for 2003-04 and 2004-05 academic years outlined in this report; direct the staff to incorporate these plans into the Academic Year Fee Book 2003-04 (Administrative Rule OAR 580-040-0040) to be presented to the Board for consideration in July 2003; authorize the Chancellor to make minor adjustments to this plan in its final development; and, recommend approval by the Board.

BOARD DISCUSSION AND ACTION:
It was moved by Director VanLuvanee and seconded by Director Wustenberg that the Board endorse the Budget and Finance Committee’s recommendation to accept the staff recommendation. On roll call, those voting in favor of the motion: Directors Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Wustenberg, Young, and Lussier. Those voting no: Watari.
b. Revision of Board 2003-05 Funding Priorities for Fee Remissions Transitions

DOCKET ITEM:
At the March 21, 2003, meeting, the Board approved a list of 55 funding priorities for presentation to the legislature. Priorities 14 and 55 (both Fee Remission Transition), support funding to universities that, when the RAM was developed, couldn’t fund a proportional share of fee remissions through tuition. The program, with projected expenditures of $830,000 for the 2003-2005 biennium, was to be phased out by 2005-2007. As a consequence the decision was made to reduce the funding in 2003-2005 by 50 percent or $410,000.

During the legislative hearings it was suggested that the reduction of fee remissions during a period of tuition and fee rate escalation was counterproductive. Further, the potential for negative impacts on the most needy was seen as a distinct possibility.

It became clear that the Oregon University System position should be reconsidered. The original concept that universities gradually substitute tuition funds for the General Fund support, which was sound in 1999 and even in 2001, does not fit with the diminished General Fund of 2002-03. Chancellor Jarvis assured the Committee he would relay their concerns to the Board and seek a revision.

Staff Recommendation to the Budget and Finance Committee
It was recommended that priority 55 be eliminated and the full funding of the program be reflected in priority 14 at $830,000. The System is directed to identify $410,000 to replace the reductions.

BOARD DISCUSSION AND ACTION:
Director Bassett noted that, in approving the staff recommendation, the Board is “re-enforcing our commitment to fee remissions and it should be noted that means we are, at least implicitly, positioning ourselves to oppose the Co-Chairs’ notion that we should balance our budget by eliminating the fee remission program.”

It was moved by Director VanLuvanee and seconded by Director Young that the Board endorse the Budget and Finance Committee’s recommendation to approve the staff recommendation. Those voting in favor of the motion: Directors Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Watari, Wustenberg, Young, and Lussier. Those voting no: none.

CONSENT ITEM
a. Managerial Reporting–Quarterly Management Reports

DOCKET ITEM:
Background
One of the recommendations coming out of the fiscal accountability framework project was that mechanisms be established to provide assurance to the Board that the financial activity of OUS universities is being monitored on an ongoing basis. It is
understood that each university is responsible for monitoring its financial activity. An objective of the fiscal accountability framework was to ensure that sufficient controls and documentation are in place to provide the Board with assurance that ongoing monitoring is indeed taking place.

Monitoring OUS financial activity is a significant challenge given its annual revenues exceed $1.5 billion and its accounting records comprise over 31,000 funds in 28 major fund groups. The management reporting workgroup of the fiscal accountability framework reviewed various external resources to identify managerial reporting needs. One key resource included a publication entitled Financial Responsibilities of Governing Boards of Colleges and Universities (Second Edition), which was produced jointly by the Association of Governing Boards of Universities and Colleges (AGB) and the National Association of College and university Business Officers (NACUBO). Other resources included sample reports from a number of major institutions and systems of higher education, as well as certain reports already produced within OUS, both by the Chancellor’s Office and University personnel. The workgroup identified 15 management reporting needs, in varying degrees of detail, that would be prepared by each university, reviewed by the Chancellor’s Office, and summarized for the Board. The 15 management reporting needs are listed in Appendix A.

A subsequent work team developed reporting formats to satisfy 5 of the 15 management reporting needs. The reporting formats resulted in three reports:

- Comparison of projected end-of-year amounts to initial and operational budgets
- Comparison of year-to-date financial activity to prior year
- Tracking of monthly cash balances

The intent was to report the operating activity of the seven OUS universities and the Chancellor’s Office into a series of summarized and useful reports.

The reports noted above and presented herein focus on unrestricted funds and auxiliary enterprise funds. Reports addressing the other funds of OUS will be incorporated in future phases of the managerial reporting project.

The above reports are intended to be prepared quarterly. It was determined that first quarter reports would not be presented because of the timing of the Board approval of the annual operating budget, and because the first quarter occurs before the beginning of fall term and, therefore, may not be useable for making reasonable year-end projections. Therefore, it was determined that reports would be prepared and presented to the Board for three quarters each year:

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<tr>
<th>Quarter Ending</th>
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<td>December</td>
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Analysis
The attached management reports of unrestricted funds and auxiliary enterprises are designed to provide information of the financial activity of the current fiscal year, to identify potential problems, and to provide consistent documentation that ongoing monitoring is taking place. The three reports contain data from the accounting records but also contain end-of-year projections from university management, which are estimates based on the information available at the time the projections are made.

After reviewing the series of unrestricted funds and auxiliary enterprise reports received from each university, we have noted the following:

COMPARISON OF PROJECTED END-OF-YEAR AMOUNTS TO INITIAL AND OPERATIONAL BUDGETS:

1) Operational versus Initial Budget
The Board approves an initial budget in October of each year. The initial budget contains projected revenues, with a general understanding of a balanced budget in which projected expenditures equal projected revenues.

As additional information becomes available throughout the year, the universities make adjustments to update the initial budget. Examples include expected changes in government appropriations and tuition and fee revenue. Another example would include carrying forward a department’s unexpended budget balance from the prior year into the expenditure budget of the current year. The initial budget and the adjustments become the operational budget.

2) Government Appropriations
Government appropriations in the initial budget were $392 million. Current projections for government appropriations are $343 million, which is $49 million or 13 percent less than the initial budget approved by the Board. These reductions are due to the budget reductions made by the Oregon legislature.

3) Student Tuition and Fees
The increase in current projections for student tuition and fees is primarily attributable to the tuition surcharge implemented in winter term. The initial budget projected student tuition and fees of $340 million. The current projection of $345 million now makes student tuition and fees a larger revenue source than government appropriations.

4) Education and General Expenditures
Due to the decline in government appropriations, the projected Educational and General expenditures are $53 million or 7 percent less than the initial budget approved by the Board.
5) **Ending Fund Balance**

At this time, the fund balance projected for the end of the year is comparable to the beginning fund balance.

**COMPARISON OF YEAR-TO-DATE FINANCIAL ACTIVITY TO PRIOR YEAR:**

1) **Student Tuition and Fees**

Student Tuition and Fees recorded through December 31, 2002, of $235 million is $45 million higher than recorded for the same period last year. Universities attributed the increase to the following:

- In the prior fiscal year, a portion of the winter term tuition and fees were not recorded until the following month, January.
- Increased enrollment.
- Tuition increases.

2) **Education and General Expenditures**

Education and General expenditures for the six months ended December 31, 2002, are lower than the Education and General revenues. This is because the revenues relating to Education and General (e.g., tuition and fees) are generally received once each quarter and need to be sufficient to cover expenditures that occur throughout each of the following three months.

Education and General expenses of $355 million for the six months ending December 31, 2002, are $20 million or 6 percent higher than for the same period one year ago. The increase is primarily attributable to the increase in student enrollment.

3) **Net Operating Surplus (Deficit)**

Although December 31, 2002, and 2001 show a current operating surplus, much of the surplus will be used up during the months of January, February, and March, when no additional tuition and fee revenues are received.

**TRACKING OF MONTHLY CASH BALANCES:**

1) **Cash Balances at December 31, 2002**

The cash balances are comparable to prior months and to the same periods in prior years. We did note that cash balances of service departments have been showing continual declines. Service departments provide services to other university departments. Revenues of service departments are only recorded when the billings are generated and issued to university departments. University management attributes the cash balance decreases to some service departments not generating billings until the following month. Management will continue to monitor this issue.

Additional reports to support the above analysis are on file and available upon request.
Conclusions
OUS universities are responsible for monitoring their financial activity. Much of the financial activity is monitored in relation to the projected year-end totals of revenues and expenditures. These projections are estimates.

The OUS Controller’s Division requested the management of each university to verify the amounts in the managerial reports, to update annual projections, and to identify and provide explanations to significant variances. The Controller’s Division reviewed the managerial reports and variance explanations provided by each university for reasonableness, and compiled the managerial reports of each university into a series of consolidated Systemwide reports.

The fiscal status of OUS unrestricted funds and auxiliary enterprise funds at December 31, 2002, are stable. University management have adjusted their budgets and managed revenues and expenditures in response to the state appropriation reductions. University projections indicate year-end results within reasonable operational parameters.

Staff Recommendation to the Budget and Finance Committee
Staff recommended that the Board accept the above management reports for December 31, 2002. Additional reports will be prepared for the quarter ending March 31, 2003, and will be presented to the Board in June 2003.

BOARD DISCUSSION AND ACTION:
It was moved by Director VanLuvanee and seconded by Director Wustenberg that the Board approve the staff recommendation. Those voting in favor of the motion: Directors Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Watari, Wustenberg, Young, and Lussier. Those voting no: none.

8. Full Board Action Items
   c. Confirmation of Appointment of Dr. Dixie Lund as Interim President, EOU

Docket Item:
   Background
A special Board meeting was convened on April 3, 2003, via teleconferencing, for the purpose of selecting an Interim President of Eastern Oregon University. Following an executive session, Chancellor Jarvis recommended that Dr. Dixie Lund be named Interim President of EOU. This appointment is to become effective June 1, 2003, and continue until a new president has been appointed. The vote of the Board on this recommendation was unanimous.

Because the meeting was held by teleconferencing, Legal Counsel has suggested that a confirming vote be taken at the Board meeting.
Staff Recommendation to the Board
Staff recommended that the Board confirm the vote of Dr. Dixie Lund as Interim President of EOU, to be effective June 1, 2003, and continue until a new president has been appointed.

BOARD DISCUSSION AND ACTION:
Director VanLuvanee moved and Director Wustenberg seconded the motion to approve the staff recommendation. Those voting in favor or the motion: Directors Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Watari, Wustenberg, Young, and Lussier. Those voting no: none.

Dr. Lund thanked the Board and the Eastern community for their support and added, “I hope to be a most effective bridge between President Creighton’s departure and the appointment of the new president at Eastern.”

d. Audit Committee Analysis

DOCKET ITEM:
Summary
The Oregon State Board of Higher Education designated the Executive Committee with audit reporting responsibility in September 2002. The full board adopted an audit charter that outlined their audit reporting responsibilities in November 2002. As a result of Board restructuring that took place in January 2003, the Executive Committee discontinued its practice of holding regularly scheduled meetings. Given this change, the Oregon State Board of Higher Education requested that the Chancellor’s Office conduct a review of the current audit reporting structure. There are three items to be considered as part of the review and recommendation: the Oregon University System Internal Audit Division Peer Review Report recommendations, potential independence issues, and administrative implications.

The attached charts outline the results of the peer review comments and current status. In addition, an analysis of the independence and administrative implications raised by Board members were considered as part of the recommendation. The staff members who performed this analysis were the Director of Internal Audit and Director of Legal Services. The staff recommendations are outlined below.

OUS Internal Audit Division and Legal Services Recommendation
1. As acknowledged in the OUS Audit Charter, previously approved by the Board, the ultimate authority for the overview of auditing functions lies with the State Board. Accordingly, it is the Board’s prerogative to designate the situs of the audit oversight responsibility. Taking the Board’s current operating structure into consideration, including the responsibility for substantive evaluation of action items by the two primary standing committees, staff recommends assignment of audit oversight responsibilities to the Executive Committee.
2. Designate a portion of at least two Executive Committee meetings per year for audit purposes. We recommend the Board continue to reserve the authority for more meetings as deemed necessary.
   - The first annual meeting should be held with the internal and external auditors. The estimated time would be two hours. The purpose would be to provide oversight by receiving and accepting the Internal Audit Working Plans and progress. The Board would also receive and accept the external financial and compliance audit results.
   - The second annual meeting should be to discuss Internal Audit progress.

3. Reserve the authority to hold an executive session at each audit meeting (with both the external and internal auditors) to discuss matters protected under ORS 192. ORS 192 permits private sessions to discuss personnel matters and information technology security issues. The estimated time for these sessions would be 15 minutes, but they may be shorter or made longer depending upon the issues.

4. Schedule meetings for Thursday afternoons or early Friday morning when the full Board is scheduled to meet.

5. Require the Director of Internal Audit, in consultation with the Board President and Chancellor, to set the audit meeting agenda.

**Staff Recommendation to the Board**
Staff recommended the Board accept the recommendation of the Internal Audit Division and Legal Services as submitted.

**BOARD DISCUSSION AND ACTION:**
Chancellor Jarvis asked the Director of Internal Audit, Patricia Snopkowski, and General Counsel Ben Rawlins to explain the recommendation. Ms. Snopkowski reminded the Board that, at the February meeting, they had requested a review of the impact of changes in the Board structure as it relates to audit reporting. She summarized that there were two issues that need to be resolved: 1) the Vice Chancellor for Finance and Administration sets the agenda for the Budget and Finance Committee; and 2) there are so many topics that need to be discussed in the Budget and Finance Committee that it is difficult to have sufficient time for a thorough review and discussion of the Audit Report. General Counsel Rawlins added that, in terms of setting a policy, the Board has primary fiduciary responsibility.

Director Wustenberg asked for some explanation of the role of Vice Chancellor Anderes in the scenarios recommended. Dr. Anderes responded that he would continue to work closely with the direction of and agendas for the audits and would have oversight in working with Ms. Snopkowski on how the resources would be allocated and on what priorities.

Director Barnett asked for clarification on the relationship between the Executive Committee, when it acts as the Audit Committee; the full Board; and the Budget and
Finance Committee. “We already have a situation where there are some elements of duplication between what goes on at the Budget and Finance Committee level and the full Board level. We want to make sure that we don’t have similar issues essentially being addressed in three different places,” he asserted.

“The point that’s made when you look under the peer review findings that actually called for establishment of a standing audit committee was the need to make sure that this gets the kind of attention that it needs and the time that needs to go into it,” Director Imeson reminded the Board.

It was moved by Director Barnett and seconded by Director Lehmann that the Board approve the staff recommendation. Those voting in favor of the motion: Directors Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Watari, Wustenberg, Young, and Lussier. Those voting no: none.

e. Student Shared Governance

DOCKET ITEM:

Summary
For the past several months, there have been ongoing discussions among the State Board of Higher Education, the Chancellor, institution presidents, and leaders of the Oregon Student Association regarding student shared governance. The following policy is to formalize the concept, philosophy, and practice of shared governance.

Policy and Guidelines

I. PURPOSE

The Oregon University System (OUS) hereby endorses the concept and philosophy of shared governance between OUS institutions and the students of those institutions. The following policy statement provides a framework and principles to guide each campus’ enactment of a campus-specific policy that sets forth the application of this principle to that campus’ governance structure.

II. OBJECTIVES

• To recognize the value and importance of assuring students a voice in the educational process, particularly with respect to student life, services, and interests.
• To recognize students’ rights to organize themselves and to select and recommend student representatives to a university governance structure.
• To encourage and facilitate student involvement in university decision-making.
A. Ultimate authority for the welfare of OUS and its institutions resides with the Oregon State Board of Higher Education. The Board has delegated (and may further delegate) aspects of that authority to the Chancellor (and/or the presidents) to assure efficient management of the System and its institutions.

B. Many aspects of shared governance with the faculties of OUS institutions have a long and successful history.

C. The intent of the current policy is to recognize the value of shared governance with the students of OUS institutions.

D. It is the intent of this policy to establish a state level of support for student-shared governance. It shall be the responsibility of each institution to identify the particular areas best suited for the application of this concept at the respective institution. Accordingly, students shall have the opportunity to participate, appropriate to their special knowledge and perspective, in decisions that relate to, but are not limited to:

1. Academic grading policies
2. Academic disciplinary policies
3. Academic courses or programs to be initiated or discontinued
4. Codes of student conduct
5. Curriculum development
6. Institutional planning
7. Selection and appointment of student services administrators
8. Tuition, fees, room and board rates
9. University mission and vision

IV. IMPLEMENTATION

A. Each institution shall develop written procedures to incorporate the principles of this Board policy.

B. Each institution shall report the resulting procedures, evidence of implementation or, in the alternative, provide a report documenting how these principles of shared governance have already been incorporated into the
institution’s governance structure. The report shall be provided to the Chancellor, or his designee, by December 1, 2003.

C. The presidents are charged with the responsibility of ensuring that the principles of shared governance with students are incorporated, where appropriate, throughout the university.

Staff Recommendation to the Board
Staff recommended the Board adopt the Policy and Guidelines for Shared Governance of Students and that the Chancellor provide the Board with a report of progress on implementation at the January 2004 Board meeting.

BOARD DISCUSSION AND ACTION:
Director Bassett referred to Ms. Pilliod's report and suggestion for some “friendly amendments” to the proposed plan and asked how those would be taken into account. Chancellor Jarvis suggested that the presidents review those under the policy and bring back plans that are responsive to them. General Counsel Rawlins agreed that the concepts proposed by OSA are totally compatible with the recommendations under consideration.

Directors Wustenberg and Young congratulated the students, presidents, and Chancellor on their willingness to work together to arrive at an acceptable resolution. Director Young added, “I think it speaks volumes to the maturity of all of us in understanding these processes and how they interact.”

President Lussier proposed that the motion be one that approves the staff recommendation submitted to the Board with the understanding that it will be modified to the extent necessary to incorporate the OSA proposals made by Ms. Pilliod. Director Lehmann so moved and Director Wustenberg seconded the motion. Those voting in favor of the motion: Directors Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Watari, Wustenberg, Young, and Lussier. Those voting no: none.

f. Ratification of Partial Sale of the Metro Center (OIT)

DOCKET ITEM:
At the July 20, 2001, Board meeting, the Board Committee on Budget and Finance approved the following consent item. Due to an oversight, however, the full Board did not ratify the recommendation.

The Oregon Institute of Technology (OIT) has requested Board authorization for the Vice Chancellor for Finance and Administration to execute the final Purchase and Sale Agreement and the Tenancy in Common Agreement between OIT and Clackamas Community College (CCC) to sell a portion of the Metro Center Building (13,628 gross square feet) to CCC for $1,669,320. With the sale, an escrow account will be established; $1,000,000 will be set aside to provide the funds to continue to pay the Article XI-F (1) bond debt service and the remaining funds will be available for other
uses. Ms. Swanson reminded the Board that included in the capital construction budget approved in July 2001, a $1,000,000 expenditure limitation was designated for OIT to renovate its CAPITAL Center spaces.

As background, Ms. Swanson stated that the OIT campus at the Metro Center includes space renovated using Article XI-F (1) bonds and is currently leased by CCC. CCC recently passed a bond measure and is requesting they take possession of that portion of the building, while establishing OIT as the tenant. With the sale of this portion, OIT will retain sufficient room at the Metro Center to increase its enrollment in classes at that site for the foreseeable future. After the sale, OIT will still retain 13 classrooms for its use, as well as office and common space. The remaining space will allow for significant enrollment growth and will accommodate planned program expansion at the Metro Center.

With the receipt of the funds from CCC, OIT will use $620,000 of the sale proceeds to pay for additional operating and construction costs to remodel approximately 4,200 sq. ft. at the CAPITAL Center. This additional space will be remodeled into three classroom/laboratories and an administrative and faculty office area. The remaining sale proceeds will be used to establish an escrow account in which $1,049,320 will be placed to decrease that portion of the debt service related to the sale of the property to CCC.

Ms. Swanson restated that staff recommended that the Board authorize the Vice Chancellor for Finance and Administration to execute the final Purchase and Sale Agreement, and the Tenancy in Common Agreement between OIT and CCC, for the sale of a 13,628 gross square feet portion of the OIT Metro Center building to CCC, for $1,669,320, with permission to use the proceeds for repayment of the existing bond debt service and to expand education programs at the CAPITAL Center.

Director Williams moved and Director VanLuvanee seconded the motion. The motion was approved.

Staff Recommendation to the Board
Staff recommended the Board approve the partial sale as approved by the Budget and Finance Committee on July 20, 2001.

BOARD DISCUSSION AND ACTION:
Director VanLuvanee moved and Director Wustenberg seconded the motion to approve the staff recommendation. Those voting in favor: Directors Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Watari, Wustenberg, Young, and Lussier. Those voting no: none.

9. OTHER REPORTS
   Joint Boards Working Group
Director Bassett indicated he had covered the items from the Joint Boards Working Group in the System Strategic Planning Committee and full Board meetings.
OHSU
There was no further report from OHSU.

Oregon College Savings Plan
Director Lehmann reported that, at the end of the first quarter of this year, the Plan had assets of $93 million representing 24,000 accounts. “Oregon has one of the fastest growing state plans in the country,” Director Lehmann observed. “Oregonians are contributing about $4 million per month into the program. There are account owners in all 36 counties and that was a goal; that the plan would be spread throughout the state. The plan managers have set a goal of adding 10,000 to 15,000 accounts per year. The average account size in Oregon now is just under $4,000.”

Oregon Council on Knowledge and Economic Development
President Lussier reported that OCKED has a number of activities underway. There has been a great deal of activity on federal appropriations and other grants. There are a number of bills in the state legislature that OCKED is working on that included higher education.

OSU Presidential Search Committee
Director Barnett reported that the OSU search is proceeding on schedule to have a new president announced by the first week of June.

EOU Presidential Search Committee
The Presidential Search Committee has just been named, according to Director Bassett, and appears to be an excellent and well-balanced group. “The overall schedule will have us complete the work necessary for an announcement to be out and an application process to begin by roughly mid-June,” he reported. The search timeline calls for announcement of a new president no later than the first week of November.

Legislative Report
Mr. Grattan Kerans, Director of Government Relations, added his thanks to President Lussier and Directors Bassett and Lehmann for the outstanding jobs they did in framing the issues that will dominate the discussion and consideration in the legislature. At the present time, the Co-Chairs’ budget has been released and there is a $75 million reduction in the higher education budget; deeper than the 10 percent that had been projected. At the time the Board was meeting, the Governor was releasing his budget. The real discrepancies in projections and proposed budgets are beginning to be clarified. “Your discussion earlier on the issue of the Board resolution or position is necessary and should be completed,” Mr. Kerans emphasized.

“If you were to follow and we were to implement a budget that took the position that we would not visit denial of access on students who are academically prepared and could be admitted, that would drive our budget down even farther. At the $75 million, or an even lower level, and no change in the enrollment, you would find yourself with a quality index of probably 63 percent of the median and going south. There are consequences.
“There is the tension between quality, access, and affordability, and the issue that you will grapple with and allow us to then carry forward, and I hope in a strong voice by you, is a clear policy that says we will not denigrate the academic experience of every student admitted in order to admit every student who would come to us. That would sacrifice the quality that you have said is the centerpiece of your work in the last year,” he continued.

Mr. Grattan reported that OUS was a part of a coalition to support the Oregon Opportunity Grant. “One of the products of that is the add-back shown in the Co-Chairs’ budget of $6 million to go to the Oregon Student Assistance Commission for financing of the Opportunity Grant.”

Finally, Mr. Kerans reported that Senate Bill 437, the Efficiency Act, has not yet been assigned to the Education Subcommittee and will be considered at the same time as the OUS budget.

Director Richmond asked for clarification of timelines for making contacts with legislative leadership, legislators, and the Governor. Mr. Kerans underscored that there are continuous contacts with all of the mentioned parties. Chancellor Jarvis remarked that he felt “very clearly instructed” in the messages the Board wants emphasized and the ways in which that should be done with the individuals and groups in Salem.

Director Bassett said he thought it was important to find ways in which the public-at-large “could hold the legislature accountable for considering education to be an option that we’ll exercise when we can afford it. They should be held accountable for how they characterize their commitment to education, at the bottom of the list and not a core service, is about as marginal as it can be described.”

Director VanLuvanee suggested that there was a problem with the statement Director Bassett had made. “Every place in the country you have the same problem. It amazes me. You go to New York, you go to Boston, you go anywhere. I think we shouldn’t think and act like we’re treated worse than anywhere else. I would encourage everyone to, if you can, reach out and try to get a sense of it, but to not drive for it that we’re being treated worse. I think we’re being treated as well or better.”

“But we’re not,” replied Director Bassett. “The (Oregon) University System ranked last among all states in level of budget cut/budget appropriation. It represented an 11 percent cut.”

“I would just encourage us to not think that we’re in terrible shape and we’ve got to climb up. I’d say we’re in pretty good shape, and we have to climb up,” Director VanLuvanee concluded.

Director Bassett disagreed and indicated he wanted to go on record as saying, “I believe we’re in terrible shape and the chances of climbing up are, at the moment,
remote.” Vice Chancellor Anderes indicated that he did not have a set of information that presented the budgets of specific agencies. “However, what it does indicate is that of all of the reductions, we assume 15 percent of the total reductions, which is somewhat disproportionate to our share of the total state government,” he concluded.

Director Imeson reminded the Board that in the late 1990s, post-ballot Measure 5, there was a big disinvestment in higher education. Therefore, the base upon which we’re starting is different from where it is in many places.” In closing the discussion, President Lussier indicated that the “goal of this meeting was to be sure that the Chancellor and Mr. Kerans and all of the legislative liaison folks and the people who carry our message are clear on that message and that it will be carried in a timely way so that we have the maximum amount of effect in Salem, which is ultimately the venue.”

Nominating Committee
President Lussier announced that Director VanLuvanee had agreed to serve as Chair of the Nominating Committee. Other members of the Committee are Directors Barnett and Wustenberg. According to the Board’s Bylaws, the election of officers needs to occur prior to July 1, 2003.

10. Public Input
Jeff Seekatz, chief spokesperson for the SEIU Local 503 higher education bargaining team, addressed the Board on behalf of the 3,300 classified workers at the institutions within the System. He reminded the Board of the contributions of the members of his Union and urged that they be kept in mind as the Board works through budget issues.

He asked that individual Board members join in the Oregon Revenue Coalition that has been organized to address the budget shortfall. “As an equal partner in the higher education community, labor in general, and SEIU in particular, can help the University System in its goal to secure adequate funding for the valued services it and, by extension its workers, provide to the citizens of the state,” he urged. (A copy of Mr. Seekatz’s remarks are available in the Board’s office.)

Mr. Jeff Pullman indicated that he had been at Western Oregon University for a long while and has been a resident of the community for over 30 years. “The faculty and staff at the universities are the people who, through their commitment and hard work, make the System work.” He gave an example of a woman for whom getting a college education is very difficult. However, faculty support is making it possible for her to succeed and he fears the cuts in the System will cut those opportunities short.

11. Items From Board Members
Many of the Board members thanked President and Mrs. Conn for the great visit to WOU. There was consensus that the gratitude of the Board should be expressed to all of the students and faculty who made the numerous presentations to the Board. Director Barnett remarked that, “We get so bogged down in Committees and piles of paper and it’s just wonderful to actually see students and programs, and it brings everything alive.”
Director Wustenberg acknowledged the “place that Western has in our part of the state and in the rural community, and the attention that they give to the students that enroll there.”

Director Lehmann commented that the discussion in the Strategic Planning Committee had been very productive. “As difficult as these issues are, I think we found a very collaborative, effective way to talk about them. I very much appreciated the student and presidents’ contributions to that discussion,” she concluded.

12. **Delegation of Authority to Board’s Executive Committee**
Board Secretary Thompson read the statement pertaining to delegation of authority to the Board’s Executive Committee:

> “Pursuant to Article II, Section 5 of the Bylaws of the Board of Higher Education, the Board delegates to the Executive Committee authority to take final action as here designated or deemed by the Committee to be necessary, subsequent to the adjournment of this meeting and prior to the Board’s next meeting, which is scheduled for May 16, 2003. The Executive Committee shall act for the Board in minor matters, and in any matter where a timely response is required prior to the next Board meeting.”

Board members agreed to the delegation of authority as stated.

13. **Adjournment**
The Board meeting adjourned at 12:27 p.m.

Virginia L. Thompson
Secretary of the Board

James T. Lussier
President of the Board
Remarks To The
Oregon University System Board of Directors

Bill Danley, President, Interinstitutional Faculty Senate

April 18, 2003

President Lussier, Chancellor Jarvis, Directors, University Presidents, Students, Staff, and Guests:

My remarks today center around revenue, access, and quality, as if all of us have not heard enough about these topics recently.

Revenue - I don’t believe there is a thinking person in Oregon who does not now know for sure that we need more revenue to make this state work in any manageable way. Even the Governor is now saying that some form of tax increase is thinkable -- just a few weeks ago only a few brave souls were whispering hints of necessary tax increases, and now there is a bi-partisan effort to at least put some ideas on the table and get serious about raising revenue. Faculty at the Oregon University System campuses support this new conversation, and we hope it results in a broad based, comprehensive, and long-term revenue solution, not just a one-shot band-aid. In my conversations around the state, everyone agrees that we need to do more than just increase the beer tax. I say let's get on with it, and support those who are leaders enough to risk their political lives to get behind the idea. Like all of you, I can’t stand the idea of asking for more money for our universities when sick people are dying and children are hungry and our unemployment rate is among the highest in the nation. The future of the Oregon University System lies in our being the driver of our economic recovery, which will happen when we take care of business and get Oregon back on our feet. I’m ready to pay my share of a fair tax, and I’m willing to work for those who will work to get it passed. I think my colleagues on the faculty agree.

Access - At OUS, we have rightly phrased our requests to the legislature in terms of how revenue affects access. If we get less money to run this system, fewer Oregonians will be able to attend our universities. In a recent adjustment to the “Deal”, we agreed that we could take some 6,000 additional students at the 72% level of funding of the average of our peer institutions, but below that level we couldn’t maintain quality without having fewer students attend. I hope I am not being inconsiderate when I point out that

1. Our original hope of 80% funding represents 80% of average, which would put us close to the bottom of state funding for higher education, not at the 80th percentile. 72% would likely assure us of the honor of being dead last.
2. When we talk about dropping from 80% of average to 72% of average, and talk further about taking cuts of 2, 4, 6, 8, or 10% beyond that, we can talk about
consequences of losing students, but faculty know that the initial effect of those cuts is to reduce personnel, salaries, and programs. In a university system where most expenses are personnel, the only way to save money is to cut personnel, and that’s why we can’t take more students.

We know that we are all here for the students, and that students are our only reason for being. Our language in this legislative game, however, reveals the loss of students while it does not reveal the loss of faculty and staff at the same time. OUS faculty are painfully aware of the fact that if we endure more cuts in our budget, it will come at the expense of the jobs of our colleagues and friends. I heard a professor say recently that it seems like the goal is to retire as many faculty as we can and try to get by with the rest. We hope that you will not forget that when you speak of enrollment losses, the faculty lose also.

**Quality** - The Oregon University System has tried hard to make the point to the legislature and to our public that quality is our foremost concern, and that we will not compromise quality to provide access at any cost. As one of our faculty senators said at our last meeting, “Access doesn’t mean letting more kids in the door, it means getting them through.” We need to remind ourselves of what a quality education means in these trying times, and to think about what it means to be an educated person. We have only to look around us at nations whose educational systems have failed -- it’s often not because of a lack of students or even the availability of tuition, it often is because the ideals of an educated society have been lost. We need to consider the value of having real professors teach our classes, of preserving the ideas of academic freedom and of the value of a liberal education. We need to think beyond the economic, technical, and vocational needs of our students, and to remind ourselves that having more students, larger classes, fewer professors, and less choice of programs of study will not serve our state in the long run. A colleague of mine said to me the other day, “… asking for 72% of average peer funding is not drawing a line in the sand, it is putting our head in the sand.” I’m not sure I agree, but I sure understand the thought and the frustration that comes with it.

I have said before that this Board, and this Chancellor, have been more responsive and more tuned in to the needs of both faculty and students than others in my memory. I hope that when I speak of what we feel and need, I do so because I know it will be listened to and not because I think it hasn’t already been considered. All of Oregon, and all of America is suffering economically, and we on the faculty are committed to work with you to do our part to keep us going.
Good morning President Lussier, Chancellor, Board member, and Presidents. I am Rachel Pilliod, board chair for the Oregon Student Association.

First off, I would like to thank all of you for the work you have done on shared governance since the last board meeting. After four months of meetings, letters, and sample policies, we have something on the table to be discussed. Overall, we feel that the policy that you are voting on today is a broad reflection of our goals, and we believe that the best parts of the policy are the areas of interest that are laid out for students to be involved in and the intent of the policy. I know that there was much discussion about this policy over the last two months and I want to thank the Chancellor and the Presidents for coming to this agreement, and the board members for directing them to work on it. Students believe that this is the first step towards a more inclusive and collaborative decision making process on campuses.

There are a couple of additions about student government that we would like added to the policy. We would like the student government to be added into the implementation part of the policy, ensuring that the recognized student government is involved in the writing and finalizing of the campus policy. We would also the implementation part to note that the student government and the administration need to work to agree on the policy before submitting it to the Chancellor for approval. Lastly, in the principles section we would like the student government to be recognized as the official student liaison on shared governance issues. We believe that the changes to include student government will help the implementation process on campus, and clarify pieces of the policy. As I said earlier, overall this policy provides students with the avenue to have this conversation on campus, and I want to thank everyone who worked with us on creating the policy.

We would also like to thank the Chancellor, Grattan Kerans, Lisa Zavala and all the Presidents who supported students in their fight to protect the student incidental fee and the democratic, student controlled process. For everyone who does not know, there was a bill in the legislature that would have changed the student incidental fee process, and stopped funding for the Oregon Student Association. With the support of many of you, this bill is not continuing to move. The student fee provides for a marketplace of ideas on campuses, where important issues of the day can be discussed and debated. Through the democratic process students fund students services and student groups that help create the campus community that is such an essential piece to a students’ education. Your support helped us stop the bill in its tracks, so we wanted to take this chance to thank all of you who helped us publicly.

Now I would like to take a minute or two and discuss the budget situation and the system’s options to move forward. I have spent time in Salem and realize that the current budget situation is only worsening, there are reports that the May forecast may be down again, and the Governor’s revised
budget cuts will be more severe than in his January budget. Students understand that the university system will have to make cuts in access, affordability, and quality, and I am going to talk about the trade-offs of focusing on one and not balancing all three.

There has been much discussion about not allowing quality to slip any further, and as a student I can tell you that a quality education is a high priority, but so is the fact that people have to be able to have access to that quality education. This board has talked about funding per students and the resource allocation model at every meeting that I have attended. It is clear that the board and many of the presidents do not want to allow the funding per student to fall any further, and I agree that it should be a consideration in the discussion. What has not been a major topic of discussion is what happens to the students that get turned away because the number of students who can attend has been capped.

There are two likely scenarios for when students get turned away because of a lack of space at our universities. One, they will get accepted to a school out of state, where they will likely stay and start their life, which has obvious detrimental long-term impacts on our state. Two, they may try to go to a community college and meet the same budget limitations, some may get in and others may be turned away. Ideally the students that are able to attend the community college will be able to transfer when there is enough funding but there is no guarantee. For the students that are on a waiting list for a community college, or who decide to wait for the university system, they will probably find a job and before they can return to school life will get in the way. The longer one waits to attend college the less likely they are to get there, and by leaving people out of the system we limiting the likelihood that they will ever enter college.

There is trade off between the funding per student and the number of students served. Just as we all share a concern for the long-term impact of a drop in per student funding, we must also face up to the stark reality that capping access also carries deep long-term impacts. Focusing primarily on per student funding protects the experience of students already enrolled, but it comes at the expense of the students graduating from high school this year and in years to come, many whom will find that this door to opportunity has been shut. We must strike a balance between quality and access. Quality is important, but we believe access is equally so.

We also must face the reality that our state is in a crisis, the Ways and Means co-chair budget was released yesterday with further cuts from the Governor’s budget, and it may only get worse. With the current budget climate it is more important than ever to balance the approach to access, affordability and quality. By focusing too heavily on quality, in a time when every other state agency is trying to find a way to continue to exist, I believe that we lose potential support. In times of a crisis, we must help serve the state by keeping the doors to access open; it is what is most important for the future of Oregon’s economy.

If there is an enrollment decision to be made I encourage you to not make it today. I think that there needs to be more discussion with the legislators and the state so that they can understand why it is necessary, and can see what we are doing to protect access, affordability, and quality. There needs to be more work on finding out the long term implications of enrollment cuts, when enrollment management plans and tuition increases were implemented simultaneously in early 90’s it took ten years for enrollment to rebound and students don’t believe that Oregon can afford a similar situation in our current budget climate. Thank you for your time and students look forward to working with you on this subject in the coming weeks and months.
1. **Call to Order/Roll Call**

Chair Roger Bassett called the meeting of the System Strategic Planning Committee of the State Board of Higher Education to order at 1:38 p.m.

On roll call, the following Committee members answered present:
- Kerry Barnett (arrived 3:01 p.m.)
- Jim Lussier
- Roger Bassett
- Erin Watari
- Leslie Lehmann
- Phyllis Wustenberg

Absent: none.

**Other Board members present:** Geri Richmond (arrived 1:55 p.m.), Tim Young

**Chancellor’s Office staff present:** Chancellor Richard Jarvis, Tom Anderes, Shirley Clark, Grattan Kerans, Virginia Thompson, Diane Vines, Yvette Webber-Davis, and Susan Weeks

**Others:** Dan Bernstine (PSU), Philip Conn (WOU), Dave Frohnmayer (UO), Dixie Lund (EOU), Tim White (OSU), and Elisabeth Zinser (SOU)

Meeting attendees also included other institutional representatives, members of the Chancellor’s Office staff, and interested observers.

2. **Approval of Minutes**

- **February 20, 2003, System Strategic Planning Committee Meeting Minutes**

The Committee dispensed with the reading of the February 20, 2003, Committee meeting minutes. Director Lussier moved and Director Lehmann seconded the motion to approve the minutes as submitted. The following voted in favor: Directors Lehmann, Lussier, Watari, Wustenberg, and Bassett. Those voting no: none.

3. **Consent Items**

a. **PSU, M.S., Statistics**

**Docket Item:**
Portland State University proposed a program leading to the M.S. degree in Statistics, effective immediately. Currently, PSU offers statistics as an option in the Mathematical Sciences master’s program; that option will be terminated upon approval of this program.
Virtually all coursework needed for the proposed program is in place. Some courses are shared with the Oregon Health and Science University. Faculty from both institutions co-teach in this program and students from the two institutions utilize coursework on both campuses. Students in the proposed program would complete 45 credits, at least 30 of which would be in statistics. In addition, they would be required to pass two examinations: one in mathematical statistics and one in applied statistics. Three credits of statistical consulting are required, as well. The consulting courses include a community service component that gives students the opportunity to be involved in community projects in the Portland metro area.

The only other OUS institution offering graduate degrees in statistics is Oregon State University (M.A., M.S., Ph.D.). During review and discussion of this program by the Academic Council, members observed that the demand for such programs seems almost insatiable, and program duplication is not an issue.

With the enormous amount of data generated in this information-based society, people skilled in statistics are a valuable and necessary resource. PSU's mathematics department routinely receives requests for students with statistical skills at the graduate level. Most commonly, these requests center on risk analysis work, actuarial employment, or more general data analysis employment. At the national level, 750 job advertisements for statisticians were listed with Amstat Online in 2001, many with multiple openings. Best estimates are that the demand for statisticians is approximately twice the supply.

The work of statisticians ranges from the theoretical to the applied. Graduates of this program may find employment across the breadth of industry and government, doing such things as analyzing consumer prices, clinical trials, and agricultural techniques; predicting consumer behavior; ensuring viability of retirement accounts; and training teachers.

PSU anticipates serving approximately 30 to 40 students annually, with eight graduates per year. A baccalaureate degree in mathematics is not required for entry into the program. However, a number of math prerequisites must be met (i.e., Calculus, Advanced Calculus, Differential Equations, Linear Algebra, Abstract Algebra) prior to admission. Students may be admitted conditionally if not all of the prerequisite courses have been completed.

Eight faculty will participate in offering the program. PSU anticipates adding one assistant professor in applied statistics in the third year of the program, to be supported from reallocated institutional resources. This will allow the department to offer the proposed additional courses and meet the expected enrollment demands of the program in the near future. Currently, 30 to 40 percent of student credit hours in the department are generated under the Stat prefix. Existing math faculty supports the statistics program as instructors of introductory sequences. However, trained statisticians are needed to teach more advanced applied courses in the program.
Beyond the additional faculty member, no other resources are required to offer the program.

Drs. Xuming He, University of Illinois, and Jessica Utts, University of California, Davis, formed the external review team. Both are professors of statistics at their respective institutions. Overall, they were supportive of the program and viewed the close collaboration with OHSU as very positive. The team thought that the breadth of faculty expertise and interests exceeded that of many statistics programs and indicated that this program will benefit the institution, the region, and the state. They recommended that the coursework should reflect guaranteed skill development in statistical software; the program has been revised accordingly.

All appropriate University committees and the OUS Academic Council have positively reviewed the proposed program.

**Staff Recommendation to the System Strategic Planning Committee**

Staff recommended the Board authorize Portland State University to establish a program leading to the M.S. in Statistics. The program would be effective immediately. The OUS Office of Academic Affairs would conduct a follow-up review in the 2008-09 academic year.

**COMMITTEE DISCUSSION AND ACTION:**

It was moved by Director Lussier and seconded by Director Wustenberg that the Committee accept the staff recommendation and recommend approval by the full Board. Those voting in favor: Directors Lehmann, Lussier, Watari, Wustenberg, and Bassett. Those voting no: none.

**b. PSU, Graduate Certificate, Geographic Information Systems**

**DOCKET ITEM:**

Portland State University proposed offering the graduate certificate in Geographic Information Systems (GIS), effective summer 2003. This program would provide introductory and in-depth study of the design and application of GIS technology. Although administered by the PSU Department of Geography, courses would also be drawn from urban studies and planning and geology, thus reflecting the multidisciplinary nature of GIS.

GIS is an important methodology for scientific research, planning, and engineering. The goals of the program are to (1) provide a solid grounding in the science of geo-spatial data representation and spatial analysis, (2) provide opportunities to work with advanced specializations in GIS at an extended level, and (3) include GIS projects embedded in the courses and utilizing a range of technical and analytical skills required of GIS practitioners. Students would be required to complete 20 graduate credits in such courses as GIS applications, GIS for the natural sciences, field GIS, satellite digital image analysis, and maps and models. Students would also be required to meet the prerequisites for some of these graduate-level courses.
Many occupations, both public and private, require evidence of professional development for working with geographic information systems. Environmental management, planning, engineering, and business professions all employ people with GIS expertise. PSU anticipates student enrollment of no more than 40 students at a time.

No new courses or faculty are required for this program. Support for this certificate program will be provided by the Colleges of Liberal Arts and Sciences and Urban and Public Affairs, as well as PSU’s Office of Information Technologies and Graduate Studies and Research.

Although other OUS institutions offer coursework in GIS, none of them offers a graduate certificate program in GIS. All appropriate University committees and the OUS Academic Council have positively reviewed the proposed program.

**Staff Recommendation to the System Strategic Planning Committee**

Staff recommended that the Board authorize Portland State University to establish a program leading to the graduate certificate in Geographic Information Systems. The program would be effective summer 2003. The OUS Office of Academic Affairs would conduct a follow-up review in the 2008-09 academic year.

**COMMITTEE DISCUSSION AND ACTION:**

Director Wustenberg asked what a certificate meant to a person who received it. Vice Chancellor Clark indicated that receipt of a certificate affirms that a certain skill level has been developed within a larger degree program. Students have indicated that employers are interested in the content a certificate represents. “There appears to be something of a national movement, particularly at the graduate level, to have some shorter type programs in addition to full master’s degrees,” Dr. Clark explained.

It was moved by Director Lussier and seconded by Director Wustenberg that the Committee approve the staff recommendation and forward it to the full Board for final approval. Those voting in favor: Directors Lehmann, Lussier, Watari, Wustenberg, and Bassett. Those voting no: none.

c. **UO, B.A./B.S., Multimedia Design**

**DOCKET ITEM:**

The University of Oregon proposed offering a program leading to the B.A./B.S. degree in Multimedia Design, effective fall 2003. This program builds on the success of UO’s B.F.A. in Multimedia Design.

The proposed B.A./B.S. is a straightforward liberal arts degree with a major focus in multimedia design, whereas the current B.F.A. program requires an additional 46 upper-division studio credits. The intensity of the B.F.A.’s mandatory fifth year is not
appropriate for all students. Therefore, in an effort to address student demand in this area, the proposed B.A. and B.S. degree options were developed.

Other related programs in the state include a baccalaureate degree program in Computer Science/Multimedia at Eastern Oregon University, multimedia associate degrees at Lane and Portland Community Colleges, a certificate program at Portland State University, and a multimedia minor at Oregon State University. The UO program differs from EOU’s program in its strong art emphasis rather than computer science.

Students in the proposed program will complete 180 credits in the use, invention, and production of all forms of multimedia creative works and Internet-based communications. The curriculum, which is based on the history and practice of visual arts and communications, will include issues of concept, theory, and authoring. Students will share with art majors a foundation of Basic Design, Drawing, and Art History. This connection to the history and practice of visual communication is a primary strength of the program. One art history course will be exchanged with an historical survey entitled Multimedia Survey that places digital media in a specific cultural and historical context. Students will also develop original multimedia work in hands-on labs, studios, seminars, and internships.

Student demand for the B.F.A. in multimedia design has been significant; only 40 percent of applicants are accepted. Adding the four-year degree option will not increase the total number of students in the program (currently, 160 to 200 students). Rather, the same number of students majoring in multimedia design will now have the choice of either a four-year or five-year program (approximately 80 percent in the B.A./B.S. and 20 percent in the B.F.A.).

Graduates of this program will be qualified for work in professional digital media design and production, as well as work in other culture industries. They will also be prepared to work independently creating art. Graduates may elect to continue toward the B.F.A., attend graduate school in another field, or immediately enter the workforce.

No new faculty, library, studio, equipment, or other resources are required for this program.

All appropriate University committees and the OUS Academic Council have positively reviewed the proposed program.

Staff Recommendation to the System Strategic Planning Committee
Staff recommended that the Board authorize the University of Oregon to establish a program leading to the B.A./B.S. in Multimedia Design. The program would be effective fall 2003. The OUS Office of Academic Affairs would conduct a follow-up review in the 2008-09 academic year.
COMMITTEE DISCUSSION AND ACTION:
Director Lussier moved and Director Wustenberg seconded the staff recommendation to approve the program at the University of Oregon leading to the B.A./B.S. in Multimedia Design and recommend full Board approval. Those voting in favor: Directors Lehmann, Lussier, Watari, Wustenberg, and Bassett. Those voting no: none.

d. SOU, Undergraduate Certificate, Interactive Marketing & e-Commerce

DOCKET ITEM:
Southern Oregon University proposed offering an undergraduate certificate in Interactive Marketing and e-Commerce, effective immediately. Students in this program will complete 32 credits – 24 credits of core coursework (direct marketing, Internet marketing and e-commerce, programming II, web authoring, introduction to multimedia, and a course on databases) and 8 elective credits in an approved, related area.

Traditionally, marketing curriculum focuses on mass marketing or segment marketing. It is now practical for companies to reach large numbers of consumers and businesses with marketing that targets individual needs and wants, potentially reducing the amount of unappreciated marketing messages. American consumer spending on products ordered directly online, or influenced by online Internet marketing, reached $36.6 billion in 1999 and was estimated to exceed $1.2 trillion, worldwide, in 2002.

The southern Oregon region is no exception to this significant shift. Interactive marketing and e-commerce is a foundation of many area businesses, from home office to large companies. Bear Creek Corporation, one of the world’s largest direct marketers, is headquartered in Medford. Bear Creek and other regional businesses that conduct e-commerce and other interactive direct marketing experience a chronic shortage of skilled marketing and information technology professionals. This proposed certificate program would help meet that need.

The program is designed for SOU’s business majors, but would also be useful for working professionals who want to update their skills. Graduates of the certificate program would be prepared with the technical skills to work closely with information and web technology groups in business, government, or educational settings. SOU anticipates five graduates per year, doubling to ten or more by the fifth year of operation.

There is no similar program offered by OUS institutions. SOU has sufficient faculty, staff, and facilities to offer this program. All appropriate University committees and the OUS Academic Council have positively reviewed the proposed program.

Staff Recommendation to the System Strategic Planning Committee
Staff recommended that the Board authorize Southern Oregon University to establish a program leading to the undergraduate certificate in Interactive Marketing and e-Commerce. The program would be effective immediately. The OUS Office of Academic Affairs would conduct a follow-up review in the 2008-09 academic year.
COMMITTEE DISCUSSION AND ACTION:
It was moved by Director Lussier and seconded by Director Wustenberg that the Committee recommend approval by the full Board. Those voting in favor of the motion: Directors Lehmann, Lussier, Watari, Wustenberg, and Bassett. Those voting no: none.

e. Nominations to the Forest Research Laboratory Advisory Committee, OSU

DOCKET ITEM:
Summary
Pursuant to ORS 526.225, Oregon State University nominated Linda Goodman and Roy Woo to the Forest Research Laboratory Advisory Committee and requested the Board make the recommended appointments.

Background
ORS 526.225 specifies that the Board of Higher Education shall appoint a Forest Research Laboratory Advisory Committee composed of 15 members, nine of whom are to be individuals engaged, actively and principally, in timber management of forest lands, harvesting, or processing of forest products; three individuals who are the heads of state and federal public forestry agencies; and three individuals from the public-at-large. Although the statute does not prescribe the terms of the Committee members, the practice has been to make appointments for a period of three years. Traditionally, those who are performing actively and effectively have been recommended for reappointment to a second three-year term, with all members replaced at the conclusion of a second term.

Recommendation by Forest Research Laboratory Director
Dr. Hal Salwasser, director of the Forest Research Laboratory, with the concurrence of President Tim White, made the following recommendations:

• Appointment of Linda Goodman, newly appointed Regional Forester for the Pacific Northwest Region to fill the vacant position as head of a public forestry agency. The position was previously held by Harv Forsgren, who has transferred to Albuquerque, New Mexico. Ms. Goodman began her career with the Forest Service on the Olympic National Forest in Washington State in 1974. During her career, she has worked in a wide variety of administrative and managerial roles at every level of the organization. She has worked in five different National Forests in the Pacific Northwest Region. From October 2001 to June 2002, Ms. Goodman served as Acting Chief of Staff for the Forest Service in Washington, D.C. She provided advice and counsel on all aspects of the management of the Forest Service and represented the Chief of the Forest Service in meetings with the Department of Agriculture, other federal, state, and local agencies, as well as with external partners. Ms. Goodman graduated from Linfield College in McMinnville, Oregon with a Bachelor of Science degree in Management. She continued her education in Forestry at Oregon State University.
• Appointment of Roy Woo, who has been named the Acting State Forester until a permanent State Forester has been chosen. The previous State Forester, James Brown, has resigned to accept a position in the Governor’s Office as the Natural Resources Policy Director. The State Forester position on the Advisory Committee is a statutory requirement. Mr. Woo has served as Deputy State Forester of the Oregon Department of Forestry since June 1, 2000. In his 30 years with the agency, he has held several positions including: Northwest Oregon Area Director, Klamath Falls District Forester, Assistant Personnel Director in Salem, and forester positions in Coos Bay, Dallas, Tillamook, and Prineville. Mr. Woo graduated in 1972 from Washington State University with a degree in forest management.

Staff Recommendation to the System Strategic Planning Committee
Staff recommended that the Board approve the above appointments to the Forest Research Laboratory Advisory Committee.

COMMITTEE DISCUSSION AND ACTION:
Director Lussier asked President White to provide additional background information on the role of the Forest Research Laboratory Advisory Committee. President White indicated that this is a state-mandated Board that advises Oregon State University. Director Lehmann added that it is a model collaboration that brings together leaders from the public, private, and University communities to set the research agenda for the Forestry program.

It was moved by Director Lussier and seconded by Director Wustenberg that the Committee recommend approval of the staff recommendation. Those voting in favor: Directors Lehmann, Lussier, Watari, Wustenberg, and Bassett. Those voting no: none.

4. Report Item
   a. OUS Diversity Report 2003

Student, Faculty, and Staff Racial/Ethnic Diversity: A Retrospective of Five- and Ten-Year Progress

DOCKET ITEM:
Summary
During the past several years, the Oregon University System (OUS)–in keeping with its mission to serve the public–has moved toward an enhanced understanding and incorporation of diversity into multiple aspects of the universities. These activities are aligned with the modern concept of educational diversity, which includes striving toward enhanced representation, inclusion, and engagement of diverse people and considerations throughout institutional endeavors. Diverse educational environments promote opportunities for robust exchanges of ideas, communication of varied perspectives, and the production of well-versed and culturally sensitive graduates. Within OUS, considerations of diversity are found within the traditional aspects of university contributions, including teaching, learning, research, and community service. The 2003 OUS Diversity Report provides a retrospective of progress made within the period from 1992 through 2002 in relation to various aspects of diversity enhancement.
Incorporation of Diversity Considerations into University Environments

The report included brief descriptions of the initiatives taken within OUS institutions to enhance representation, inclusion, and engagement.

Representation

Each OUS institution has enhanced the representation of diverse populations within the campus environment. Within the OUS vision of diversity, initiatives relating to representation seek to provide opportunity, enhance campus environments, and fulfill the mission of public higher education institutions as dynamic establishments that support surrounding communities and guide the production and attainment of knowledge that moves society forward. Campus initiatives seek to include diverse populations within outreach efforts to students in the K-12 pipeline in order to enhance awareness of, and preparation for, higher education. Admission offices actively seek to provide information and recruit students of diverse backgrounds. OUS institutions engage in efforts to educate university search committees regarding outreach to diverse faculty/staff employment candidates.

Inclusion and Engagement

With representation (i.e., quantity) being but one factor in comprehensive efforts to provide enhanced campus diversity, each OUS institution provides opportunities to facilitate the incorporation of considerations of diversity into the fabric of the campus community. Within the OUS vision of diversity, activities that promote inclusion and engagement (i.e., quality of experience) seek to create environments that are progressive and responsive, provide benefits for all OUS populations, and that celebrate the achievements and contributions of all participants. Examples of these initiatives include campus-wide diversity councils; the enhanced participation of faculty, staff, and students of color throughout the institutions; attention to the incorporation of diversity considerations into the curriculum; events that encourage awareness and celebration of the contributions of diverse individuals and communities; and the sponsorship of institutionally- and student-sponsored events that enhance the learning environment.

Progress Toward the Enhanced Representation of Diverse Student, Faculty, and Staff Populations

OUS continues to make strides in the representation of diverse student, faculty, and staff populations. Given the relatively small total OUS populations of people of color, this report includes both absolute (numerical) representation (through which gains in representation can be seen clearly) and percentage representation and change, which provide a perspective on proportions and growth for U.S. citizens within total OUS populations. Comprehensive data within the ten-year period are included whenever possible; however, there are a few instances for which consistent data are available for only the five-year period (1997 to 2002).

Transition Period

New for 2003, the report included an overview of changing considerations of race/ethnicity within the U.S.; the impact of these changes on population reporting and
educational statistics; and the incorporation of student enrollment data (currently the first category within OUS for which these data are available) that include those students who report more than one race. As additional modifications to race/ethnicity data collection and reporting are made within OUS and educational institutions nationally, more comprehensive compilations for all categories of student, faculty, and staff data will be available in the future.

**Selected Data Highlights**

**Student Enrollment**
- The total enrollment of African American, American Indian/Alaska Native, Asian/Pacific American, and Hispanic/Latino students increased from 6,813 (10.7%) in fall 1992 to 10,068 (12.9%) in fall 2002.

- The total enrollment of students reporting more than one race increased from 212 (0.3%) in fall 1997 to 678 (0.9%) in fall 2002 (these data are unavailable for fall 1992).

**Degrees Awarded**
From 1991-92 through 2001-02, a total of 113,814 degrees were earned by OUS students at all levels. During this period, 11,653 degrees were earned by African American, American Indian/Alaska Native, Asian/Pacific American, and Hispanic/Latino students, representing 10.2% of all degrees.

**Faculty/Staff Representation**
The representation of African American, American Indian/Alaska Native, Asian/Pacific American, and Hispanic/Latino faculty/staff increased from 850 (8%) in 1997-98 to 1,032 (8.3%) in 2002-03. (Comparable System data are unavailable for 1992-93.)

**Full-Time, Ranked, Instructional Faculty**
The representation of African American, American Indian/Alaska Native, Asian/Pacific American, and Hispanic/Latino full-time, ranked, instructional faculty more than doubled in the ten-year period from 1992 to 2002. Representation of this group increased from 126 (5.2%) in 1992-93 to 264 (10.4%) in 2002-03.

**COMMITTEE DISCUSSION:**
Vice Chancellor Clark introduced the report and indicated there had been significant interest in the report at the recent hearing of the Education Subcommittee of Ways and Means. Specifically, there was a great deal of interest in the initiatives that are underway on the campuses to increase diversity. Dr. Clark indicated that, “We usually focus on representation and increasing numbers and proportions. But as Dr. Yvette Webber-Davis will point out, that is just where it starts. Moving beyond that to the themes of inclusion and engagement are of greater importance.” Dr. Webber-Davis, Director of Diversity Planning and Special Projects in the Chancellor’s office, highlighted important elements of the report.
Summarizing the themes, Dr. Webber-Davis highlighted the aspects of the report related to inclusion and engagement, indicating that although these themes are at the heart of diversity efforts on campus, they are the more difficult ones to examine for change and improvement.

An important addition to the categories of groups studied is a new category, understood by students at the time of enrollment, for students who report more than one race. This is a growing category of people throughout the country, particularly on the West Coast. Because this is a new category, comparative data are not yet available.

Dr. Webber-Davis pointed out that majority students overwhelmingly populate OUS campuses and the other categories of students, in comparison, are very small. “I think this provides an understanding of what it might feel like to be a person of color on our campuses,” she observed. The diversity of students on OUS campuses is very similar to those reported in the 2000 census. Approximately 13 – 16 percent of the population of Oregon is people who are reported belonging to a group of color.

It was pointed out that the foreign student population on the campuses are not included in the report, since data on country of origin is collected, not their actual race.

Relative to achieving faculty tenure, Director Watari asked if there were differences based on race. Dr. Webber-Davis indicated that it was not included in the report. Director Richmond observed that it would be important to follow-up on this point. “We should be asking, ‘What is the success time-to-tenure, time-to-promotion of these faculty (of color) relative to white faculty, to make certain that there aren’t problems that might be systematically holding them back.”

The final observation Dr. Webber-Davis made was that it was important to continue to focus on sustaining the OUS vision of diversity. “In other words, making sure that we continue to look, not only at representation, but at inclusion and engagement. The second: remaining competitive with our institution’s ability to attract and retain diverse faculty and staff. And finally, ensuring that our planning includes diversity considerations across-the-board. And, as we’re talking about access and affordability, I think it is very timely,” Dr. Webber-Davis concluded.

In response to a question regarding the field of education and preparing teachers for the future, it was pointed out that this was a profession that, in the past, had attracted students of color. However, that has been shifting over time and, at the present, is not seen as a very prestigious occupation. Moreover, higher salaries are available in many other fields.

Director Bassett observed, “The numbers indicate that we are paying attention. What I would like to do is schedule for this Committee’s agenda sometime over the next two or three months, an hour block of time when we can explore the ‘what more can we do about it’ aspect of this report.” Director Lussier observed that “it isn’t just getting into college, it is having an environment that’s conducive to staying and feeling supported. I
think that really is involved in various campus initiatives and they are very interesting. At some point it would be interesting to have a discussion not just about where we are, but where we’re going and what the goals might look like.” Director Richmond added that she would like to hear the voices of some of the students of color.

5. **DISCUSSION ITEM**

   a. **Board Position on Quality, Access, and Affordability**

Director Bassett opened the discussion on quality, access, and affordability by repeating part of the testimony he had given at the Education Subcommittee on Ways and Means. An abbreviated outline of Director Bassett’s presentation follows:

- There are major trade-offs that have to be made at any budget number currently being discussed in Salem.
- As we engage the legislative events and agenda as a Board, it seems important that we rely on the work that the Board has done, even though it is not completed.
- It is tempting for any human being, including Board members, presidents, and others, who face such circumstances to react as one goes, to take it as it comes, to incrementally handle the latest news, whatever it is, on the assumption that this circumstance is only temporary, and that things will get better.
- Director Bassett advised the Ways and Means Subcommittee to think about this and to respond differently. The Board is engaged in the kind of policy work that is necessary to do this.
- While the budget situation is still evolving, this does not seem like a temporary circumstance. It is better to stabilize the University System capacity in a way that does offer predictable, even if reduced, levels of access, and predictable, even if growing, levels of tuition to Oregonians looking to go beyond high school with their education.
- For the subcommittee, he reviewed the policy assumptions of the Board. He then stressed the necessity of the legislature to provide the tools to the System at all levels, to address the current situation. There is a need for the legislature to understand how important it is to have the tools to perform the tasks ahead. Not just the Flexibility Initiatives are needed—understanding on the part of the Governor, legislators, and others that terms like quality, access, and affordability actually mean something.
- The presentation then provided an overview of how the Board is considering the three key elements—quality, access, and affordability, and the need to identify a point at which the three can remain in balance.

Continuing, Director Bassett indicated that all of this leads to a recent discussion with the State Board of Education. “There was,” he reported, “agreement at the last meeting of the Joint Boards Working Group that there should be a joint postsecondary education statement indicating the willingness of the Boards and of the decision makers in both systems to do this heavy lifting if the Governor, the legislature, and others will acknowledge the necessity to do it and will support us with the tools that are needed. All
of this leads to discussions with the Governor and, sometime shortly after that, with legislative leadership, about the importance of their support.”

Director Wustenberg observed that this is a shift in the way in which the Board has traditionally worked with the legislature. “We are trying to acknowledge that whatever the legislature does, the responsibility for what we provide the student is our responsibility. We don’t accept their (students’) money lightly. We have an obligation. We have to say we cannot do it for more than this number of students. That’s entirely different from the way we’ve been approaching the legislature.”

It was agreed this was the essence of the direction needed for the discussions. “It is not as big a shift logically as it is politically,” Director Bassett said. “Which is the worst broken promise? That the quality of your degree is worth less and our reputation as a state that produces graduates of quality slips? Or, that fewer students get educated?”

It was pointed out that of the three elements—quality, access, or affordability—the most difficult to measure is quality since there is a lag between when the resources begin to decline and the effects are noticed. Director Young observed, “Usually a person has one college experience and that is their frame of reference. So some of these components of quality you need time to understand and be on campus to figure out what works and what doesn’t. If we keep eroding quality, who’s going to stand up and say ‘that’s enough’? Most students won’t even be there.” There was agreement that a statement needs to be made that captures sensible measures of what quality means.

President Frohnmayer reminded the Board that we are in international competition—some campuses more than others. For example, for the University of Oregon, 100 foreign students means $1.5 million in resources. “If they perceive, or the grapevine has it, that they are not getting their classes on time, not only do we lose them from the existing student body, but our capacity to recruit them, either from across the seas or more likely from the high schools and regions from which they come, is diminished.”

President White added that any policy statement of the Board needs to fit for either the “good or the bad times. If some other index of quality needs to be identified that works and becomes unambiguous for us, then I think we need to do that. I think the notion of student FTE-to-faculty FTE may be a kind of number that becomes less sensitive to what the actual dollar amounts are, but gives us a sense of how much faculty we have relative to how many students we have, and use that as our quality index.”

Director Bassett responded that he thought the quality anchor works both ways, but “what it anchors is the return to access and a return to affordability.”

The primary short-term strategy, Director Lussier pointed out, is to educate the Governor and legislative leaders about the interactive nature of the three issues. “They have always been interactive,” he observed. “But that has not been acknowledged because we haven’t had a quality issue. We do now and we need to demonstrate there
are qualities below standard now and we don’t have elasticity. We already get an ‘F’ in affordability, so we can’t do any worse than that.” Director Lussier indicated that in his view, we are down to one variable—quality—and that there is a need to define and demonstrate that quality does have some limits.

President Zinser reminded the Board that there is a concern that private donors might lose confidence in the institutions if quality is allowed to deteriorate. “When they see that the Board, the leadership of the System, and our presidents and institutions are drawing a line in the sand on quality, they are more likely to make investments in the institutions than they are if we’re not doing that,” she concluded.

Ms. Melissa Unger, legislative director for the Oregon Student Association, indicated that it was important to keep a balance when thinking of quality, access, and affordability. She urged the Committee to assure that we are not pricing students out of the System through increased tuition. Her major point was that there would be too many students who wouldn’t be able to enter college and complete a bachelor’s degree and that would impact them for the rest of their lives.

President Frohmayer reflected that Oregon is not hermetically sealed. “We’re painting on a national canvas,” he said. He emphasized that a college education is not just for an individual’s good—it is an investment in the public good and in the national good, as well.

Chair Bassett highlighted the importance of having an approach to maintaining quality that is endorsed by both the Board of Education and the Board of Higher Education and that there is an urgency in coming to agreement on what it contains. Director Richmond asked if it were too late to have any influence on the Governor or legislators. It was agreed that the timeframe is not very long and that there is an urgency to come to agreement on it as soon as possible. Grattan Kerans, Director of Government Relations, concurred that there is time to come to agreement on a statement and get it to the Governor and legislative leadership.

6. **ADJOURNMENT**
The meeting adjourned at 3:23 p.m.
1. **Call to Order/Roll Call**

The meeting of the Budget and Finance Committee of the Oregon State Board of Higher Education was called to order at 8:31 a.m. by Chair Don VanLuvanee.

On roll call, the following Committee members answered present:
- Tom Imeson
- Geri Richmond
- Tim Young
- Don VanLuvanee

Absent: Bill Williams (business conflict)

**Other Board members present:**
- Kerry Barnett
- Roger Bassett
- Leslie Lehmann
- Jim Lussier
- Erin Watari (arrived at 8:52 a.m.)
- Phyllis Wustenberg

**Chancellor’s Office staff present:** Chancellor Richard Jarvis, Tom Anderes, Shirley Clark, Grattan Kerans, Ben Rawlins, Virginia Thompson, Diane Vines, and Susan Weeks

**Others:** Dan Bernstine (PSU), Philip Conn (WOU), Phillip Creighton (EOU), Bill Danley (IFS), Martha Anne Dow (OIT), Dave Frohnmayer (UO), Lesley Hallick (OHSU), Dixie Lund (EOU), Tim White (OSU), and Elisabeth Zinser (SOU)

Meeting attendees also included other institutional representatives, members of the Chancellor’s Office staff, and interested observers.

2. **Approval of Minutes**

- **February 21, 2003, Budget and Finance Committee Meeting Minutes**

The Committee dispensed with the reading of the February 21, 2003, Committee meeting minutes. Director Young moved and Director Imeson seconded the motion to approve the minutes as submitted. The following voted in favor: Directors Imeson, Richmond, Young, and VanLuvanee. Those voting no: none.
3. **Action Items**
a. **Institutional Tuition Proposal 2003-04 and 2004-05**

**REVISED DOCKET ITEM:**
At the March 21, 2003 Special Meeting the Board approved five recommendations concerning funding priorities, tuition, and enrollment planning for the 2003-2005 biennium. These recommendations included directives to the staff to return in April with tuition plans for each institution for 2003-04 and 2004-05. The proposals incorporate the mid-year tuition surcharges initiated in the 2002-03 academic year.

In developing the proposal for each tuition rate, campuses have had to evaluate its financial conditions in light of several considerations including: 2001-2003 reductions; funding the 4 percent “rainy day” fund directed by the Governor; continued enrollment growth; potential impact on each student category of tuition differentials; ability to support fee remissions; and, the uncertain economics of the 2003-2005 biennium.

Tuition increases for 2003-04 are measured against the annualized 2002-03 Spring term tuition with the tuition surcharges. The 2003-04 tuition plans for the various student categories vary widely by institution. Resident undergraduate rate increases range from 0 percent to 8 percent; non-resident undergraduate rate increases range from 0 percent to 16 percent; resident graduate rate increases range from 3 percent to 16 percent; and non-resident graduate rate increases range from 0 percent to 30 percent. The rates of increase for 2004-05 range between 3.5 percent and 12 percent and are more uniformly applied by institutions to student all categories.

Additionally, institutions are considering alternative ranges to the tuition plateau. Historically students have paid the same tuition as undergraduates from 12-18 credit hours and as graduates from 9-16 credit hours. With the UO being approved to compress the plateau in 2002-03, other institutions are considering similar changes.

The Chancellor will be permitted to authorize minor adjustments to this plan as deemed necessary and report these adjustments to the Board at the earliest opportunity.

**Summary**
The staff recommends approval of the 2003-04 and 2004-05 tuition plans proposed by the institution presidents. At its March 21, 2003 meeting, the Board directed the staff to return in April with a formal tuition plan for the ensuing biennium. More complete details and proposed fee and policy changes will be brought to the Board in July for adoption of the 2003-04 Academic Year Fee Book as a permanent Administrative Rule.

**Background**
At the March 21, 2003 Special Meeting the Board approved five recommendations concerning funding priorities, tuition, and enrollment planning for the 2003-2005 biennium.
Recommendation #2 of that proposal ratified, as permanent tuition rates, the temporary tuition surcharges previously approved in December 2002 and January 2003. That recommendation calls for the staff to prepare the necessary Oregon Administrative Rule changes to reflect this tuition rate. The permanent rule change will be done in July 2003 when the Board is presented with the 2003-04 Academic Year Fee Book for its adoption.

Recommendation #3 directed the Chancellor to prepare a formal tuition and enrollment plan to be considered for approval by the Board. The tuition plan, as recommended by the institution Presidents is presented herein. The status of enrollment planning will be reviewed at the Board meeting.

Information
The Board has expressed a goal of limiting tuition increases at predictable minimal levels to maintain access for Oregonians and allow students to better plan and manage costs. The institutions were encouraged to assure that financial aid, through fee remissions, continue to be set aside to fund financial aid for low-income students. Additionally, the commitment to 2004-05 tuition plans will further provide a measure of predictability for students and their families over the 2003-2005 biennium.

In developing the proposal for each tuition rate, campuses have had to evaluate its financial conditions in light of several considerations:

- General fund reductions incurred in 2001-2003 which reduced the state support for operating expenses by over 10 percent;
- The 4 percent General Fund reductions in 2003-2005 off the Governor’s Recommended Budget to fund a “rainy day fund” as directed by the Governor;
- Enrollment projections that indicate continued growth in demand;
- Potential impact on each student category from tuition increase differentials;
- Ability to support financial aid through fee remissions to maintain access for financially needy students; and
- The uncertainty of estimating the tuition income needs in 2004-05 in uncertain economic times.

The results are the proposed institution tuition plans, presented in this report, including a statement of intent for continuing fee remission programs for financial aid. These plans are consistent with the Board’s ratification of incorporating the 2002-03 mid-year tuition surcharges into the tuition base of each institution. It should be noted that the tuition rates in the current proposal do not address any impact that might occur should the Governor’s Recommended budget be reduced by more than the 4 percent for the “rainy day” fund.

Institution Tuition Plans
The tuition plans for each institution for 2003-04 and 2004-05 are summarized below. Following action of the Board in March to make permanent the tuition surcharges of 2002-03, the increases for 2003-04 are measured against the Spring 2003 tuition levels,
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with tuition surcharges, annualized to three terms. The rates are only for tuition and not other mandatory enrollment fees.

Institutions are also considering alternatives to the tuition plateau. Historically, undergraduate students have paid the same tuition for 12-18 credit hours and graduates for 9-16 credit hours. The UO was approved to compress the plateau in 2002-03. Institutions are considering further changes for 2003-04. Details of these changes will be brought to the Board in July with the Academic Year Fee Book.

**Eastern Oregon University**
EOU tuition rates for 2003-04 will increase as follows: resident undergraduates–3.2 percent to $3,102; non-resident undergraduates–3.2 percent to $3,102; resident graduates–15.6 percent to $8,046; nonresident graduates–30.4 percent to $15,429.

EOU tuition rates for 2004-05 will increase as follows: resident undergraduates–10.0 percent to $3,411; non-resident undergraduates–10.0 percent to $3,411; resident graduates–10.0 percent to $8,850; nonresident graduates–10.0 percent to $16,971.

EOU has increased its long term, ongoing fee remissions programs to maintain parity with historical fee remission rates.

**Oregon Institute of Technology**
OIT tuition rates for 2003-04 will increase as follows: resident undergraduates–3.3 percent to $3,333; non-resident undergraduates–0.6 percent to $12,534; resident graduates–3.3 percent to $5,955; nonresident graduates–0.3 percent to $10,596.

OIT tuition rates for 2004-05 will increase as follows: resident undergraduates–9.0 percent to $3,633; non-resident undergraduates–9.0 percent to $13,662; resident graduates–9.0 percent to $6,492; nonresident graduates–9.0 percent to $11,550.

OIT will maintain its fee remission efforts at its historic level of 17 percent of tuition revenues.

**Oregon State University**
OSU tuition rates for 2003-04 will increase as follows: resident undergraduates–4.0 percent to $3,492; non-resident undergraduates–14.1 percent to $16,248; resident graduates–13.1 percent to $8,139; nonresident graduates–13.6 percent to $14,376.

OSU tuition rates for 2004-05 will increase as follows: resident undergraduates–5.0 percent to $3,666; non-resident undergraduates–5.0 percent to $17,061; resident graduates–5.0 percent to $8,547; nonresident graduates–5.0 percent to $15,096.

OSU will maintain its fee remission efforts at its historic level of 11 percent of tuition revenues.
Portland State University
PSU tuition rates for 2003-04 will increase as follows: resident undergraduates—0.0 percent remaining at $3,240; non-resident undergraduates—2.0 percent to $12,888; resident graduates—5.7 percent to $6,966; nonresident graduates—8.4 percent to $12,582.

PSU tuition rates for 2004-05 will increase as follows: resident undergraduates—8.0 percent to $3,498; non-resident undergraduates—4.0 percent to $13,404; resident graduates—8.0 percent to $7,524; nonresident graduates—8.0 percent to $13,590.

PSU will support fee remission efforts, including Graduate Assistantships, at 13 percent of tuition revenues. However, this level does not provide aid to all of the neediest students.

Southern Oregon University
SOU tuition rates for 2003-04 will increase as follows: resident undergraduates—3.4 percent to $3,138; non-resident undergraduates—8.3 percent to $11,811; resident graduates—9.3 percent to $6,312; nonresident graduates—7.3 percent to $11,559.

SOU tuition rates for 2004-05 will increase as follows: resident undergraduates—12.0 percent to $3,516; non-resident undergraduates—8.0 percent to $12,756; resident graduates—12.0 percent to $7,068; nonresident graduates—8.0 percent to $12,483.

SOU will increase the level of fee remissions in both 2003-04 and 2004-05. New scholarship programs are being created from private funds.

University of Oregon
UO tuition rates for 2003-04 will increase as follows: resident undergraduates—2.0 percent to $3,540; non-resident undergraduates—0.6 percent to $15,090; resident graduates—9.0 percent to $7,587; nonresident graduates—0.2 percent to $12,387. The undergraduate tuition cost can be reduced with a 15 percent discount per credit hour for time-of-day discounts on selected courses.

UO tuition rates for 2004-05 will increase as follows: resident undergraduates—12.0 percent to $3,966; non-resident undergraduates—3.5 percent to $15,618; resident graduates—12.0 percent to $8,496; nonresident graduates—3.5 percent to $12,822. The undergraduate tuition cost can be reduced with a 15 percent discount per credit hour for time-of-day discounts on selected courses.

UO will maintain its level of fee remissions, but will likely shift some allocation from merit-based awards to the need-based pool.

Western Oregon University
WOU tuition rates for 2003-04 will increase as follows: resident undergraduates—8.0 percent to $3,240; non-resident undergraduates—4.1 percent to $11,505; resident graduates—13.8 percent to $6,549; nonresident graduates—10.8 percent to $11,793.
WOU tuition rates for 2004-05 will increase as follows: resident undergraduates—6.0 percent to $3,435; non-resident undergraduates—3.5 percent to $11,907; resident graduates—6.0 percent to $6,942; nonresident graduates—3.5 percent to $12,207.

WOU will set aside 7 percent of the tuition increase for additional fee remissions.

As the Legislative Session continues and further information becomes known, it may be necessary to make minor adjustments to these plans. In such an event, the Chancellor would authorize such changes and report to the Board at the next earliest opportunity.

**Staff Recommendation to the Budget and Finance Committee**

Staff recommended that the Board Budget and Finance Committee approve the tuition plans for 2003-04 and 2004-05 academic years outlined in this report; direct the staff to incorporate these plans into the Academic Year Fee Book 2003-04 (Administrative Rule OAR 580-040-0040) to be presented to the Board for consideration in July 2003; authorize the Chancellor to make minor adjustments to this plan in its final development; and, recommend approval by the Board.

**COMMITTEE DISCUSSION AND ACTION:**

Vice Chancellor Anderes explained that the discussion would primarily focus on the 2004-05 tuition rates, but would also include new information received concerning the legislative Co-Chairs’ budget. The tuition increases must be viewed in the context of declining state funding, which presently includes a 10 percent reduction in the General Fund. Still unclear in attempting to create a realistic budget, Dr. Anderes explained, are the unknown figures concerning PEBB and PERS levels.

The various tuition levels were reviewed for the Committee (a copy of the PowerPoint presentation is included in Attachment “A”). It was pointed out that the institution tuition levels vary because each campus has been undergoing fairly intense enrollment planning processes that have, in turn, been driving the conversations around tuition levels. One of the important questions that each institution is asking is, “How are students aided in addressing increased costs?” This becomes a much more difficult questions in light of the fact that the Co-Chairs’ budget is suggesting that OUS reduce fee remissions by $30 million. “This will become a key issue as we start looking at responses and implications of fee remission programs on each of the campuses,” Vice Chancellor Anderes pointed out. “This is an even more difficult problem,” Director Bassett observed, “since the legislature has no plans that I can determine to enhance the Oregon Opportunity Grant or any other form of need-based assistance.”

In a discussion regarding non-resident tuition, Dr. Anderes noted that nonresidents actually pay more than the full cost; therefore, institutions are able, on the margin, to apply some of those revenues to other areas throughout the campus.

Vice Chancellor Anderes continued the presentation by more fully describing the implications of the reductions the System will be required to make at various levels of
state funding. Slide #11 (in the attached PowerPoint presentation) provided a representation of the OUS Education and General Program funding per student full time equivalent (FTE). It graphically shows that there is a ramping down of the General Fund with less and less being applied per student. “What this suggests,” he continued, “is that there is a shift from 51 percent, where there was an even split between the student and the state, dropping now down to 41 percent. The quality index is dropping.”

President White remarked that the information concerning the Co-Chairs’ budget made him “uncomfortable knowing what the right number for tuition is.” President Zinser added that SOU has had to “back off its commitments to the remission process and also project higher increases in tuition in the next few years in order to maintain where they drew the line on the quality of their institution.”

President Creighton indicated that there would be additional cuts and adjustments as they continue to rebalance their budget. President Frohnmayer made five observations:

1) By adopting the motion, the Board is approving explicitly the notion of variable tuition amongst the campuses;
2) The issue of tuition discounts by time-of-day of classes affects the UO’s numbers. The strategy has worked and might now be tried by other institutions;
3) The nonresident/resident mix of students really does matter, not only in the absolute amount of tuition set for each group, but the mix of students as well, which carries with it some political implications.
4) There are enrollment implications that result from the setting of tuition levels because it affects student choices; and
5) The present level of state funding is not the last figure the System will be receiving and it makes it even more imperative that the System achieve passage of Senate Bill 437, the Higher Education Efficiency Act, to allow for the greatest flexibility.

From the perspective of OIT, President Dow said that the higher cost of many of OIT’s programs necessitates increasing tuition. “The necessity of the tuition increase at this point is all that stands between OIT actually having to close some very needed programs,” she highlighted. President Conn expressed a lack of understanding of the Ways and Means move regarding the fee remissions. “I’m still trying to decipher this decision in the context of discussions with Ways and Means.” Continuing he added, “but having spent money down from our reserves, our one-time money, we’re at the point now of where we can’t afford our faculty/student ratio to get any broader and certainly we can’t give out anymore pink slips at this point in time.”

President Bernstine expressed concern for the second year of the biennium.

Director Imeson asked if consideration had been given to a scenario where the balancer was less tuition and more numbers of students. “I mean, is there an alternative that has been considered that says that we were not to increase tuition, but we wanted to retain quality at current levels? What would that mean in terms of our enrollment options? As we get into other options, knowing these aren’t the last numbers, we need to have a
different alternative developed and have a discussion with the universities and the broader university communities, including the students, and understand what that would look like. I do think what we’re forced into each time is saying that the state level of funding is here and we’ll allocate that on a per-student basis and the difference will be made up by tuition. I think that is the kind of model we’re stuck with and I don’t think we necessarily have to be.”

Director Richmond remarked that there was a need for modeling. “We need some modeling data that says if you have this scenario, this is what you get, this is what it costs, this is what tuition is.” Vice Chancellor Anderes replied that inevitably this has to be done as the System is required to take the dramatic reductions indicated.

Continuing the discussion, Director Imeson observed that, “whatever we’re doing, in whichever form we do it, has implications for access. One of the ways you can do that has implications for access based on the price and the other way you can do it is to control the price and say we’re going to limit access in some other manner based on the number of students. It’s really important to have an array of options including that one that would stand for something. I think having the discussion about the options is important here, with the legislature and with others.”

President Zinser indicated that, at SOU, they tried to look at modeling with the various scenarios and asked, “At what point does not only the number of students change based on these variables but the mix of students in terms of those that are able to pay, those that are not able to pay, and how the remission program interacts with the tuition?”

It was moved by Director Young and seconded by Director Imeson that the Budget and Finance Committee recommend approval of the staff recommendation by the full Board. Those voting in favor the motion: Directors Imeson, Richmond, Young, and VanLuvanee. Those voting no: none.

**Discussion of Tuition Structures**

Vice Chancellor Anderes said that there had been discussion on the campuses about changing the terms of tuition structure and the level of tuition for various groups of students: undergraduate, graduate, part-time, and full-time. “The reasons for this kind of examination is that the institutions are beginning to look more closely at the student mix. This seems to be an extension of a set of flexibility issues at the campus level to match what their needs are and to deal with tuition in a manner that may be different from one campus to the other,” Dr. Anderes reported.

Three examples of student charges/what students pay were presented. (NOTE: These are summarized in the PowerPoint presentation attached.)
b. Revision of Board 2003-05 Funding Priorities for Fee Remissions Transitions

DOCKET ITEM:
At the March 21, 2003, meeting, the Board approved a list of 55 funding priorities for presentation to the legislature. Priorities 14 and 55 (both Fee Remission Transition), support funding to universities that, when the RAM was developed, couldn’t fund a proportional share of fee remissions through tuition. The program, with projected expenditures of $830,000 for the 2003-2005 biennium, was to be phased out by 2005-2007. As a consequence, the decision was made to reduce the funding in 2003-2005 by 50 percent or $410,000.

During the legislative hearings it was suggested that the reduction of fee remissions during a period of tuition and fee rate escalation was counterproductive. Further, the potential for negative impacts on the most needy was seen as a distinct possibility.

It became clear that the Oregon University System position should be reconsidered. The original concept that universities gradually substitute tuition funds for the General Fund support, which was sound in 1999 and even in 2001, does not fit with the diminished General Fund of 2002-03. Chancellor Jarvis assured the committee he would relay their concerns to the Board and seek a revision.

Staff Recommendation to the Budget and Finance Committee
It was recommended that priority 55 be eliminated and the full funding of the program be reflected in priority 14 at $830,000. The System is directed to identify $410,000 to replace the reductions.

COMMITTEE DISCUSSION AND ACTION:
Vice Chancellor Anderes reminded the Board that they approved the fee remission transition priorities (Priorities 14 and 55 on the list entitled OUS Priorities–2003-2005 Budget included in Attachment “C”). The purpose of the action today, he explained, is to look at the commitment of the Board concerning fee remissions and suggest that perhaps the fee remission reduction be eliminated from the reduction list. In doing this, the Board would be directing the System to identify another area where reductions could be taken to offset this change.

Director Bassett asked the question: “We’re changing our priorities based, at least in part, on feedback from the subcommittee and its feedback offered to us on fee remissions. Feedback offered to us, if I have my calendar straight, before the Co-Chairs said that they are going to cut fee remissions. Doesn’t that let us off the hook?”

“It seems to me we’re engaged here in adjusting our priorities to the wishes of the Ways and Means Committee and conceivably our own sensibility as though we obviously don’t have time for those. I’m raising the question of whether the Ways and Means Committee Co-Chairs would feel as strongly about this having told us to do something that is contrary to it since it happened,” Director Bassett concluded.
Philosophically, Dr. Anderes said he agreed with Director Bassett. “I think to take off $30 million and then worry about something like this seems contradictory.” Chancellor Jarvis added that, on reflection, it became clear that in reducing fee remissions, a message was being sent that was counter to the thrust of the Board’s message.

Director Richmond moved and Director Imeson seconded a motion to recommend to the full Board approval of the staff recommendation. Those voting in favor: Directors Imeson, Richmond, Young, and VanLuvanee. Those voting no: none.

4. **CONSENT ITEM**  
   a. Managerial Reporting–Quarterly Management Reports

**DOCKET ITEM:**

*Background*

One of the recommendations coming out of the *fiscal accountability framework* project was that mechanisms be established to provide assurance to the Board that the financial activity of OUS universities is being monitored on an ongoing basis. It is understood that each university is responsible for monitoring its financial activity. An objective of the *fiscal accountability framework* was to ensure that sufficient controls and documentation are in place to provide the Board with assurance that ongoing monitoring is indeed taking place.

Monitoring OUS financial activity is a significant challenge, given its annual revenues exceed $1.5 billion and its accounting records comprise over 31,000 funds in 28 major fund groups. The *management reporting workgroup* of the *fiscal accountability framework* reviewed various external resources to identify managerial reporting needs. One key resource included a publication entitled *Financial Responsibilities of Governing Boards of Colleges and Universities (Second Edition)*, which was produced jointly by the Association of Governing Boards of Universities and Colleges (AGB) and the National Association of College and university Business Officers (NACUBO). Other resources included sample reports from a number of major institutions and systems of higher education, as well as certain reports already produced within OUS, both by the Chancellor’s Office and University personnel. The workgroup identified 15 management reporting needs, in varying degrees of detail, that would be prepared by each university, reviewed by the Chancellor’s Office, and summarized for the Board. The 15 management reporting needs are listed in Appendix A.

A subsequent work team developed reporting formats to satisfy 5 of the 15 management reporting needs. The reporting formats resulted in three reports:

- Comparison of projected end-of-year amounts to initial and operational budgets
- Comparison of year-to-date financial activity to prior year
- Tracking of monthly cash balances
The intent was to report the operating activity of the seven OUS universities and the Chancellor’s Office into a series of summarized and useful reports.

The reports noted above and presented herein focus on **unrestricted funds and auxiliary enterprise funds**. Reports addressing the other funds of OUS will be incorporated in future phases of the managerial reporting project.

The above reports are intended to be prepared **quarterly**. It was determined that first quarter reports would not be presented because of the timing of the Board approval of the annual operating budget, and because the first quarter occurs before the beginning of fall term and, therefore, may not be useable for making reasonable year-end projections. Therefore, it was determined that reports would be prepared and presented to the Board for three quarters each year:

<table>
<thead>
<tr>
<th>Quarter Ending</th>
<th>Presented to Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>December</td>
<td>March</td>
</tr>
<tr>
<td>March</td>
<td>June</td>
</tr>
<tr>
<td>June</td>
<td>September</td>
</tr>
</tbody>
</table>

**Analysis**

The attached management reports of **unrestricted funds and auxiliary enterprises** are designed to provide information of the financial activity of the current fiscal year, to identify potential problems, and to provide consistent documentation that ongoing monitoring is taking place. The three reports contain data from the accounting records but also contain end-of-year projections from university management, which are estimates based on the information available at the time the projections are made.

After reviewing the series of unrestricted funds and auxiliary enterprise reports received from each university, we have noted the following:

**Comparison of projected end-of-year amounts to initial and operational budgets:**

1) **Operational versus Initial Budget**

   The Board approves an **initial budget** in October of each year. The initial budget contains projected revenues, with a general understanding of a balanced budget in which projected expenditures equal projected revenues.

   As additional information becomes available throughout the year, the universities make adjustments to update the initial budget. Examples include expected changes in government appropriations and tuition and fee revenue. Another example would include carrying forward a department’s unexpended budget balance from the prior year into the expenditure budget of the current year. **The initial budget and the adjustments become the operational budget.**
2) Government Appropriations

Government appropriations in the initial budget were $392 million. Current projections for government appropriations are $343 million, which is $49 million or 13 percent less than the initial budget approved by the Board. These reductions are due to the budget reductions made by the Oregon Legislature.

3) Student Tuition and Fees

The increase in current projections for student tuition and fees is primarily attributable to the tuition surcharge implemented in winter term. The initial budget projected student tuition and fees of $340 million. The current projection of $345 million now makes student tuition and fees a larger revenue source than government appropriations.

4) Education and General Expenditures

Due to the decline in government appropriations, the projected Educational and General expenditures are $53 million or 7 percent less than the initial budget approved by the Board.

5) Ending Fund Balance

At this time, the fund balance projected for the end of the year is comparable to the beginning fund balance.

Comparison of year to date financial activity to prior year:

1) Student Tuition and Fees

Student Tuition and Fees recorded through December 31, 2002, of $235 million are $45 million higher than recorded for the same period last year. Universities attributed the increase to the following:

- In the prior fiscal year, a portion of the winter term tuition and fees were not recorded until the following month, January.
- Increased enrollment.
- Tuition increases.

2) Education and General Expenditures

Education and General expenditures for the six months ended December 31, 2002, are lower than the Education and General revenues. This is because the revenues relating to Education and General (e.g., tuition and fees) are generally
received once each quarter and need to be sufficient to cover expenditures that occur throughout each of the following three months.

Education and General expenses of $355 million for the six months ending December 31, 2002, are $20 million or 6 percent higher than for the same period one year ago. The increase is primarily attributable to the increase in student enrollment.

3) Net Operating Surplus (Deficit)

Although December 31, 2002, and 2001 show a current operating surplus, much of the surplus will be used up during the months of January, February, and March, when no additional tuition and fee revenues are received.

Tracking of monthly cash balances:

1) Cash Balances at December 31, 2002

The cash balances are comparable to prior months and to the same periods in prior years. We did note that cash balances of service departments have been showing continual declines. Service departments provide services to other university departments. Revenues of service departments are only recorded when the billings are generated and issued to university departments. University management attributes the cash balance decreases to some service departments not generating billings until the following month. Management will continue to monitor this issue.

Additional reports to support the above analysis are on file and are available upon request.

Conclusions

OUS universities are responsible for monitoring their financial activity. Much of the financial activity is monitored in relation to the projected year-end totals of revenues and expenditures. These projections are estimates.

The OUS Controller’s Division requested the management of each university to verify the amounts in the managerial reports, to update annual projections, and to identify and provide explanations to significant variances. The Controller’s Division reviewed the managerial reports and variance explanations provided by each university for reasonableness, and compiled the managerial reports of each university into a series of consolidated Systemwide reports.

The fiscal status of OUS unrestricted funds and auxiliary enterprise funds at December 31, 2002, is stable. University management have adjusted their budgets and managed revenues and expenditures in response to the state appropriation reductions. University projections indicate year-end results within reasonable operational parameters.
**Staff Recommendation to the Budget and Finance Committee**
Staff recommended that the Board accept the above management reports for December 31, 2002. Additional reports will be prepared for the quarter ending March 31, 2003, and will be presented to the Board in June 2003.

**COMMITTEE DISCUSSION AND ACTION:**
It was moved by Director Richmond and seconded by Director Imeson that the Committee approve the staff recommendation and refer it to the full Board for approval. Those voting in favor: Directors Imeson, Richmond, Young, and VanLuvanee. Those voting no: none.

5. **ADJOURNMENT**
   It was moved by Director Richmond and seconded by Director Young that the meeting be adjourned. The following voted in favor: Directors Imeson, Richmond, Young, and VanLuvanee. Those voting no: none.

The meeting adjourned at 9:56 a.m.
Attachment “A”

Budget and Finance Committee PowerPoint Presentation

Attachment “B”

OUS Reductions—2003-05 Budget
OUS Education and General Program Funding per FTE—Chart
OUS Funding per FTE
OUS Priorities—2003-2005 Budget
OUS Summary of Effective and Proposed Annual Tuition Rates 2002-03 through 2004-05