THURSDAY, APRIL 1, 2004

• 11:30 a.m.-12:30 p.m., Chancellor’s Office Review Working Group (Biomedical Information Communication Center [BICC], Gallery)

• 1:15-2:45 p.m., Academic Excellence/Economic Development Working Group (BICC Gallery)

• 3:15-4:45 p.m., Excellence in Delivery & Productivity Working Group (BICC Gallery)

• 5:00-6:00 p.m., Conversations with the Board: OHSU presentation (Old Library, Room 217)

• 6:00-7:00 p.m., Reception (Old Library Great Hall)

FRIDAY, APRIL 2, 2004
FINANCE/BUDGET/AUDIT/PERSOAL/REAL ESTATE COMMITTEE
BICC GALLERY
OREGON HEALTH & SCIENCE UNIVERSITY
8:00 – 9:00 A.M.

1. CALL TO ORDER/ROLL CALL

2. APPROVAL OF MINUTES .......................................................................................................................... 67
   • FBAPRE Committee Meeting, March 5, 2004

3. ACTION ITEMS
   
   a. Managerial Reporting—Quarterly Management Report..................................................................3
      To request Board acceptance of quarterly management reports dated December 31, 2003, that monitor the financial activity of the OUS current unrestricted and auxiliary enterprise funds.

   b. Annual Report on Investments—as of June 30, 2003.................................................................15
      A summary of the comprehensive report on OUS’ investment portfolio.

4. REPORT ITEM

   a. Legislative Fiscal Budget Process/Expectations
      Steve Bender, Legislative Fiscal Analyst, Legislative Fiscal Office
FRIDAY, APRIL 2, 2004
REGULAR MEETING OF THE BOARD OF HIGHER EDUCATION
BIOMEDICAL INFORMATION COMMUNICATION CENTER (BICC) GALLERY
OREGON HEALTH & SCIENCE UNIVERSITY
9:00 A.M. – 1:00 P.M.

AGENDA

1. CALL TO ORDER/ROLL CALL

2. CONVERSATIONS WITH THE BOARD: PORTLAND STATE UNIVERSITY

3. APPROVAL OF MINUTES
   • Regular Board Meeting, February 20, 2004
   • Board Executive Session Meeting, February 20, 2004
   • Regular Board Meeting, March 5, 2004

4. ACTION ITEMS
   • Finance/Budget/Audit/Personnel/Real Estate Committee
     a. Managerial Reporting—Quarterly Management Report
        To request Board acceptance of quarterly management reports dated December 31, 2003, that monitor the financial activity of the OUS current unrestricted and auxiliary enterprise funds.
        A summary of the comprehensive report on OUS’ investment portfolio.
   • Full Board
     a. Proposed adoption of administrative rule on the use of employee Social Security Numbers (OAR 580-021-0044) (roll call vote)
        The permanent rule establishes authority for Oregon University (OUS) institutions to request voluntary disclosure of employees’ Social Security Numbers.
     b. Proposed rule to define unclassified service within the Oregon University System (OAR 580-020-0006) (roll call vote)
        The purpose of this rule is to distinguish certain positions that do not meet the criteria for academic faculty and are not otherwise represented by a labor union.
     c. Legislative Concept pertaining to the Optional Retirement Plan (ORP)
        Placeholder recommendation for an Optional Retirement Plan legislative concept
d. Proposed Legislative Concepts and Policy Packages .................................................. 47
   The OUS Board Working Group on Excellence in Delivery and Productivity proposes a
   legislative concepts and policy packages that will increase the number of Oregonians
   who successfully complete their college education.

5. CONSENT ITEMS

a. OIT, A.A.S. and B.S., Respiratory Care ................................................................. 49
   OIT will assume Rogue Community College’s A.A.S. and implement an online
   baccalaureate degree-completion program in respiratory care. This will be a “1+2+1”
   program (freshman, sophomore/junior, senior).

b. OSU, Ph.D., Applied Anthropology ..................................................................... 51
   This proposed program is interdisciplinary, offering students one of three options: local
   values, indigenous knowledge, and environment; ethnicity, culture, and health; and
   business, organization, and work.

c. UO, B.A./B.S., Marine Biology ........................................................................... 55
   This proposed program will be the only baccalaureate in marine biology available in the
   Pacific Northwest and will utilize UO’s existing Oregon Institute of Marine Biology facilities
   in Charleston, Oregon.

d. PSU, Naming of the College of Engineering and Computer Science
   The Board will be asked to approve the naming of the College to the Faiborz Maseeh
   College of Engineering and Computer Science in recognition of Dr. Maseeh’s leadership
   in industry and philanthropy. (Will be mailed under separate cover.)

6. DISCUSSION ITEMS

a. Tuition and Fees .................................................................................................... 57
   Each campus will present preliminary tuition and fee proposals for 2004-05.

b. Update on Advocacy and Legislative Campaign (Neil Bryant)

7. REPORT ITEMS

a. Optional Retirement Plan (ORP) Employer Rate Correction ................................. 63
   Employer under-contributions to the Optional Retirement Plan from November 2003
   through March 2004 will be corrected using the methodology described in this staff
   report.

b. Standing Committees
   i. Finance/Budget/Audit/Personnel/Real Estate (Don Blair)

c. Working Groups
   i. Academic Excellence/Economic Development (Kirby Dyess)
   ii. Academic Programs
iii. Access/Affordability (Tim Nesbitt)
iv. Chancellor’s Office Review (Neil Goldschmidt)
v. Excellence in Delivery & Productivity (Gretchen Schuette)

8. Reports
   • Interinstitutional Faculty Senate (IFS) President
   • Oregon Student Association (OSA) President

9. Chancellor and University Presidents’ Report

10. Public Input

11. Delegation of Authority to Board’s Executive Committee

12. Adjournment

_________________________________________________________

FRIDAY, APRIL 2, 2004
AGENDAS FOR MEETINGS OF THE BOARD
OREGON HEALTH & SCIENCE UNIVERSITY
ROOM 217, OLD LIBRARY
1:30 P.M.

• Access/Affordability Working Group (Location TBA)

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.
Friday, April 2, 2004
Finance/Budget/Audit/Personnel/Real Estate Committee
BICC Gallery
Oregon Health & Science University
8:00 – 9:00 A.M.

Table of Contents

Approval of Minutes
- FBAPRE Committee Meeting, March 5, 2004

Action Items

a. Quarterly Management Report
   To request Board acceptance of quarterly management reports dated December 31, 2003, that monitor the financial activity of the OUS current unrestricted and auxiliary enterprise funds.

   A summary of the comprehensive report on OUS' investment portfolio.
(This page intentionally left blank.)
Managerial Reporting – Quarterly Management Reports

Background
The Board of Higher Education, at the April 20, 2001, meeting, authorized the Chancellor’s Office to undertake a project to design a fiscal accountability framework consistent with fulfilling the fiduciary responsibility of the Board, Chancellor’s Office, and institutions, while recognizing the increased responsibilities of the individual institutions. For purposes of this project, a fiscal accountability framework was defined as the management structure, controls, and guidance that assist the Oregon University System (OUS) Board, Chancellor’s Office, and institutions in setting fiscal-related goals and monitoring the performance of those goals. This project was undertaken in response to concerns expressed by the System’s external auditors regarding a diminution, or weakening of internal controls within OUS resulting from changes that had taken place over the previous years affecting fiscal operations. In particular, the auditors noted increased risk of the inconsistent or lack of application of Generally Accepted Accounting Principles, reduced effectiveness of the management review control, and inconsistent application of standard System policies. The auditors supported this project as a means to address these issues. The final report on the fiscal accountability framework project was presented to the Board in February 2002. Detailed information related to the project, as well as the final project report, can be found at the following URL: http://www.ous.edu/cont-div/faf/.

Monitoring OUS’ financial activity is a significant challenge given that 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 (AGBUC) 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 five of the 15 management reporting needs. The report 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 a series of summarized and useful reports.
The reports noted above and presented herein focus on **unrestricted funds** (including budgeted operations of the Education and General and Statewide Public Service Programs; designated operations; service departments; clearing 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** are designed to provide information on 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 unaudited accounting records as of December 31, 2003.

The actual December 31, 2003, amounts represent unaudited amounts without adjustments. After reviewing the series of unrestricted funds and auxiliary enterprise reports received from each university, the following items are noted:

**Comparison of Current Projections to Initial and Operational Budgets:**

**Initial Budget Approved by the Board for 12 Months Ending June 30, 2004**

The Board approved the FY 2003-04 budget for the unrestricted funds and auxiliary enterprises in October 2003. The total expenditure budget was $1.174 billion.

For the Education and General program (including Statewide Public Services), the $845 million expenditure budget comprised General Fund appropriations and a legislative expenditure limitation of other funds revenue. Universities’ revenue forecasts for FY 2003-04 totaled $1.143 billion. The $30 million difference was to be made up as follows:

- Issuance of COPS: $3 million
- Planned Use of Beginning Fund Balances: $13 million
FY 2003-04 Legislative Expenditure Limitation in excess of Revenue Forecasts: $14 million

Operational Budget for 12 Months Ending June 30, 2004

The operational budget refers to the budget amounts in the university accounting records. Universities have varying approaches for recording their operational budgets. One approach is to enter an annual budget in July and, to provide for consistency, not update the budget amounts throughout the year. Another approach revises the budget amounts throughout the year as additional information becomes available. Presenting the operational budget on this report fulfills a requirement established by the fiscal accountability framework relating to the tracking of budget variances. **It is not a projection of final expected results.**


The current projections refer to amounts based on current information available from university budget officers. The projections are initially determined from a trend analysis of the prior two years. The projections are then reviewed and revised by university budget officers. The projections become more accurate as the year continues.

**General Fund Appropriations**

General fund appropriations in the initial budget were $322 million. Current projections for government appropriations are $4 million or one percent less than the initial budget approved by the Board. These reductions are due to the failure of Measure 30, which is estimated to have a biennial impact of $8 million.

**Student Tuition and Fees**

The initial budget projected student tuition and fees revenue of $389 million. The current projection of $386 million is lower in comparison to the initial budget due to lower student enrollment than originally projected.

**Other Education and General Revenues**

Current projections for other Education and General revenues have declined by $29 million compared to the initial budget. This is partially related to accounting for the estimated $3 million activity of AHA International (recently merged with UO) in designated operations rather than the Education and General program as originally budgeted. OSU has $15 million in revenues originally included in the initial budget that it does not believe to be recognizable, $7 million of which relates to statewide activities. Other revenue shortfalls relate to the transfer of activities originally included in Education and General to designated operations, lower student enrollment, and other revisions to original projections.

**Education and General Expenditures**

The current projections for Educational and General expenditures are lower by $52 million (net of transfers out of $22 million) or six percent less than the initial budget.
approved by the Board. Approximately $14 million of the decrease is due to the total General Fund appropriations and other revenues being less than the total expenditure limitation approved by the Legislature. An additional decrease is due to the shifting of programs from the Education and General program to designated operations, including the activity related to AHA International at UO of $3 million. The remaining variance is believed due to the current reluctance of university departments to spend their budgets. The recent history of mid-year budget cuts and unknown impact of the defeat of Measure 30 have caused budgeted spending to be delayed. Spending levels may increase when the final outcome of Measure 30 cuts is known.

**Designated Operations**
Projected revenues and expenditures for designated operations have been adjusted upward by $12 million and $13 million, respectively. This is due mainly to an adjustment for the activity of AHA International, originally estimated as a $3 million program, but now projected to be a $6 million program; and other general growth in designated operations programs.

**Auxiliary Enterprises**
Projected revenues and expenditures for auxiliary enterprises have declined by $16 million and $29 million, respectively, compared to the initial budget. Housing occupancy rates, athletic ticket sales, and athletic tournament participation are lower than projected in the initial budget.

**Ending Fund Balance of Unrestricted and Auxiliary Enterprise Funds**
The current projected fund balance of $98 million is $2 million less than the beginning fund balance.

**Comparison of the Six Months ended December 31, 2003 and 2002:**

**Government Appropriations**
Government appropriations decreased $45 million for the first six months ended December 31, 2003, compared to the same period in 2002. This is due mainly to a two percent state appropriation decline of $4 million (pre-Measure 30 decline) and a timing difference between the years in the monthly allocation causing a temporary decline of $41 million. Government appropriations are allocated monthly, based on an allocation plan established at the beginning of the fiscal year. For Fiscal Year 2004, a larger proportion of government appropriations will be received later in the year.

**Student Tuition and Fees**
Student Tuition and Fees recorded through December 31, 2003, of $272 million increased by $36 million compared to the same period last year. The increase is attributed to the following:
- Tuition and fee increases of approximately $33 million.
- Increased enrollment of approximately $4 million.
Designated Operations Revenues
Designated operations revenues increased approximately $5 million to $22 million for the first six months ended December 31, 2003, compared to the same period last year. The increase is primarily attributed to approximately $3 million relating to the activity of AHA International and approximately $1 million relating to increased sales and services.

Auxiliary Enterprises Revenues
Auxiliary Enterprises Revenues increased $6 million to $135 million for the first six months ended December 31, 2003, compared to the same period last year. The net increase is primarily attributed to the following:

- Increased rates for housing, student incidental fees, and parking fees of approximately $6 million.
- Increased athletic revenue of approximately $4 million relating to OSU now recognizing NCAA and television revenues in the month earned instead of the month received.
- Increased housing revenue of approximately $2 million relating to PSU’s housing management. PSU housing was previously managed by a non-profit agency.
- Partially offset by a timing difference in housing revenue of $6 million relating to a change in the revenue allocation between terms at OSU and UO. OSU and UO recognized 33 percent of annual housing receipts as revenue in the fall term 2003 compared to 40 percent in the fall term 2002.

Education and General Expenditures
Education and general expenditures for the six months ended December 31, 2003, are lower than the education and general revenues. This is because the recording of revenues in the first half of the fiscal year includes a portion of winter term student tuition and fees while the winter term expenditures are primarily incurred in the third quarter.

Education and General expenses of $347 million for the six months ending December 31, 2003, decreased by $7 million or two percent compared to the same period in 2002. Equipment and library purchases declined approximately $4 million, services and supplies and internal sales reimbursements both declined approximately $1 million. This is believed to be due to the current reluctance of university departments to spend their budgets given recent history of mid-year budget cuts and the unknown impact of Measure 30. Wages and benefits remained flat.

Designated Operations Expenditures
Designated operations expenditures increased approximately $4 million, with approximately $3 million relating to the activity of AHA International and approximately $1 million relating to sales and services.

Auxiliary Enterprise Expenditures
Auxiliary expenditures increased approximately $3 million for the six months ended December 31, 2003 compared to 2002. Total salaries and wages and benefits increased by $2 million. Depreciation increased $1 million.
Net Operating Surplus (Deficit)
Net Operating Surplus increased four percent for the six months ended December 31, 2003, compared to 2002. This can be attributed to small net increases in all categories.

Beginning Fund Balance Adjustments
This variance relates to the cumulative effect of change in accounting principle reported in the 2003 Annual Financial Report.

Tracking of Monthly Cash Balances:

Cash Balances at December 31, 2003
The cash balances at December 31, 2003, were comparable to prior months and to the same periods in prior year.

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.

The 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 (including designated operations, service departments, and auxiliary enterprise funds) at December 31, 2003, is stable. University management have adjusted their budgets and managed revenues and expenditures in response to anticipated revenue and expenditure fluctuations.

Staff Recommendation to the Board
Staff recommends that the Board accept the above management reports for December 31, 2003. Additional reports will be prepared for the quarter ending March 31, 2004, and will be presented to the Board in June 2004.
Appendix A – 15 Management Reporting Needs
The managerial reporting workgroup identified 15 reports, falling into the following categories:

<table>
<thead>
<tr>
<th>Managerial Reporting Need</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preliminary Estimates of Revenue and Expense (annual report)</td>
<td>Implemented</td>
</tr>
<tr>
<td>Estimates versus Actual Comparisons</td>
<td>Implemented</td>
</tr>
<tr>
<td>Revised Estimates of Annual Revenue and Expense</td>
<td>Implemented</td>
</tr>
<tr>
<td>Comparison of Actual Revenue and Expense to Prior Year</td>
<td>Implemented</td>
</tr>
<tr>
<td>Capital Projects Summary</td>
<td>To be implemented</td>
</tr>
<tr>
<td>Development (fund-raising)</td>
<td>To be implemented</td>
</tr>
<tr>
<td>Cash</td>
<td>Implemented</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>To be implemented</td>
</tr>
<tr>
<td>Investments – Endowments</td>
<td>Investment Committee</td>
</tr>
<tr>
<td>Debt Capacity</td>
<td>To be implemented</td>
</tr>
<tr>
<td>Legal</td>
<td>To be implemented</td>
</tr>
<tr>
<td>Grants/research</td>
<td>To be implemented</td>
</tr>
<tr>
<td>Technology (Information Technology)</td>
<td>To be implemented</td>
</tr>
<tr>
<td>Regulations</td>
<td>To be implemented</td>
</tr>
<tr>
<td>Risk Management</td>
<td>To be implemented</td>
</tr>
</tbody>
</table>
### Oregon University System
**Comparison of Current Projects to Initial and Operating Budgets**

**Current Unrestricted Funds**
December 31, 2003

(in thousands, except percentages)

<table>
<thead>
<tr>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
<th>Column 4</th>
<th>Column 5</th>
<th>Column 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>Operational Budget for 12 Months Ending December 31, 2003</td>
<td>as of December 31, 2003</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational Budget for 12 Months Ending June 30, 2004</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational and General *</td>
<td>815,087</td>
<td>1,037</td>
<td>816,124</td>
<td>(35,844)</td>
<td>-4%</td>
</tr>
<tr>
<td>General Fund Appropriations</td>
<td>322,285</td>
<td>9,556</td>
<td>331,841</td>
<td>(9,556)</td>
<td>-3%</td>
</tr>
<tr>
<td>Measure 30 Reduction</td>
<td>-</td>
<td>(3,750)</td>
<td>(3,750)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Tuition and Fees</td>
<td>389,460</td>
<td>6,709</td>
<td>396,169</td>
<td>(10,050)</td>
<td>-3%</td>
</tr>
<tr>
<td>Indirect Cost Recovery</td>
<td>38,764</td>
<td>(1,090)</td>
<td>37,674</td>
<td>2,001</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>64,578</td>
<td>(14,138)</td>
<td>50,440</td>
<td>(14,489)</td>
<td>-29%</td>
</tr>
<tr>
<td>Designated Operations</td>
<td>29,577</td>
<td>13,359</td>
<td>42,936</td>
<td>(1,580)</td>
<td>-4%</td>
</tr>
<tr>
<td>Service Departments</td>
<td>46,339</td>
<td>(5,284)</td>
<td>41,055</td>
<td>249</td>
<td>1%</td>
</tr>
<tr>
<td>Clearing Fund</td>
<td>-</td>
<td>-</td>
<td>5</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>252,869</td>
<td>(13,857)</td>
<td>239,012</td>
<td>(1,946)</td>
<td>-1%</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>1,143,872</td>
<td>(4,745)</td>
<td>1,139,127</td>
<td>(39,116)</td>
<td>-3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Less: Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational and General</td>
</tr>
<tr>
<td>Designated Operations</td>
</tr>
<tr>
<td>Service Departments</td>
</tr>
<tr>
<td>Clearing Funds</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
</tr>
<tr>
<td>Total Expenditures</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Operating Surplus (Deficit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(13,850)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transfers In (Out)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Additions/(Deductions)</td>
<td>-</td>
</tr>
<tr>
<td>Beg. Fund Balance Adjustments</td>
<td>-</td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>99,998</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>86,148</td>
</tr>
</tbody>
</table>
Oregon University System  
Comparison of Year-to-Date Financial Activity to Prior Year  
Current Unrestricted Funds  
December 31, 2003  
(in thousands, except percentages)

<table>
<thead>
<tr>
<th></th>
<th>Actual 6 Months Ended</th>
<th>Actual 6 Months Ended</th>
<th>Variance $ (1) less (2)</th>
<th>Variance % (3)/(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational and General</td>
<td>474,069</td>
<td>479,693</td>
<td>(5,624)</td>
<td>-1%</td>
</tr>
<tr>
<td>Government Appropriations</td>
<td>175,323</td>
<td>220,051</td>
<td>(44,728)</td>
<td>-20%</td>
</tr>
<tr>
<td>Student Tuition and Fees</td>
<td>271,559</td>
<td>235,069</td>
<td>36,490</td>
<td>16%</td>
</tr>
<tr>
<td>Indirect Cost Recovery</td>
<td>16,530</td>
<td>13,323</td>
<td>3,207</td>
<td>24%</td>
</tr>
<tr>
<td>Other</td>
<td>10,657</td>
<td>11,250</td>
<td>(593)</td>
<td>-5%</td>
</tr>
<tr>
<td>Designated Operations</td>
<td>21,920</td>
<td>17,274</td>
<td>4,646</td>
<td>27%</td>
</tr>
<tr>
<td>Service Departments</td>
<td>17,979</td>
<td>16,485</td>
<td>1,494</td>
<td>9%</td>
</tr>
<tr>
<td>Clearing Funds</td>
<td>7,974</td>
<td>6,386</td>
<td>1,588</td>
<td>25%</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>135,311</td>
<td>129,490</td>
<td>5,821</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>657,253</td>
<td>649,328</td>
<td>7,925</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Less: Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational and General</td>
<td>(347,239)</td>
<td>(354,618)</td>
<td>7,379</td>
<td>2%</td>
</tr>
<tr>
<td>Designated Operations</td>
<td>(21,946)</td>
<td>(17,964)</td>
<td>(3,982)</td>
<td>-22%</td>
</tr>
<tr>
<td>Service Departments</td>
<td>(19,149)</td>
<td>(18,938)</td>
<td>(211)</td>
<td>-1%</td>
</tr>
<tr>
<td>Clearing Funds</td>
<td>(2,388)</td>
<td>(1,156)</td>
<td>(1,232)</td>
<td>-107%</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>(97,497)</td>
<td>(94,216)</td>
<td>(3,281)</td>
<td>-3%</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>(488,219)</td>
<td>(486,892)</td>
<td>(1,327)</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Net Operating Surplus (Deficit)</strong></td>
<td>169,034</td>
<td>162,436</td>
<td>6,598</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Transfers In (Out)</strong></td>
<td>(11,586)</td>
<td>(8,300)</td>
<td>(3,286)</td>
<td>-40%</td>
</tr>
<tr>
<td><strong>Fund Additions/(Deductions)</strong></td>
<td>(282)</td>
<td>(771)</td>
<td>489</td>
<td>-63%</td>
</tr>
<tr>
<td><strong>Beginning Fund Balance</strong></td>
<td>124,454</td>
<td>277,166</td>
<td>(152,712)</td>
<td>-127%</td>
</tr>
<tr>
<td><strong>Ending Fund Balance</strong></td>
<td>379,560</td>
<td>429,758</td>
<td>(50,198)</td>
<td></td>
</tr>
</tbody>
</table>
## Oregon University System
### Quarterly Cash Report – Current Unrestricted Funds
#### December 31, 2003
(in thousands, except percentages)

### Total Current Unrestricted Funds

<table>
<thead>
<tr>
<th>Month Ending</th>
<th>FY2004</th>
<th>FY2003</th>
<th>FY2002</th>
<th>FY2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>183,616</td>
<td>162,614</td>
<td>146,449</td>
<td>124,712</td>
</tr>
<tr>
<td>August</td>
<td>167,375</td>
<td>150,599</td>
<td>147,592</td>
<td>101,014</td>
</tr>
<tr>
<td>September</td>
<td>199,071</td>
<td>194,860</td>
<td>182,801</td>
<td>159,496</td>
</tr>
<tr>
<td>October</td>
<td>205,715</td>
<td>203,024</td>
<td>184,290</td>
<td>158,774</td>
</tr>
<tr>
<td>November</td>
<td>178,043</td>
<td>179,047</td>
<td>160,915</td>
<td>141,006</td>
</tr>
<tr>
<td>December</td>
<td>177,366</td>
<td>173,508</td>
<td>160,777</td>
<td>118,882</td>
</tr>
<tr>
<td>January</td>
<td>216,405</td>
<td>193,485</td>
<td>166,107</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>190,345</td>
<td>168,109</td>
<td>140,145</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>219,675</td>
<td>192,442</td>
<td>149,984</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>211,625</td>
<td>189,388</td>
<td>149,984</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>182,764</td>
<td>163,777</td>
<td>129,680</td>
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<tr>
<td>June</td>
<td>188,971</td>
<td>154,283</td>
<td>129,065</td>
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</table>

### Educational & General

<table>
<thead>
<tr>
<th>Month Ending</th>
<th>FY2004</th>
<th>FY2003</th>
<th>FY2002</th>
<th>FY2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>112,066</td>
<td>103,549</td>
<td>93,249</td>
<td>77,836</td>
</tr>
<tr>
<td>August</td>
<td>98,873</td>
<td>94,491</td>
<td>74,603</td>
<td>39,317</td>
</tr>
<tr>
<td>September</td>
<td>132,433</td>
<td>133,474</td>
<td>96,919</td>
<td>90,281</td>
</tr>
<tr>
<td>October</td>
<td>140,480</td>
<td>138,847</td>
<td>127,540</td>
<td>105,168</td>
</tr>
<tr>
<td>November</td>
<td>115,427</td>
<td>127,540</td>
<td>97,136</td>
<td>82,808</td>
</tr>
<tr>
<td>December</td>
<td>117,631</td>
<td>118,285</td>
<td>98,883</td>
<td>86,364</td>
</tr>
<tr>
<td>January</td>
<td>155,743</td>
<td>142,461</td>
<td>124,924</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>130,807</td>
<td>108,113</td>
<td>98,138</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>156,144</td>
<td>117,474</td>
<td>95,558</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>150,101</td>
<td>132,785</td>
<td>104,647</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>113,705</td>
<td>102,844</td>
<td>77,041</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>113,073</td>
<td>95,580</td>
<td>77,885</td>
<td></td>
</tr>
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</table>

### Designated Operations

<table>
<thead>
<tr>
<th>Month Ending</th>
<th>FY2004</th>
<th>FY2003</th>
<th>FY2002</th>
<th>FY2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>14,434</td>
<td>13,778</td>
<td>15,197</td>
<td>13,959</td>
</tr>
<tr>
<td>August</td>
<td>14,030</td>
<td>12,399</td>
<td>12,230</td>
<td>12,803</td>
</tr>
<tr>
<td>September</td>
<td>12,855</td>
<td>12,518</td>
<td>12,653</td>
<td>13,929</td>
</tr>
<tr>
<td>October</td>
<td>12,853</td>
<td>12,149</td>
<td>13,110</td>
<td>14,873</td>
</tr>
<tr>
<td>November</td>
<td>12,433</td>
<td>11,348</td>
<td>14,093</td>
<td>14,435</td>
</tr>
<tr>
<td>December</td>
<td>12,686</td>
<td>11,444</td>
<td>12,879</td>
<td>14,181</td>
</tr>
<tr>
<td>January</td>
<td>11,049</td>
<td>14,506</td>
<td>14,976</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>11,511</td>
<td>13,684</td>
<td>14,358</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>11,490</td>
<td>13,972</td>
<td>14,908</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>11,402</td>
<td>12,630</td>
<td>15,685</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>12,149</td>
<td>13,210</td>
<td>15,276</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>14,364</td>
<td>14,229</td>
<td>15,627</td>
<td></td>
</tr>
</tbody>
</table>
Oregon University System  
Quarterly Cash Report – Current Unrestricted Funds  
December 31, 2003  
(in thousands, except percentages)

### Service Departments

<table>
<thead>
<tr>
<th>Month Ending</th>
<th>FY2004</th>
<th>FY2003</th>
<th>FY2002</th>
<th>FY2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>3,722</td>
<td>3,717</td>
<td>4,364</td>
<td>6,315</td>
</tr>
<tr>
<td>August</td>
<td>3,398</td>
<td>3,340</td>
<td>4,436</td>
<td>6,220</td>
</tr>
<tr>
<td>September</td>
<td>2,387</td>
<td>2,438</td>
<td>4,144</td>
<td>6,191</td>
</tr>
<tr>
<td>October</td>
<td>1,735</td>
<td>2,560</td>
<td>4,679</td>
<td>7,028</td>
</tr>
<tr>
<td>November</td>
<td>3,452</td>
<td>2,216</td>
<td>4,947</td>
<td>5,988</td>
</tr>
<tr>
<td>December</td>
<td>2,991</td>
<td>2,560</td>
<td>4,679</td>
<td>7,028</td>
</tr>
<tr>
<td>January</td>
<td>2,746</td>
<td>5,148</td>
<td>5,148</td>
<td>5,490</td>
</tr>
<tr>
<td>February</td>
<td>2,907</td>
<td>4,771</td>
<td>4,681</td>
<td>5,011</td>
</tr>
<tr>
<td>March</td>
<td>2,881</td>
<td>4,104</td>
<td>5,011</td>
<td>5,011</td>
</tr>
<tr>
<td>April</td>
<td>2,816</td>
<td>3,678</td>
<td>4,660</td>
<td>5,080</td>
</tr>
<tr>
<td>May</td>
<td>2,816</td>
<td>4,111</td>
<td>4,660</td>
<td>5,080</td>
</tr>
<tr>
<td>June</td>
<td>2,907</td>
<td>4,771</td>
<td>4,681</td>
<td>5,011</td>
</tr>
</tbody>
</table>

### Clearing Funds

<table>
<thead>
<tr>
<th>Month Ending</th>
<th>FY2004</th>
<th>FY2003</th>
<th>FY2002</th>
<th>FY2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>11,290</td>
<td>10,460</td>
<td>9,665</td>
<td>8,490</td>
</tr>
<tr>
<td>August</td>
<td>13,457</td>
<td>11,763</td>
<td>10,746</td>
<td>26,533</td>
</tr>
<tr>
<td>September</td>
<td>1,363</td>
<td>4,487</td>
<td>32,264</td>
<td>21,764</td>
</tr>
<tr>
<td>October</td>
<td>546</td>
<td>6,125</td>
<td>2,918</td>
<td>3,225</td>
</tr>
<tr>
<td>November</td>
<td>4,788</td>
<td>1,874</td>
<td>14,081</td>
<td>17,485</td>
</tr>
<tr>
<td>December</td>
<td>169</td>
<td>2,592</td>
<td>17,880</td>
<td>349</td>
</tr>
<tr>
<td>January</td>
<td>2,278</td>
<td>(4,119)</td>
<td>(2,364)</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>3,393</td>
<td>8,943</td>
<td>4,361</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>(622)</td>
<td>19,992</td>
<td>14,046</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>(573)</td>
<td>2,531</td>
<td>(906)</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>9,114</td>
<td>5,552</td>
<td>6,245</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>(1)</td>
<td>(4,111)</td>
<td>(2,364)</td>
<td></td>
</tr>
</tbody>
</table>

### Auxiliary Enterprises

<table>
<thead>
<tr>
<th>Month Ending</th>
<th>FY2004</th>
<th>FY2003</th>
<th>FY2002</th>
<th>FY2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>42,104</td>
<td>31,110</td>
<td>23,974</td>
<td>18,112</td>
</tr>
<tr>
<td>August</td>
<td>37,517</td>
<td>28,606</td>
<td>26,680</td>
<td>20,126</td>
</tr>
<tr>
<td>September</td>
<td>50,033</td>
<td>41,943</td>
<td>35,551</td>
<td>27,331</td>
</tr>
<tr>
<td>October</td>
<td>50,101</td>
<td>43,343</td>
<td>36,043</td>
<td>28,840</td>
</tr>
<tr>
<td>November</td>
<td>41,943</td>
<td>38,890</td>
<td>30,658</td>
<td>20,290</td>
</tr>
<tr>
<td>December</td>
<td>43,889</td>
<td>39,664</td>
<td>26,669</td>
<td>12,880</td>
</tr>
<tr>
<td>January</td>
<td>44,589</td>
<td>35,489</td>
<td>23,081</td>
<td>20,290</td>
</tr>
<tr>
<td>February</td>
<td>41,727</td>
<td>32,598</td>
<td>20,607</td>
<td>18,807</td>
</tr>
<tr>
<td>March</td>
<td>49,782</td>
<td>36,900</td>
<td>20,461</td>
<td>20,461</td>
</tr>
<tr>
<td>April</td>
<td>47,906</td>
<td>42,393</td>
<td>30,423</td>
<td>30,423</td>
</tr>
<tr>
<td>May</td>
<td>44,881</td>
<td>38,462</td>
<td>24,658</td>
<td>24,658</td>
</tr>
<tr>
<td>June</td>
<td>57,065</td>
<td>39,726</td>
<td>30,494</td>
<td>30,494</td>
</tr>
</tbody>
</table>

Pursuant to Internal Management Directive 6.130, a comprehensive report on the Oregon University System's investment portfolio, consisting of endowment funds (both pooled and separately invested), donation funds, and plant funds, is incorporated in the System's Investment Report (Report), which is included with the supplemental materials (on file with the Board's office). This report summarizes the findings of the Investment Report.

As of June 30, 2003, total OUS investments had a combined market value of $291 million, summarized as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Market Value June 30, 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment Funds (Pooled - $53.4 million and Separately Invested - $3.3 million)</td>
<td>$56,747,938</td>
</tr>
<tr>
<td>Current Donation Funds</td>
<td>47,380,212</td>
</tr>
<tr>
<td>Plant Funds</td>
<td>186,913,348</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$291,041,498</strong></td>
</tr>
</tbody>
</table>

The total Pooled Endowment Fund return for Fiscal Year 2003 was 4.5 percent, which out-performed the policy benchmark return of 2.5 percent. The ten-year average return was 8.9 percent compared to the policy benchmark return of 8.1 percent. During the FY 2003, $2.4 million was distributed for spending to the universities from the Pooled Endowment Fund.

U.S. Treasury Notes and FNMA Securities in the Current Donation Funds and Plant Funds earned between 1.75 percent and 5.35 percent. Other funds invested in the Oregon State Treasury Short-Term Investment Pool earned an average of 1.71 percent.

For additional details of investments and investment performance for each fund, see the complete Report for the year ended June 30, 2003.

Staff Recommendation:
Staff recommends the Board approve the 2003 Annual Report on Investments as presented.
FRIDAY, APRIL 2, 2004
REGULAR MEETING OF THE BOARD OF HIGHER EDUCATION
BIOMEDICAL INFORMATION COMMUNICATION CENTER (BICC) GALLERY
OREGON HEALTH & SCIENCE UNIVERSITY
9:00 A.M. – 1:00 P.M.

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Berlin Bernstine
Portland State University
April 2, 2004
OHSU

PORTLAND STATE UNIVERSITY—A PROGRESS REPORT AND AGENDA FOR THE FUTURE

Portland State University’s presentation will focus on the Board’s priorities to expand access, serve students better, improve academic excellence, and promote economic development. Portland State University’s work in these areas reflects its urban university mission; is successful because of partnerships, particularly with community colleges; and embodies the values of sustainability—economic, social, and environmental—broadly defined.

PSU’s History and Mission – An Overview

Portland State University was formed in 1946 as an extension center for returning veterans. Today, the University is a premier urban university. Urban universities—like the land grant institutions—have federal legislation that defines their characteristics. In the 1992 Reauthorization of the Higher Education Act, Congress created Title XI, the Urban Community Service legislation, which establishes the criteria used by urban universities: urban universities are located in areas with a population of at least 350,000 residents; have programs aimed at increasing access to higher education; are responsive to the needs and priorities of the urban region; offer professional, technical, or graduate programs that are sufficient to sustain the university’s capacity to provide resources responsive to urban needs and priorities; and have a demonstrated sense of responsibility to the needs and priorities of the urban area.

Portland State University’s mission is consistent with this definition of urban universities: Portland State University’s mission is to enhance the intellectual, social, cultural, and economic qualities of urban life by providing access throughout the life span to a quality liberal education for undergraduates and an appropriate array of professional and graduate programs especially relevant to metropolitan areas. The University conducts research and community service that support a high quality educational environment and reflect issues important to the region. It actively promotes the development of a network of educational institutions to serve the community.

Portland State University’s history and its mission guide the University’s work in the areas identified by the State Board of Higher Education as priorities: access and affordability, excellence in delivery and productivity, academic excellence and economic
development, and facilities and infrastructure needs. This report describes the work of PSU in each of these priority areas and identifies opportunities for investment and support.

**Access and Affordability**

Meeting the higher education needs of the metropolitan region is PSU’s mission. Access at Portland State University means providing an opportunity to those who can benefit from a college degree and attracting a diverse and highly talented student body. Access is important to the region’s economy because in order for it to be sustainable, there needs to be high quality educational degree and certificate programs available to prepare and support a highly-skilled workforce. OUS enrollment projections show that PSU will serve 30,000 students by 2016, up from 24,000 today. These projections may be conservative and, if resources are adequate, PSU is preparing to serve 35,000 in 2012. Figure 1 illustrates the growth potential for the University.

As Table 1 illustrates, Portland State University has the sixth largest graduate enrollment among universities on the West Coast. Most of the graduate enrollment is in professional master’s degree programs, which further underscores the work PSU does to support the workforce and industry needs of the region. This enrollment also includes students in several Ph.D. programs, as well as traditional master’s degrees across the disciplines in the University.
Table 1. **Institutions with Largest Graduate Enrollments on the West Coast**

<table>
<thead>
<tr>
<th>Rank</th>
<th>University</th>
<th>02-03 Graduate Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>University of Southern California</td>
<td>15,225</td>
</tr>
<tr>
<td>2</td>
<td>Stanford University</td>
<td>10,769</td>
</tr>
<tr>
<td>3</td>
<td>University of California - Berkeley</td>
<td>8,693</td>
</tr>
<tr>
<td>4</td>
<td>University of California - Los Angeles</td>
<td>8,685</td>
</tr>
<tr>
<td>5</td>
<td>University of Washington</td>
<td>6,636</td>
</tr>
<tr>
<td>6</td>
<td>Portland State University</td>
<td>6,211</td>
</tr>
</tbody>
</table>

**New Programs – Bringing New Students to PSU**

Over the last ten years, Portland State University has received OUS Board approval for four new Ph.D. programs: civil engineering, computer science, mathematics, and mathematics education. These programs were developed in direct response to business and community needs. The development of new degree programs, particularly in areas that respond to workforce needs, will not only provide greater educational opportunities for Oregonians, but will also improve the University’s overall research agenda and its reputation regionally and nationally.

**Nontraditional Students -- Providing Opportunity**

Portland State University is the most diverse university in the Oregon University System. In 2000, a new initiative on diversity was established on campus and today the University has a goal of enrolling a student body that proportionately reflects diversity in the region and nation. Over the last ten years, the proportion of PSU’s student body representing ethnic minorities has grown. Presently, PSU is well on its way to achieving its goals of reflecting the diversity of the region, state, and the nation as Table 2 illustrates.
Table 2. *Ethnic Composition of PSU Student Body Compared to the Region, State, & Nation*

<table>
<thead>
<tr>
<th>Ethnic Category</th>
<th>PSU</th>
<th>OR / WA Metro Area</th>
<th>OR</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>66.5%</td>
<td>84% - 86%</td>
<td>87% - 89%</td>
<td>75% - 77%</td>
</tr>
<tr>
<td>Asian or Pacific Islander</td>
<td>9.0%</td>
<td>5% - 6%</td>
<td>3% - 4%</td>
<td>4% - 5%</td>
</tr>
<tr>
<td>Black or African American</td>
<td>3.1%</td>
<td>3% - 4%</td>
<td>2%</td>
<td>12% - 13%</td>
</tr>
<tr>
<td>Hispanic or Latino**</td>
<td>3.9%</td>
<td>8%</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>American Indian or Alaska Native</td>
<td>1.1%</td>
<td>1% - 2%</td>
<td>1% - 2%</td>
<td>1% - 2%</td>
</tr>
<tr>
<td>Two or more races</td>
<td>1.1%</td>
<td>3%</td>
<td>3%</td>
<td>2%</td>
</tr>
</tbody>
</table>

* Sources: PSU Fall 2003 4th Week Regular Enrollment Data and Census 2000, US Census Bureau.

** US Census collects Hispanic status independently of race whereas PSU collects it as one of its ethnic categories.

Note. PSU and US Census data are not strictly comparable due to differences in how data are counted in ethnic categories. The PSU ethnic information presented here excludes international students and students who declined to provide their ethnic identity. US Census data are presented as approximate ranges.

Portland State’s access mission is most appropriately reflected in the composition of the student body by its diversity and its nontraditional students:

→ 18 percent of PSU students are ethnic minorities, on par with the representation in the region and the state and 5 percent are international students;

→ The number of community college transfer students has grown from 846 students in 1994 to 1,313 in 2003, representing 22 percent of newly enrolled students;

→ Women represent 55 percent of the student body;

→ The average age of PSU undergraduate students is 25.7 years and the average age of graduate students is 33.5 years;

→ 4,782 students enrolled in distance education programs;

→ 58 percent of PSU students are enrolled full-time; and

→ 76 percent of PSU students report that they work while attending college and 33 percent report working more than half-time.
Community College Partnerships – Making the System Work for Students

A key way PSU meets its access mission and meets diverse student enrollment needs is through partnerships with community colleges and alternative ways of delivering educational services. The first community college/OUS university partnership was established between Clackamas Community College and PSU. Today, PSU has co-enrollment agreements with PCC, Mt. Hood, Chemeketa, Blue Mountain, Columbia Gorge, Klamath, Oregon Coast, and Tillamook Bay community colleges. The University has also been working with Clatsop Community College on developing programs appropriate to their student population. Co-admissions means more than a seamless transfer program, it allows students to have single admissions and financial aid forms; coordinated advising; use of facilities at both campuses; and status as both a community college and University student. It also means that students are able to take classes at different institutions according to their needs.

In the early 1990s, a research consortium of Portland State and the region’s community colleges conducted a study to assess the enrollment patterns of students taking college credit courses. Prior to the study, the assumption was that most transfer students began their education at a single community college and then continued on at PSU to complete an undergraduate degree. Instead, the findings showed there were 74 distinct enrollment patterns among the region’s students. They accessed the educational institutions as a system, attending courses at different community colleges and PSU at the same time. The knowledge that students were accessing the educational resources in 74 different ways guided the development of partnerships between Portland State University and community colleges.

As part of this effort, PSU and four community colleges in the region have developed a combined catalogue that will soon be available online for all students. That means students looking for an introductory art course could, for example, access this website to find all of the art courses at PSU, PCC, Clackamas, Mt. Hood, and Chemeketa, and register for the appropriate course online.

In addition to these dual enrollment programs, PSU has worked with community colleges to offer degree completion programs on their campuses. For example, at Chemeketa and Mt. Hood community colleges, students can obtain a PSU bachelor’s degree in social science by taking courses onsite. PSU also has a weekend business degree program at the OIT/Clackamas Community College Center and students from Washington County can obtain a bachelor’s degree in social science, computer science, or electrical engineering at the Capital Center.
**Flexibility, Convenience, and Delivery – Providing Greater Access**

Portland State University is committed to delivering programs statewide where there is demand and need. For example, the Statewide MSW program is offering programs this fall in Ashland and in Salem. In the past, the program has been delivered in La Grande, Bend, Eugene, and Pendleton, but it will not be offered in these areas again until demand and labor force needs are sufficient.

Portland State University meets its access mission by providing classes at a variety of times throughout the week using various delivery modes. The University offers classes from 6 a.m. to 9:20 p.m., Monday-Friday. Weekend courses begin Friday evening and go through Sunday. Additionally, to accommodate the enrollment growth in the sciences, the University has been offering biology laboratories on Sundays. Now, the Biology Department is considering adding laboratories after 10:00 p.m. to meet the ever-increasing enrollment. In reviewing PSU’s class grid, the only “non peak” times are before 8:00 a.m. and after 9:20 p.m. Monday-Friday, between 3-5 p.m. Fridays, and on Saturday and Sunday afternoons.

**Cost of Education and Limited Financial Aid – Addressing Barriers to Success**

Portland State University enrolls a large number of first generation and low-income students and is therefore designated as a Title III institution by the federal government. As a result, access is also tied to affordability and the cost of education. Many PSU students would not be able to attend college if state and federal financial aid were not available. That is why Portland State University is involved in issues related to the Reauthorization of the Higher Education Act by Congress and the State Student Assistance Commission.

Rational tuition policies and predictability are directly linked to PSU’s ability to meet its mission. High tuition combined with limited financial aid has hit PSU students hard. Tuition increases are always decided in consultation with student and faculty leadership. Despite the University’s best efforts, tuition at PSU has increased in direct proportion to decreases in state funding (see Figure 2).
PSU’s Future Initiatives – Access and Affordability

Portland State University is committed to working with the Board Working Group on Access and Affordability. As part of its work to promote this initiative, PSU will seek support to:

1. Increase student enrollment and serve all eligible residents; recruit more out-of-state and international students who bring cultural diversity to the campus and who also pay four times the tuition of in-state students;
2. Expand partnerships with community colleges, including degree completion programs;
3. Increase the use of facilities and adjust the academic calendar to meet the needs of students, including offering programs in a variety of term lengths to provide students with accelerated degree options, expanding the academic day, and offering more weekend-based programs;
4. Keep tuition low and increases predictable, while growing foundation and scholarship support for low-income and highly talented students.
Excellence in Delivery – More, Better, Faster

High School Seniors – Getting Started on College Early

Portland State University is responding to the challenge of serving more students -- better and faster -- in part through extensive partnerships with community colleges. Additionally, PSU is expanding efforts with regional high schools to offer freshman courses in its award winning general education University Studies program to high school seniors. This allows seniors to make better use of their last year in high school, test their ability to do college-level work, and earn college credit. If they enroll at PSU, these students enter having completed their first-year general education requirements. This program is delivered at Grant, Westview, and Jefferson high schools, as well as the Portland Public Schools alternative program called Vocational Village. PSU also offers credit to high school students in advanced courses through the Challenge and Link programs. The University allows students to take up to eight credits a term without being admitted, which enables high school students to supplement their education throughout the school year and summer break and get a head start earning their college credits.

Innovation and Excellence – Reforming the Undergraduate General Education

The cornerstone of Portland State University’s work to serve more students, better, and faster is the University Studies program. Created ten years ago by faculty working with community and business leaders, University Studies is an innovative general education curriculum that has garnered foundation support and national recognition. In creating the program, graduate schools and employers alike indicated that undergraduate education should focus on developing inquiry and critical thinking skills; strong communication methods including writing, public speaking, and team work; an understanding of the human experience; and a commitment to ethics and social responsibility. The interdisciplinary approach to undergraduate general education incorporates these themes throughout the curriculum.

The program begins in the freshman year and includes an interdisciplinary 15-credit course that students take throughout three quarters. Sophomores take a more intensive interdisciplinary course focusing on declared major areas. In the junior and senior years, students complete the requirements for their major. The educational experience culminates in a senior capstone project that is community-based and gives students an opportunity to apply their classroom learning in a real world setting, giving them a product that can help them in their pursuit of a job or admission to graduate school.

U.S. News and World Report has recognized the University Studies program as among the best in the nation for its senior capstone, learning communities, and service learning. PSU joins Harvard, Reed, Duke, Brown, Georgetown, and others in earning this distinction.


**New Delivery Systems – Improving Time to Degree Completion**

One aspect of social sustainability for a community is the ability of its residents to earn family wages. A college degree is key to family wage jobs. That is why degree completion is a priority for PSU. The six-year completion rate for first-time freshman at PSU in 2002 was 39.3 percent. The reasons for this are as varied as the student population, but for many the length of time to degree completion is extended because of work and family obligations. Most PSU students work, and when tuition or living costs exceed their budgets, they take time out or reduce their academic course load to earn money. Therefore, improving financial aid will improve the University's time to degree completion statistics.

Under the direction of Provost Mary Kay Tetreault, the faculty continues to explore ways to deliver academic programs that help students progress to degree completion more quickly, including the development of web-based programs. The University offers students more than 500 online courses that are accessible from home and from work. In its first year, Portland State University's distance-delivered Master's in Business Administration program was ranked in the top 25 of all e-MBA programs in the nation. It joined schools such as Arizona State University, University of Florida, Rensselaer, and the University of Massachusetts-Amherst in this ranking.

With funding from the Pew Charitable Trusts, the University is engaged in a course redesign effort to improve student learning, student progress toward meeting degree requirements, and reduce the cost of instructional delivery. In the Department of Foreign Languages and Literature, this project has yielded very positive results. The department is now able to serve 83 percent more students at an additional cost of only 35 percent. Mean course grades improved from 80.3 percent to 83.7 percent and both students and faculty are reporting increased satisfaction. Using web-based competency assessments for course placement, developing new course materials, and involving peer mentors are components of the course redesign initiative. The University has invested funding in nine other departments in the last two years to move this program forward.

Portland State University has developed accelerated degree programs in the areas of biomedical informatics (in partnership with OHSU) and accounting that allow students to complete both a baccalaureate and master's degrees in five years. The traditional time for both of these degrees in both areas would generally be at least six years.

The length of time to degree completion is an issue that goes beyond finances and family obligations. At PSU, one strategy being pursued to increase degree completion rates is a comprehensive advising initiative that helps students navigate the educational system better and ensures that students are able to integrate life planning, career planning, and academic choices in order to develop a personally relevant educational and career plan.

Another way to look at how PSU is doing in the area of degree completion is to examine the numbers of students who receive degrees each year. Over the past ten years, the
University has increased the number of graduates by 54 percent. Figure 3 shows the growth in degrees granted by the University.

![Figure 3. Degrees Granted by Type 1994-95 through 2002-03](image)

**PSU’s Future Initiatives – Excellence in Delivery**

Portland State University is committed to working with the Board Working Group on Excellence in Delivery. As part of its work to promote this initiative, PSU will seek support to:

1. Expand high school programs, particularly in a rural high school in the metropolitan region;
2. Develop additional degree completion programs with community colleges and enhance PSU’s partnership with Clatsop Community College;
3. Examine new degree programs with the community colleges that incorporate appropriate coursework gained by students in applied programs; and
4. Improve time to degree completion rates through better advising and expanded student services.

**Academic Excellence and Economic Development**
Research and Graduate Education – Targeting Investments and Building Excellence

Given limited resources, Portland State University is building excellence in programs and research areas that relate to the economy and to the workforce needs of the region—those that can stimulate (in the short term) and sustain the economy in the future. PSU has targeted its investments to the areas of engineering, science, technology, and business.

The University Transportation Center – Increasing Research and Building Programs

The Portland State University Transportation Center and its Intelligent Transportation Systems Laboratory is an example of how the University has identified a research and workforce need and made targeted investments. It is now gaining regional and national distinction as it increases research funding. This interdisciplinary program involves faculty from the College of Engineering and Computer Science, the College of Urban and Public Affairs (and its School of Urban Studies and Planning), the School of Business Administration, and the College of Liberal Arts and Sciences and focuses primarily on regional transportation services and planning research that has national implications for livability. Faculty members involve both undergraduate and graduate students in research projects. This past year, faculty members working in this area secured nearly $2 million in external funding to support their work, up from $700,000 in 1999. This growth in funding is the result of key investments made in recent years. First, the University used targeted ETIC funding to hire talented and productive faculty; the Board approved a Ph.D. in civil engineering in 2000; and support has been given to upgrade facilities. Dr. Robert Bertini, director of the Center, and its associated faculty have worked with the region’s transportation planners and agencies to propose that PSU be designated as a University Transportation Center in the reauthorization of the Federal Transportation Act. The Congressional delegation is working to advance this plan and, if approved, it could mean as much as $2.5 million a year in federal funding.

Portland State University’s focus in transportation studies is also a workforce issue. It is estimated that in the next 15 years, more than half of the transportation employees will retire, leading to a labor shortage in this family wage occupation. An expanded University Transportation Center at PSU will serve the best and the brightest aspiring engineers and planners, support regional research priorities, and bring national recognition to Oregon and to PSU.

Transportation research and planning is just one example of the faculty excellence and research work done at PSU. The faculty members are building regionally and nationally recognized research portfolios in the areas of circuit design and test, cybersecurity,
nanoscience and nanotechnology, astrobiology, thermal and fluid science, and biomedical signal processing.

**Sustainable Communities – Supporting Healthy Children, Successful Families, and Vital Communities**

Good schools and strong community organizations are fundamental to the development of healthy children, successful families, and vital communities. Here, the PSU Graduate School of Education, Graduate School of Social Work, School of Fine and Performing Arts, and the College of Liberal Arts and Sciences make essential contributions. Research shows that the performance of schoolchildren is tied to strong principal leadership. The PSU Portland Metropolitan Leadership Development Initiative is working to prepare school administrators to lead high performing schools. Good schools and strong school leaders attract business and industry and thus, this initiative is also a key element in PSU’s economic development agenda.

**Economic Development – Strengthening Businesses and Creating Jobs**

Portland State University’s mission compels it to be a catalyst for economic development. PSU’s success in this area is tied to the University’s growth in nationally recognized and funded research. Therefore, investments will continue to be made in faculty and facilities to support growth in research, especially in the areas of science, engineering, and technology.

Research funding is a priority, not just because it provides indirect funding support, but also because it enhances the prestige of the University. It can result in innovations and discoveries leading to new businesses and job creation. To support the expansion of its research agenda, Portland State University is working with the Portland Development Commission, OHSU, the State Economic and Community Development Department, and Providence Hospital to establish a business accelerator that will house start-up research-based companies that will work with PSU faculty on product development, commercialization, and marketing. PSU and Lewis and Clark Law School have collaborated on the Interdisciplinary Center for Law and Entrepreneurship (ICLE) project that links MBA and law students to this initiative and they will provide companies with early business and legal assistance.

The first company to affiliate with PSU is Octavian Scientific, Inc., a start-up firm engaged in the development of products to enable full wafer burn-in and test of semiconductor wafers. Although they have not yet made a product announcement, they are already working closely with several of the world leaders in semiconductor manufacturing. With offices on the PSU campus, Octavian is collaborating with Portland State faculty in the Integrated Circuits Design and Test Laboratory to characterize and prove the new technology. There are great expectations that Octavian will soon need expanded space to house their growing employee base and that because of their early
connections with PSU, they will stay close to the central city and close to PSU. This relationship was made possible by the passage of Ballot Measure 10, allowing higher education institutions to hold stock in companies.

PSU is in the developmental stages of the accelerator project and is seeking federal and private sector funding to support its expansion. Several start-up companies like Octavian are interested in a PSU partnership. Today, PSU has signed leases with Mediscrew (a medical device company) and Stratyx Bioscience, Inc. (a consulting company that facilitates the FDA approval process for start-up bioscience companies). Later this spring, PSU expects to have companies in fields such as medical devices and bioscience, wi-fi (wireless fidelity) networking, hybrid publishing, digital imaging, and cybersecurity join the accelerator project.

Several of Portland State University’s graduate degree and certificate programs are aimed at preparing people for success in key industry areas of the region. PSU has worked with the Portland Development Commission, the City of Portland, leading businesses, and others to develop a creative industries initiative. This program includes strengthened undergraduate courses, a master’s degree, and continuing professional development for those employed throughout this diverse industry cluster.

As the tenth largest employer in Portland, PSU has a positive impact on the economy in the way purchasing and real estate development decisions are made. This year, under the leadership of Jay Kenton, vice president of finance and administration, PSU has embarked on an aggressive strategy to buy locally, particularly from minority- and women-owned businesses. Supporting these businesses helps the local economy grow and that, in turn, is good for PSU.

**PSU’s Future Initiatives – Academic Excellence and Economic Development**

Portland State University is committed to working with the Board Working Group on Academic Excellence and Economic Development. As part of its work to promote this initiative, PSU will seek support to:

1. Continue to recruit highly talented and productive faculty who will build expansive research programs tied to the economy of the region;
2. Increase PSU’s research funding to $50 million a year by 2008;
3. Grow enrollment in graduate programs, particularly Ph.D. programs in engineering, science, technology, and others central to the regional economy;
4. Develop new degree programs and certificates that are important to the economic base of the region; and
5. Expand PSU’s business accelerator initiative and build partnerships with the community college small business development centers.
Facilities and Infrastructure Needs – Making PSU a Sustainable Enterprise

Making Portland State University a model of a sustainable business has guided administrative decisions with the goals of diversifying revenue streams, reforming campus operations, and delivering high quality educational programming and services.

Administrative Efficiency – Engaging in Continuous Improvement to Keep Administrative Costs Low

Portland State University is a lean administrative operation. Whenever possible, the University has used technology, reinvention, reform, and continuous improvement as guiding principles to meet the academic needs of the growing student enrollment. Over the last decade, as Figure 4 illustrates, administrative costs as a percentage of the overall University expenses have declined substantially.

![Figure 4. PSU Institutional Support (Administrative) Expenses as a Percentage of Total Expenses](image)

The University has operated efficiently while at the same time working to diversify the revenue streams that support the overall enterprise. The University’s strategic plan for addressing reduced revenue is a multifaceted approach to generating revenues while building excellence and enhancing the reputation of PSU. These strategies are consistent with the Board’s initiatives and involve:

1. Growth in enrollment, including an emphasis on out-of-state and international students who pay tuition in excess of the actual cost of instruction;
2. Enhanced philanthropic and endowment funding in partnership with the PSU Foundation;

3. Increased Federal support through special Congressional appropriations and authorizations that support PSU programs;

4. New research grants and contracts, as well as other sponsored activities;

5. Expanded auxiliary enterprise activities, such as student housing and food services;

6. Development and acquisition of real estate, including new retail and commercial enterprises;

7. Use of Ballot Measure 10 and increasing the number of companies in which PSU holds stock, as well as expansion of the business accelerator project;

8. Increased involvement in intellectual property development and management;

9. Establishment of new professional training and lifelong learning programs targeted to meet the needs of business and industry, as well as government and nonprofit organizations; and

10. Creation of new partnerships with public agencies and private companies that leverage the University's resources.

This strategic plan is necessary because the future of the University can no longer be overly dependent on state funding, nor can the students shoulder the burden of reductions in state support through increased tuition. In recent years, the University's overall funding has improved, in large part because of a substantial increase in gifts, grants, and contracts – this funding has grown by 160 percent over the past ten years. However, gifts, grants, and contracts are just one of the many strategies being pursued to establish sustainability in PSU funding and operations.

Increasing private philanthropy to support academic programs, students, and new buildings is a priority at Portland State University. Cassie McVeety, PSU's new Vice President for University Relations, will complete the first-ever capital campaign over the next few years. An example of the progress PSU is making in attracting donations from a relatively young alumni base is the recent gift of $8 million for the College of Engineering and Computer Science. At the April meeting, the Board will be asked to approve the naming of the College to the Fariborz Maseeh College of Engineering and Computer Science in recognition of Dr. Maseeh’s leadership in industry and philanthropy.
**A Vital Learning and Living Community – Building the University District**

To support the University’s planned growth in enrollment, the increase in research funding, expanded business partnerships, and economic development agenda, the City of Portland and PSU have established the University District Plan. Approved by the City Council in 1994, this plan links the University’s goals with the City’s in the areas of transportation, open spaces, business development, and housing. The University will develop the District into an exciting neighborhood known for its intellectual vitality, community spirit, and amenities appropriate to downtown living and learning. Recent reports have indicated the importance of Portland attracting a highly educated and young workforce to sustain its growth in the future. The University District will be a magnet for this population and a place that will gain national distinction because of the unique attributes of downtown living and learning. Key to this is upgrading the architectural quality of the campus and making PSU a downtown attraction that contributes to the overall livability and beauty of Oregon’s largest city.

The Urban Center, which opened in 2000, was the catalyst for the development in the University District. Soon, PSU expects to start construction on the NW Center for Engineering, Science, and Technology that will support further efforts to expand research and educational programs relevant to the industries in the region.

In constructing new buildings, PSU has followed the principles of best practice taught in its nationally known School of Urban Studies and Planning, including a commitment to sustainable buildings and to leveraging public funding with private resources. The University seeks recognition by the Leadership in Energy and Environmental Design (LEED) organization for its commitment to building and operating sustainable structures.

The Native American Student and Community Center was built with state, federal, student, and private funds. It is constructed of sustainable wood and local stone and brick materials. The building has an eco-roof to mitigate storm water runoff and keep the building cool in the summer and warm in the winter.

Stephen Epler Hall was opened last September. It replaced an old and deteriorating building, Birmingham Hall. The University reused or recycled 90 percent of the materials from the Birmingham; created a more energy efficient building, saving at least 30 percent on energy costs; and installed a rainwater harvesting system that saves at least 100,000 gallons of water a year. This student housing building is also helping PSU meet the housing needs of international and out-of-state students. The “Global Village,” a student housing program, pairs an international student with an American student, thus helping each learn more about diverse cultures.

The Broadway Housing Project is now under construction and is scheduled for completion in September 2004. Built with the Portland Development Commission, the PSU Foundation, and a private developer as partners, this building will have the largest eco-roof in the City of Portland. Broadway Housing is built with recycled content and
locally sourced materials and is being constructed with sensors so that it will be a learning laboratory and research project for faculty and students.

These new residential projects, combined with those being planned in the University District by private developers, will drive expanded retail and business development. Portland State University set the mark for mixed development involving retail with the Urban Center. The businesses located on the Urban Center Plaza report robust sales and are pleased with their decision to come to PSU. Broadway Housing will have several street-level retail outlets, consistent with City of Portland requirements. The NW Center for Engineering, Science, and Technology will have retail on the first floor. Also, PSU is planning to redevelop Parking Structure II to accommodate a restaurant. The PCAT building, located on the Urban Plaza, south of the Urban Center, will also be developed soon and will include a major retail development. With the growth in enrollment and expansion of the neighborhood, businesses located in the University District will have a ready and captive market.

The University District Plan calls for expansion of public transit options to serve the students and community residents. The Portland Streetcar, Inc. has been a positive addition to the campus and the University is a strong proponent of the extension to North Macadam and Lake Oswego. The next line of the MAX light rail is planned for the transit mall and Portland State University. Portland State University administrators have been engaged in the local planning process that will guide the next phase of the light rail development.

**PSU’s Future Initiatives – Sustainability and Facilities and Infrastructure**

Portland State University is committed to working with the Board on facilities and infrastructure support. As part of its work to promote this initiative, PSU will focus on sustainability and seek support to:

1. Pursue the overall funding plan outlined above;
2. Redevelop the recently acquired Doubletree site;
3. Expand the partnership with OHSU and coordinate planning for North Macadam; and
4. Invest in renovation, remodeling, and repair of existing buildings.

**PSU – Planning for the Future and Guided by Vision and Values**

Portland State University will serve more students, strengthen research, and expand its economic development initiatives despite declining state resources. PSU will sustain its operations through growth, efficiencies, and innovations. PSU’s challenge in the near future will be to remain true to its mission, vision, and values, while repositioning the University in ways that recognize the realities of today’s funding environment. The budget challenge has, and will continue to, hit all aspects of the University. Every segment of the organization from Athletics to the College of Urban and Public Affairs
has been affected. At the same time, PSU faculty, staff, and students have resolved to work together to serve the students, build programs of excellence, and develop the University District Plan.
VISION AND VALUES
(Approved by PSU Faculty Senate February 2003)

Vision Statement

Our vision is to be an internationally recognized urban university known for excellence in student learning, innovative research, and community engagement that contributes to the economic vitality, environmental sustainability, and quality of life in the Portland region and beyond.

Values Statement

The pursuit of our vision rests on our success in transforming undergraduate education, our growing research programs, our strong collaboration with the community, and the core values we hold. These values describe not only what PSU is now, but also what it will be in the future.

- Learning and Discovery

PSU values intellectual inquiry in its undergraduate and graduate programs, provides leadership in the development of knowledge, and creates opportunities for the application of knowledge to real-world problems.

We maintain a welcoming and stimulating environment that is conducive to success for students, faculty, and staff. We value tenure as an essential component of this environment.

- Access to Learning

PSU is committed to providing access and opportunity to learners from regional, national, and international communities in their pursuit of lifelong learning and diverse educational goals.

- A Climate of Mutual Respect

PSU values diversity and fosters a climate of mutual respect and reflection that supports different beliefs and points of view and the open exchange of ideas.

- Openness and Reflection
PSU endeavors to improve continuously as a university through reflection and open assessment of our activities.

- Community and Civic Engagement

PSU values its identity as an engaged university that promotes a reciprocal relationship between the community and the university in which knowledge serves the city and the city contributes to knowledge in the university.

We value our partnerships with other institutions, professional groups, the business community, and community organizations, and the talents and expertise these partnerships bring to the university.

We embrace our role as a responsible citizen of the city, the state, the region, and the global community and foster actions, programs, and scholarship that will lead to a sustainable future.
Proposed Adoption of OAR 580-021-0044, Use of Employee Social Security Numbers

Staff Report to the Board:
On November 21, 2003, the Oregon State Board of Higher Education adopted temporary Oregon Administrative Rule (OAR) 580-021-0044. The permanent rule establishes authority for Oregon University (OUS) institutions to request voluntary disclosure of employees’ Social Security Numbers.

A public hearing was held on February 23, 2004, and public comment closed March 1, 2004. Public comment was limited to one written comment. At the request of Oregon State University, Section (2)(b) was amended to include specific reference to voluntary use of Social Security Numbers for employment-related background checks.

The permanent rulemaking process is complete, save for Board adoption of the rule.

Staff Recommendation to the Board:
Staff recommends the Board adopt OAR 580-021-0044, effective on filing.

580-021-0044
Use of Employees’ Social Security Numbers

(1) The Oregon University System and each institution within the system shall comply with the requirements of Section 7 of the Privacy Act of 1974 when requesting disclosure of an employee’s Social Security Number. Pursuant to the authority of the Oregon University System to implement personnel systems and exercise payroll authority, the Chancellor’s Office and each institution within the Oregon University System may request that employees furnish valid Social Security Numbers for mandatory and voluntary uses, subject to the use and disclosure provisions of the Privacy Act.

(2) (a) An institution may require disclosure of an employee’s Social Security Number for mandatory uses as provided for under Section 7(a)(2) of the Privacy Act, including:

(A) Use and disclosure for certain program purposes, including disclosure to the Internal Revenue Service, the Social Security Administration, the Federal Parent Locator Service, the Department of Veterans Affairs, the Bureau of Citizenship and Immigration Services, Aid to Families with Dependent Children, Medicare and Medicaid, Unemployment Insurance, Workers Compensation, and, in appropriate cases, epidemiological research.

(B) Administration and accounting purposes including the payment of state, federal and local payroll taxes; withholdings for FUTA and FICA; calculation and applicable reporting of pre-tax salary deductions for benefits including, but not limited to, IRC 117 and IRC 127 scholarship and educational assistance programs; IRC 457 deferred compensation and IRC 403(b) tax- sheltered annuity plans; IRC 401(a) retirement plans; IRC 132 pre-tax parking
and transit plans, IRC 125 flexible spending account or cafeteria plans; or IRC 105 or 106 health reimbursement arrangements.

(C) To the extent required by federal law, an employee’s Social Security Number may be provided to a foreign, federal, state, or local law enforcement agency for investigation of a violation or potential violation of a law for which that entity has jurisdiction for investigation or prosecution.

(b) An institution may request voluntary disclosure and consent to use an employee’s Social Security Number for the following purposes: internal verification and identification for personnel administration, employment-related background checks, payroll records, enrollments or elections for participation in campus programs and services provided by the public universities.

(c) An institution may request voluntary disclosure and consent to use the Social Security Number of an employee or the spouse, partner or dependent of the person requesting participation, as required by the administrator of each record-keeping system, benefit, program or service.

(3) A request for disclosure of an employees’ Social Security Number will notify the employee:

(a) whether disclosure is mandatory or voluntary;

(b) under what statutory or other authority the Social Security Number is requested;

(c) what specific use or uses will be made of the number; and

(d) what effect, if any, refusal to provide the number or to grant consent for a voluntary use as described above in (2)(b) and (c) will have on an individual.

(4) An employee’s Social Security Number may not be put to a voluntary use as described above in (2)(b) and (c) unless the employee has granted consent for that use. If, after having provided notice and received consent to use an employee’s Social Security Number for specified purposes, an institution wishes to use the Social Security Number for additional purposes not included in the original notice and consent, the requesting entity must provide the employee notice and receive the employee’s consent to use the number for those additional purposes.

(5) An employee’s refusal to permit a voluntary use of his or her Social Security Number will not be used as a basis to deny the employee a right, benefit, or privilege provided by law.
(6) The Office of the Chancellor will develop a model disclosure and consent form for use by institutions in the Oregon University System. An institution may use a disclosure and consent form that differs from the model form only if:

   (a) the differences are required to satisfy specific programmatic requirements or the entity’s particular administrative needs, and

   (b) the form complies with all requirements of the Privacy Act of 1974 and this rule.


(Board action required: Roll call vote.)
Proposed rule to define unclassified service within the Oregon University System (OAR 580-020-0006)

Summary:
The purpose of this rule is to distinguish certain positions that do not meet the criteria for academic faculty and are not otherwise represented by a labor union.

Background:
In 1995, Senate Bill 271 gave the Oregon University System (OUS) independent authority to administer personnel and labor relations separate from the regulations that governed other state agencies. Since that time, OUS has relied on an informal practice of categorizing employees who do not meet the criteria for academic faculty and are not otherwise represented by a labor union. Now that the Service Employees International Union Local 503 (SEIU) has asked to represent a large number of non-teaching positions, OUS needs a method to evaluate which positions are appropriate for representation by SEIU. OUS will use this definition in conjunction with other employment practices and policies.

On March 15, 2004, OUS held a public hearing and testimony was received from SEIU, the American Association of University Professors (AAUP), and an employee at Oregon State University, which influenced the proposed language. SEIU has reviewed the proposed rule and supports the definition that OUS has developed.

Staff Recommendation:
Staff recommends that the Board adopt OAR 580-020-0006 as printed below.

(Board action required: Roll call vote.)

OAR 580-020-0006
Definition of Unclassified Service
Unclassified service includes positions that do not meet the criteria for academic faculty, but where professional job requirements and responsibilities:
(1) are exempt from the provisions of the Public Employee Collective Bargaining Act (PECBA), ORS 243.650-243.782; however, not all positions in unclassified service are exempt from PECBA, or
(2) share a community of interest with academic faculty, and
(a) include academic research, public service, or instruction, or
(b) exercise discretion in establishing policy, or
(c) require education and training comparable to academic faculty, or
(d) have administrative decision-making responsibilities beyond office clerical duties.

Examples of unclassified positions that may meet the criteria listed above include:
(1) Chancellor, Chancellor’s cabinet (senior vice chancellors, vice chancellors, board secretary, deputy for planning/chief information officer, general counsel and deputy to the chancellor, director of government relations, associate vice chancellors, assistant vice chancellors, and associate board secretary);
(2) Presidents, president’s cabinet;
(3) Provosts, vice provosts, associate vice provosts, and assistant vice provosts;
(4) Vice presidents and associate vice presidents;
(5) Deans and associate deans;
(6) Directors and associate directors of academic, administrative, and service units;
(7) Controllers and budget officers;
(8) Registrars and associate registrars;
(9) Legal counsel and attorneys;
(10) Athletic directors and associate athletic directors;
(11) Executive and other special assistants to each of the positions listed in numbers one through ten (above), providing that the executive or other special assistant positions otherwise meet the criteria for unclassified service (stated above);
(12) Assistant vice presidents, assistant deans, department heads/chairs, assistant directors, managers, and assistant registrars where positions require specialized/degree education and training;
(13) Librarians, archivists, and museum or collection curators where positions require specialized/degree education and training or where responsibilities include academic research or instruction but does not include positions having primarily clerical responsibilities;
(14) Advisors and counselors, including academic, financial aid, admissions, career, residential life, and athletic, where positions require specialized/degree education and training;
(15) Assistant athletic directors, athletic coaches, assistant athletic coaches, athletic trainers, assistant athletic trainers, and athletic eligibility and compliance officers where positions require specialized/degree education and training;
(16) Interpreters;
(17) Development and advancement officers where positions require specialized/degree education and training;
(18) Physicians, psychologists, and clinical counselors where positions require specialized/degree education and training;
(19) General managers, directors, producers, and announcers of state radio and television service;
(20) Managers, directors and administrators of student affairs functions, where positions require specialized/degree education and training.

Stat. Auth.: ORS 351.070
Stats. Implemented: ORS 351.070
Legislative Concept regarding the Optional Retirement Plan

**Staff Report:**
Since the Optional Retirement Plan (ORP) for unclassified employees was implemented in 1996, experience with the authorizing statute has illustrated that linking plan guidelines to those of the Public Employees Retirement System (PERS) should be reconsidered to provide the full advantages of ORP participation to employees who elect the ORP and to the universities that sponsor the ORP.

**Background:**
The ORP was created by the 1995 Legislature and began accepting participants in January 1996. As written in Oregon Revised Statute 243.800(9), the employer contribution rate for the ORP is linked to the employer contribution rate of PERS. In recent years, the PERS rate has risen dramatically and, due to the infusion of $2.0 billion in Pension Refinance Bond revenue into the PERS fund, the rate dropped dramatically. Neither circumstance was anticipated at the time the ORP was adopted, and the plain language of the statute inadequately addresses the complexities of funding and management policies of the state retirement plan linked to the ORP.

**Current Status:**
OUS representatives and other stakeholders are currently exploring a number of possible options to modify the process by which the ORP employer contribution rate is determined, while still preserving the three principal goals of the ORP: that it be competitive in the national marketplace in relation to other such ORPs; that it is sustainable within the OUS Budget; and that it be reasonably stable over time for the participants. The work group will continue to develop a consensus option during the spring, for submission to the Department of Administrative Services (DAS).

**Staff Recommendation:**
Staff recommends the Board vote to approve the submission of a placeholder for a legislative concept that would include language currently being developed to amend ORS 243.800(9). Submission of the placeholder to DAS is due April 15, 2004.
Proposed Legislative Concepts and Policy Packages

Summary:
The Oregon University System (OUS) Board Working Group on Excellence in Delivery and Productivity proposes the following set of concepts and policy packages that will increase the number of Oregonians who successfully complete their college education. The actions are a combination of activities that will benefit all Oregon students and lead to more efficient delivery of education for a greater number of students.

Background:
The Working Group has held four public meetings and a series of fact-finding and development activities that led to the creation and development of potential activities that would address its responsibility. The potential activities have been reviewed and modified by a wide range of education representatives including OUS and community college presidents, provosts, academic deans, representatives from the Oregon Department of Education, and the OUS Interinstitutional Faculty Senate.

Staff Recommendation:
Staff recommends that the Board adopt the following items as potential legislative concepts or policy packages:

1. Create a statewide K-16 Student Data System through linkage to the Oregon Department of Education’s Integrated Data System.

2. Increase the successful transfer of students to OUS campuses through the creation of a dual enrollment framework and a common set of educational outcomes from courses leading into an academic major.

3. Expand the use of on-line courses to assist students in making more timely progress towards degree completion.

4. Ensure that all Oregon high school students have an opportunity to take rigorous courses in high school that may result in the earning of college credits or advanced placement prior to the student’s college matriculation.

5. Increase the successful retention of OUS undergraduates to degree completion.
OIT, A.A.S./B.S., Respiratory Care

Oregon Institute of Technology proposes to offer an instructional program leading to the Associate of Applied Science and Bachelor of Science degrees in Respiratory Care, effective September 2004. Lane and Mount Hood Community Colleges both offer the A.A.S. in Respiratory Care; no other Oregon institution offers the bachelor’s degree.

Respiratory care is the allied health profession that cares for patients with deficiencies and abnormalities of the cardiopulmonary system (e.g., illnesses/conditions such as asthma, cystic fibrosis, pneumonia, emphysema, as well as conditions instigated by trauma or shock). The respiratory therapist cares for people of all ages, newborn through the elderly, and in a variety of settings (e.g., hospitals, nursing homes, outpatient clinics, homes, physician offices).

Several environmental factors contributed to OIT’s development of this program proposal. Respiratory care is a high-demand health care profession across the U.S. As our citizenry ages, the need for respiratory therapists is becoming more critical. In addition, Rogue Community College (RCC) plans to terminate its long-standing, Medford-based respiratory care associate degree program. Consequently, several CEOs of area hospitals and the ASANTE Systems requested that OIT assume the program.

OIT proposes to fully implement both the A.A.S. and B.S. programs, on site, at RCC’s Medford facilities. RCC will provide classrooms, labs, currently owned equipment, lower-division general education classes, and logistical support such as registration and financial aid. The program faculty currently employed by RCC will become OIT faculty.

OIT will offer the A.A.S. program as designed by RCC, which prepares students to become Certified Respiratory Therapists. This is a “1 + 2 + 1” program. During the first year, students will complete the program’s prerequisites. Years 2 and 3 are devoted to completion of the A.A.S. Following professional registration, (i.e., becoming a Registered Respiratory Therapist), students will spend the fourth year in an online bachelor’s degree-completion program designed to accommodate working professionals.

Students in the baccalaureate program would complete a total of 192-194 credits, including completion of an Individual Development Plan that explains, in detail, the means by which the student will establish competence in four areas and fulfill the requirements for subsequent professional coursework. The student’s employer and group of classmates, as well as OIT faculty, must approve the plan. Baccalaureate-degree graduates will have established competence in data collection and analysis relating to system improvement, evidence-based clinical leadership, cooperative learning, and technology.

OIT anticipates admitting 25 sophomore students and up to 15 senior degree-completion students each fall.
With the addition of two faculty, all current faculty are sufficient to offer the program. Modest funds will be allocated to increase library holdings, and OIT will pay RCC $10,000 for the first year to cover maintenance, office space, and library and computer-lab access, as well as advising, financial aid information, and secretarial support. All appropriate University committees and the OUS Academic Council have positively reviewed the proposed program.

Staff Recommendation to the Board
Staff recommends that the Board authorize Oregon Institute of Technology to establish a program leading to the A.A.S. and B.S. in Respiratory Care. The program would be effective immediately and the OUS Office of Academic Affairs would conduct a follow-up review in the 2009-10 academic year.

(Board action required.)
OSU, Ph.D., Applied Anthropology

Oregon State University proposes to offer an instructional program leading to the doctoral degree in Applied Anthropology, effective fall 2004. This would be the only applied anthropology doctoral program west of the Mississippi. OSU currently offers bachelor’s and master’s degrees in Applied Anthropology and those curricula are being redesigned to articulate well with the proposed doctorate. The University of Oregon offers a doctorate in Anthropology, with the subfields of archaeology, cultural anthropology, anthropological linguistics, and physical anthropology.

The proposed program combines a strong interdisciplinary component with an applied focus. Students will complete 18 credits in the anthropology core, which will provide them with a theoretical framework and set of qualitative and quantitative methods. Students will also choose one of three concentrations (18 credits), with courses from both the anthropology department and affiliated cognate departments. Other requirements include completion of 18 credits in a minor area, 6 skills/methods credits, 3 gender/ethnicity credits, 1 seminar, and 53 dissertation credits, for a total of 121 quarter credits. All students must also demonstrate proficiency in a foreign language.

The first concentration—local values, indigenous knowledge, and environment—focuses on expressive and material aspects of culture and their relationship to local, global, and environmental forces. Students will gain the theoretical and practical tools to understand local values and indigenous knowledge in their holistic context, including environment, subsistence practices, language, archeology, history, religion, and art forms. Among other things, students will explore the relationships between local and/or indigenous culture and the powerful ideologies of global processes. Graduates from this concentration area will be well-prepared to work in museums; with agencies, interest groups, and non-governmental organizations concerned with public-sector folklore and protection of natural and cultural resources; and various tourism and interpretive enterprises, especially those focusing on indigenous cultural identity and communication across cultures.

The second concentration—ethnicity, culture, and health—includes both substantive and technical aspects of the study of health and culture, focusing on such issues as multicultural health, cultural competency in health care, population change and health trends, and biocultural evolution. This area represents an important direction for the professional expansion in applied anthropology, with primary goals of providing professional training in the broad areas of the evolutionary and biocultural basis of health, ethnicity, and cultural factors that affect individual and community health, and qualitative health-data collection and analysis skills. Graduates from this focus area will be prepared for employment with U.S. or international academic institutions, government health departments, and non-governmental health agencies focusing on such issues as multicultural health, family planning, and health demography.
The third concentration—business, organization, and work—focuses on the complex and rapidly changing interconnections among people, communities, businesses, technology, and civil associations. Students will be trained to conduct in-depth ethnographic investigations, problem identification, and problem solving. Graduates will be prepared to work within corporations to inform decisions or in non-governmental organizations or nonprofits advocating for workers.

The proposed program is responsive to the increasing demand for applied anthropologists who are capable of conducting ethnographic studies relevant to local communities and key societal institutions. OSU has received requests for qualitative community studies from such organizations as Oregon Health and Science University, the National Forest Service, Oregon Health Department, National Park Service, local watershed councils, Intel, and local NGOs such as Stone Soup and Community Outreach Consortium, Food Share, and Linn-Benton Food Security Group. Employers recognize the need to have a deeper understanding of the values and experiences of the communities with which they interact and graduates of the program will have the skills to uncover multiple perspectives and values, identify problems, and facilitate negotiation and problem solving among various groups. Graduates will be able to find careers in cultural resources management, watershed management, NGOs, public health, product design and marketing, linguistic and cultural competency, language survival, and communication across cultures.

Current faculty, and institution/department commitments to strengthen program faculty, are sufficient to offer the program. The current 9.5 FTE faculty will be increased to 12.5 FTE by the fourth year of the program. Modest additional support is provided for teaching assistants to allow more time for mentoring doctoral students and providing program coordination. Current library resources are adequate, although in years two through four, additional funds are budgeted to support program-appropriate acquisitions. All facilities, equipment, and technology are sufficient to offer the program.

An external review team, composed of Marietta Baba, dean, College of Social Sciences, Michigan State University; Linda Bennett, associate dean, College of Arts and Sciences, University of Memphis; and Linda Whiteford, president, Society for Applied Anthropology and professor of anthropology, University of Florida; evaluated the program in late October/early November and recommended Board adoption of the program. They indicated that: "...the demand for applied anthropologists in business, government, and communities has greatly increased in the past two decades...[and they] are currently employed as researchers and product designers in major global corporations, as researchers and administrators in managed care health programs serving diverse communities, as specialists working for the Environmental Protection Agency and other federal agencies, and in myriad roles that require special skill in understanding and working with other cultures." (p. 3, report of external review team)

Among the strengths of the program identified by the review team are that the faculty are "outstanding teachers, leaders in the discipline, and highly respected in the university," that the department consistently attracts external funding each year, and
that affiliated faculty and OSU leadership are committed to the program. Minor recommendations, such as some curriculum revision and strong commitment to increase faculty FTE, have received endorsement from OSU faculty and administrators.

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

Staff Recommendation to the Board
Staff recommends that the Board authorize Oregon State University to establish a program leading to the Ph.D. in Applied Anthropology. The program would be effective fall 2004-05 and the OUS Office of Academic Affairs would conduct a follow-up review in the 2009-10 academic year.

(Board action required.)
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UO, B.A./B.S., Marine Biology

The University of Oregon proposes to offer an instructional program leading to the baccalaureate degree in Marine Biology, effective fall 2004. This will be the only marine biology major offered in the Pacific Northwest. Currently, UO offers a marine biology emphasis in its biology major. Oregon State University has considerable strength in the marine sciences, including field courses at the Hatfield Marine Science Center in Newport, Oregon. OSU also offers a marine biology option for biology majors, as well as undergraduate degrees in oceanography and fisheries and wildlife science. Portland State University and Southern Oregon University both offer courses that cover aspects of marine biology.

Employment in marine biology has traditionally been driven by academics, fisheries, and service in government agencies. As genetic and molecular techniques have become available in recent years, many new opportunities have developed for research and employment in the marine realm. Some of these newer applied fields include marine natural product chemistry (search for promising pharmaceuticals in marine organisms), marine biotechnology (use of marine organisms to address economic and medical problems), aquaculture (farming and ranching of marine organisms for food, medicine), and marine environmental biology and toxicology.

Oregon has both a strong environmental ethic and significant environmental challenges associated with coastal development, fisheries, and industry. The marine biology major is designed to prepare undergraduates for graduate school in the life sciences and for a variety of careers in natural resource agencies, biological consulting firms, research laboratories, education and interpretation, and private-sector industries in marine resources. Students who choose to complete a fifth-year teacher certification program would become fully qualified science teachers.

Students in the proposed program will complete all introductory courses and prerequisites required for a biology degree – 61 to 66 lower-division credits and 44 upper-division biology credits, including coursework in cellular and molecular biology, ecology, evolution, systematics, and organisms. In addition, students will spend three full-time terms (enrolled for a minimum of 12 credits per term) at UO’s Oregon Institute of Marine Biology (OIMB), which is located in Charleston, Oregon. OIMB is a completely functional marine laboratory, well-appointed for research and teaching, that can support a major in marine biology with no new commitment of resources. While at OIMB, students may choose upper-division electives in various subdisciplines of marine science, such as zoology, botany, physiology, ecology, embryology, and oceanography.

Currently, about 40 percent of UO students graduating with a biology degree have enrolled for at least one term at the OIMB. However, with the exception of summer term, enrollment at OIMB remains low. The proposed major will fully utilize this facility, as well as offer a major that is attractive to students and responds to workforce demand.
All faculty, staff, facilities, equipment, and other resources are in place to offer the program. No new courses will need to be developed. The courses at OIMB provide a unique learning experience for the student. Each course meets for the entire day and has a large laboratory and field component, with the faculty member and teaching assistant in full-time attendance. Four of the five classrooms are plumbed for running seawater, allowing classes to maintain marine organisms in the classroom. Library resources are substantial, and OIMB has a history of sharing materials (in both directions) with the Hatfield Marine Science Center. Modest additional resource requirements (e.g., one teaching assistant two terms per year) will be met through a resource fee. UO anticipates serving 100 marine biology students at any given time, graduating 25 to 30 students each year.

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

*Staff Recommendation to the Board*
Staff recommends that the Board authorize the University of Oregon to establish a program leading to the B.A./B.S. in Marine Biology. The program would be effective fall 2004, and the OUS Office of Academic Affairs would conduct a follow-up review in the 2009-10 academic year.

*(Board action required.)*
Tuition and Fees

Staff Report
2004-05 Preliminary Tuition Proposals
Revised OUS Fee Policies

The Board will receive final 2004-05 tuition and fee proposals for approval at the June 2004 Board meeting. At that time staff will request that the Board adopt the 2004-05 Academic Year Fee Book, which will include the OUS fee policies and detailed information on 2004-05 tuition and fees. This April report provides background information and an update of the preliminary 2004-05 tuition proposals from each institution.

2004-05 Tuition Proposals:
In April 2003, the State Board approved tentative tuition plans for 2003-04 and 2004-05. All campuses proposed increases in each of the two years in response to the severe state funding reductions.

In July 2003, the Board approved specific tuition and fee rates for 2003-04, including changes to the tuition plateaus. In taking action, the State Board approved the principles that OUS institutions may: 1) modify or eliminate tuition plateaus, and 2) develop individual plans to modify or eliminate tuition plateaus in the future on a schedule that best meets their needs and the needs of their students. These plans would be submitted to the State Board for approval.

Attached is a report that summarizes the current campus proposals and provides background on OUS revenues and per-student funding. Also attached is a survey comparing 2003-04 OUS winter term tuition rates with peer universities in response to a request from the Board at the March 2004 meeting.

Oregon University System Fee Policies:
The OUS Fee Committee, comprised of OUS and campus representatives, has conducted a review of OUS fee policies to update them to reflect current practice and to match the policies implemented with the Resource Allocation Model (RAM) initiated in 1999-00. The new policy draft is included as supplemental material to the Board docket. The 2003-04 policies are available on the OUS website at http://www.ous.edu/fr_tuit.htm Further detail on specific wording changes and edits is available at the OUS Budget Office.

The majority of the proposed changes and edits clarify existing policies, but a few of the proposals represent minor substantive policy changes and are highlighted in the introduction to the new policy draft. The revised policies have been reviewed by the OUS Councils for Academic Affairs, Student Affairs, and Finance and Administration and will be presented to the Board in June 2004 for approval.
### Planned Tuition Increases for 2004-05

**Percentage Increases per credit hour**

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<th>Nonresident Graduate</th>
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*Apr-03 Plan - Approved by the State Board in April 2003*

### Plateau Changes

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**Approved by State Board October 2003**
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Average without Oregon institutions          | $5,165    | $5,024     | $16,085       | $12,716  |
Oregon institutions as % of average          | 92.3%     | 172.2%     | 100.4%        | 111.8%   |
Oregon University System
Comparison of Tuition and Fee Rates to Shared Peer Institutions for EOU, SOU, WOU

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Average without Oregon institutions         | $3,986   | $11,777     |
Oregon institutions as % of average          | 113.4%   | 86.3%       |
## Comparison of Tuition and Fee Rates to Peer Institutions for Oregon Institute of Technology 2003-04 Annual

<table>
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<th>Institution</th>
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<td>$5,280</td>
<td>5,290</td>
<td>$7,930</td>
<td>11,230</td>
</tr>
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<td>Purdue University, North Central</td>
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<td>3,167</td>
<td>8,696</td>
<td>7,209</td>
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<tr>
<td><strong>Oregon Institute of Technology</strong></td>
<td><strong>4,443</strong></td>
<td><strong>6,630</strong></td>
<td><strong>13,623</strong></td>
<td><strong>11,274</strong></td>
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<td>4,913</td>
<td>11,771</td>
<td>12,845</td>
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<td>3,216</td>
<td>9,690</td>
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<tr>
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<tr>
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<td>8,378</td>
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<tr>
<td>California Polytechnic, Pomona</td>
<td>2,508</td>
<td>2,718</td>
<td>9,276</td>
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<tr>
<td>University of Southern Colorado*</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>West Virginia University Institute of Technology*</td>
<td>3,430</td>
<td>N/A</td>
<td>8,488</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Average without Oregon Institute of Technology:
- Resident Undergraduate: $3,471
- Resident Graduate: $3,708
- Nonresident Undergraduate: $9,624
- Nonresident Graduate: $10,026

Oregon Institute of Technology as % of average:
- Resident Undergraduate: 99.64%
- Resident Graduate: 158.18%
- Nonresident Undergraduate: 125.46%
- Nonresident Graduate: 103.15%
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Optional Retirement Plan Employer Rate Correction

Introduction:
OUS staff, working with the Office of the Attorney General, the Public Employees Retirement System (PERS), and PERS’ consulting actuary, has determined a series of steps to correct temporarily reduced employer contribution amounts for participants of the Optional Retirement Plan (ORP). This report outlines the issues that created a decrease in ORP employer contribution rates and the process for correcting under-contributions to ORP participants’ accounts.

Measure 29 PERS Rate Relief
In September 2003, Oregon voters passed Measure 29, permitting the State of Oregon to issue general obligation bonds in the amount of $2 billion, which had the effect of reducing the state’s PERS retirement costs by 6.60 percent of subject members’ salary. In advice based on the plain language of ORS 243.800(9), the Attorney General’s office advised the OUS that the state’s PERS employer rate reduction was also applicable to ORP participants’ employer contributions. In November 2003, OUS accordingly reduced ORP participants’ contributions to 3.71 percent and 4.27 percent, respectively, for Tier One and Tier Two ORP participants, using rates developed for the ORP by PERS’ actuary.

Subsequent discussions with the Attorney General’s office have recently yielded revised advice that permits restoration of ORP participants’ employer contributions reduced by the Measure 29 pension bond deposit to PERS. The OUS may retroactively increase the current employer contribution amount by the fully amortized value of the proceeds of the bond sale, which PERS’ actuary certifies is 6.60 percent of salary.

OUS established the November 2003 ORP rates through reliance on existing rules and statute, as well as advice from the office of the Attorney General. Under-contributions, to the extent that they occurred, were based on a plain language reading of the Oregon law and rules, and were not breaches of compliance with the Plan document. Therefore, counsel retained by the OUS with the firm of Miller Nash LLP has advised OUS that self-correction may be used to reset and restore contributions, to the amounts required, without using formal IRS procedure or filings.

OAR 459-005-0320 Repealed
The second impact on ORP employer contribution rates occurred in January 2004, when PERS repealed OAR 459-005-0320. The rule had required OUS to use separate, actuarially-determined employer contribution rates for Tier One and Tier Two ORP participants. Since repeal of the rule, the OUS is not required to establish separate Tier

ORS 243.800(9) The State Board of Higher Education shall contribute monthly to the optional retirement plan authorized under this section the percentage of salary of each employee participating in the plan equal to the percentage of salary that would otherwise have been contributed as an employer contribution on behalf of the employee to the Public Employees Retirement System if the employee had not elected to participate in the optional retirement plan.
One and Tier Two employer contribution rates. Instead, a blended Tier One/Tier Two rate will be contributed for both Tier One and Tier Two ORP participants effective January 1, 2004, to more closely comply with the direction of ORS 243.800(9).

Correction Process:
Correcting under-contributions to ORP accounts requires a series of actions to adjust rates for the Measure 29 rate relief and repeal of OAR 459-005-0320.

Action Plan:

1. Staff will calculate dollar amounts for each ORP participant sufficient to add 6.60 percent of salary to each ORP employer contribution account for November 2003, December 2003, January 2004, February 2004, and March 2004. These under-contribution amounts for the amortized pension bond rate reduction will be deposited as a lump sum contribution to ORP accounts in April 2004.

2. Staff will calculate dollar amounts for each Tier One and Tier Two ORP participant sufficient to adjust employer contributions from tiered rates to the blended Tier One/Tier Two rate. For Tier One ORP participants, the employer contribution will increase from 3.71 percent to 4.71 percent of salary, a total of 1.00 percent; for Tier Two ORP participants, the employer contribution will increase from 4.27 percent to 4.71 percent of salary, a total of 0.44 percent. Under-contributed amounts based on the adoption of the higher, blended employer contribution rate in January, February, and March 2004 will be deposited to ORP employer contribution accounts as a lump sum contribution in April 2004.

3. The ORP employer contribution rate will be reset to 11.31 percent, effective April 2004, for Tier One and Tier Two ORP participants. This revised rate incorporates the corrections for both the Measure 29 pension bond rate reduction and for the repeal of OAR 459-005-0320.

4. Consultants and ORP investment companies will calculate lost earnings, using employer census and wage data provided by OUS staff. “Lost earnings” deposited to ORP participants' accounts is the dollar amount attributable to investment earnings and losses on under-contributed amounts from November 2003 through March 2004. Lost earnings amounts will be deposited to ORP employer contribution accounts upon completion of all calculations.

Conclusion:
The blended PERS employer contribution rate for ORP participants, plus an addition equal to the Measure 29 pension bond deposit rate reduction, yields the employer contribution rate required by ORS 243.800(9). Adopting this rate structure and adding lost earnings to under-contributions during the applicable periods meets the responsibilities of the Plan and the Oregon State Board of Higher Education.
Oregon State Board of Higher Education

MINUTES

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Regular Board Meeting, March 5, 2004  93

April 2, 2004

Oregon State Board of Higher Education
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1. CALL TO ORDER/ROLL CALL

Chair Don Blair called the meeting to order at 8:10 a.m.

The following Committee members answered present:

    Neil Goldschmidt (arrived at 9:10 a.m.)
    Henry Lorenzen
    Don Blair

The following Board members were also present:

    Bridget Burns    Kirby Dyess,
    Rachel Pilliod   Geri Richmond

System Office staff present: Chancellor Richard Jarvis, Tom Anderes, Shirley Clark, Nancy Heiligman, Bob Simonton, and Denise Yunker.

Others: Presidents Phillip Conn, Martha Anne Dow, Dixie Lund, Mary Kay Tetreault (for Dan Bernstine), and Elisabeth Zinser; and Bill McGee, DAS.

Meeting attendees also included other institution representatives, members of the System Office staff, interested observers, and members of the press.

2. CONSENT ITEM

   a. UO—Moss Street Property

   DOCKET ITEM:

   Executive Summary

   Purpose:
University of Oregon (UO) sought Board approval to authorize the Senior Vice Chancellor for Finance and Administration, or designee, to complete the proposed purchase of a private residence, located at 1801 Moss Street in Eugene, Oregon, from the University of Oregon Foundation, for a maximum of $240,000 plus closing costs. The proposed property acquisition is located within the approved campus boundary and
will provide the space required for development of a student residence, as outlined in the campus master plan. The University will use existing Systemwide spending limitation, and will not require further legislative authorization for the transaction. The University expects to use $240,000 of Article XI-F (1) bond proceeds to cover the purchase price and closing costs. Debt service on the 30-year bonds is estimated at $15,000 per year. The acquisition is subject to satisfaction of several standard terms and conditions.

**Background:**
This site, comprised of approximately 8,640 square feet (approximately 0.2 of an acre), is strategically located in an area designated for future campus expansion. The property includes a single-family residence that will be used for student housing until the land is needed for other University uses. However, it is especially timely to purchase the property, as it is one of four remaining properties in a campus area that is in the process of being rezoned from low density housing to public land for phased development of medium density residential housing, offices, or other support functions.

**Staff Report to the Board:**

*Background*

The property is a 948 square foot, two bedrooms, one bath home currently operated as a rental unit. It is in good shape and is located near the southern edge of the campus.

The University began purchasing land east of Agate and South of 15th (commonly referred to as the east campus area) over 40 years ago for institutional expansion, and the established campus boundaries have not changed since that time. To date, all but nine of the properties within this area have been purchased by the University.

Roughly half of the property consists of single-family dwellings and half is institutional development. The area is bounded on one side by the University campus, on another side by a commercial district, and on two sides by a mature residential neighborhood.

During the past 20 years, much development has occurred in the area including construction of the Museum of Natural History, removal of the WW II surplus structures dating to the 1950s, and construction of the Bean Hall parking lot, the Knight Law Center and its open spaces, the Olum Child Care Center, and the East Campus Graduate Village.

*Statement of Need:*

The limited amount of land remaining within the central academic core must be reserved for future academic instructional functions. That leaves future student housing and support services (such as administrative offices and other non-instruction functions) without viable development sites. Most recent estimates predict a need for approximately 500,000–600,000 additional gross square feet over the next 20 years. Enough land appears to be available in the east campus area to accommodate these...
needs without sacrificing an appropriately beautiful transition between University uses and the surrounding residential neighborhood.

Recognizing the University’s future development needs could not be met without altering the current land use policies that define allowed uses and development densities for University-owned lands in the east campus area, the University has recently completed a plan for the area that will allow phased development of the land while at the same time preserving the character of the neighboring residential areas.

The University’s president has adopted the new policy, which is an extension of the University’s master plan. Appropriate changes to the metro area and city land use regulations needed to enable the plan are currently being reviewed by the City of Eugene, with adoption expected in early March 2004.

Following the adoption of the land use regulations, the University will apply for rezoning of the land.

The purchase of this property within the east campus area will allow the University to rezone it with the other University-owned land, thereby saving a later effort and maximizing the work accomplished to date. It will also allow for more efficient development of the area in the future, as this parcel will be a part of the campus proper. Finally, the Eugene market will continue to escalate with time, making a purchase at this time most cost effective.

**Schedule:**
Closing to occur on or before April 30, 2004.

**Financial Considerations:**
The UO Foundation had been in negotiations with the owner of the property for about six months and purchased the property in mid-December. These negotiations took place in an especially inflationary Eugene real estate market. The University has had the property appraised by two separate appraisers and the average of these is $183,500. In view of the timeliness of acquiring the property to enable the rezone and eventual expansion of housing and other University uses, and the added value to the University of obtaining property surrounded by other University property, the purchase price can be justified.

**Legal Considerations:**
Several conditions remain open and must be satisfactorily resolved prior to settlement. These conditions include, but are not limited to, the following items:

**Buyer - UO**
Approval by the State Board of Higher Education.
Receipt of a satisfactory Level I environmental report.
Conveyance approved by the Assistant Attorney General and executed by the Board President and Secretary.

Staff recommendation: Staff recommended that the Board approve the University of Oregon’s request to purchase the private residence, located at 1801 Moss Street, Eugene, Oregon, from the University of Oregon Foundation, for $240,000 plus closing costs, assuming all conditions are met and that the final purchase details are agreed upon by all parties, and subject to final approval by the Senior Vice Chancellor for Finance and Administration.

COMMITTEE DISCUSSION AND ACTION: There was consensus agreement of the Committee members present to forward the staff recommendation to the full Board for final approval.

3. REPORT ITEMS

a. Optional Retirement Plan Review

DOCKET ITEM:

Plan Overview:
The Oregon University System (OUS) offers a defined contribution, tax-qualified, money purchase pension plan as an alternative to the state’s PERS/OPSRP retirement program for unclassified academic and administrative employees. This Optional Retirement Plan (ORP) was implemented in 1996 to provide portability of employer-contributory account balances, and supports the career mobility that is a signature of the higher education workforce in Oregon. The ORP supports national recruitment by offering annuity and mutual fund accounts through investment companies recognized within the higher education community. The Plan’s fund sponsors include AIG VALIC, American Century, Scudder, and TIAA-CREF.

OUS employees elect to participate in either the ORP or PERS/OPSRP after six months of employment, and the election is irrevocable for all periods of employment by the OUS. Total enrollment and assets in ORP accounts have grown over time, as shown in Table 1. Participant turnover data confirm a high degree of mobility, for which the plan was designed. During the period of March 2001 to March 2003, 448 ORP participants exited the ORP and OUS employment. Total enrollment in the ORP continues to increase, however, due to enrollment of new employees.

<table>
<thead>
<tr>
<th>Year End</th>
<th>1997</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participants</td>
<td>1,445</td>
<td>1,849</td>
<td>1,991</td>
<td>2,152</td>
<td>2,362</td>
</tr>
<tr>
<td>Total Participant Account Assets ($)</td>
<td>*$9,483,672</td>
<td>$55,354,282</td>
<td>$55,270,128</td>
<td>$69,437,950</td>
<td>TBA</td>
</tr>
</tbody>
</table>

* June 1997 participant account asset volume.
The ORP’s authorizing statute, ORS 243.800, establishes eligibility and contribution requirements. Contributions to participant accounts are comprised of separate employer and employee contributions, in amounts equivalent to those made for PERS members.

The employer contribution rate history for ORP participants is shown in Table 2. The total contribution rate for each participant is the sum of the employer contribution rate, plus a 6.00 percent employee contribution. Employees hired prior to January 1, 1996, receive the Tier One employer contribution; those hired on or after January 1, 1996, receive the Tier Two employer contribution. Employer contribution rates for employees hired on or after August 29, 2003, are under consideration as PERS implements its successor plan, the Oregon Public Service Retirement Plan (OPSRP), beginning January 1, 2004. The normal cost of retirement benefits for this group has been estimated at 8.04 percent of salary by PERS actuary.

Table 2. ORP Employer Contribution Rates, Percent of Salary

<table>
<thead>
<tr>
<th>Start Date</th>
<th>4/96</th>
<th>7/97</th>
<th>7/99</th>
<th>7/01</th>
<th>7/03</th>
<th>11/03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier One</td>
<td>8.46</td>
<td>8.20</td>
<td>9.73</td>
<td>9.49</td>
<td>11.31</td>
<td>3.71</td>
</tr>
<tr>
<td>Tier Two</td>
<td>5.75</td>
<td>5.75</td>
<td>7.33</td>
<td>8.52</td>
<td>11.71</td>
<td>4.27</td>
</tr>
</tbody>
</table>

Current Issues Affecting the ORP

Measure 29 PERS Rate Relief: Voter approval of the state’s 2003 $2 billion bond sale to reduce its retirement plan costs created a marked decrease in ORP employer contribution rates for current participants. This unintended consequence of the Measure 29 rate relief payment to PERS occurred because of the statutory-required linkage of PERS and ORP employer contribution rates under ORS 243.800(9).

Since reducing the ORP employer contribution rates effective November 1, 2003, the OUS and the Office of the Attorney General have explored statutory interpretations of ORS 243.800(9), the treatment of pension obligation bond reporting for reporting costs to federal grants and contracts, and PERS administrative rule OAR 459-009-0084 to determine the applicability of PERS rate relief to ORP participants. An overlay of PERS historical rate calculation methods and the procedural requirements of the Internal Revenue Service corrections program for qualified plans must also be considered before any rate correction methods or amounts are implemented.

Resolving the Measure 29 rate relief decrease in ORP contributions is a high priority for the OUS due to the marked reduction in ORP participants’ retirement benefit. The Systemwide OUS employer contribution fell from $1.35 million in October 2003 to $0.48 million in November 2003, a nearly 65 percent reduction in participants’ additions to their retirement accounts. Individual’s contribution decreases are the difference between the rates established in July 2003 and November 2003, shown in Table 2. Correcting this artifact of the state’s PERS funding action is critical to restoring competitive contribution rates for ORP participants.
**Amortization Policies:** The state legislature’s 2003 reform of PERS resulted in a dual-plan program (PERS plus the successor Oregon Public Service Retirement Plan, OPSRP) that imposes funding results unanticipated when the ORP was implemented in 1996. Contribution rates for the closed and declining group of current PERS members may create swings in employer contribution rates as the group decreases over time. Further, the establishment of the PERS/OPSRP Individual Account Program eliminates the employee contributions that previously helped fund PERS pensions. These factors, plus unknowns associated with the new OPSRP’s employee demographics, require the creation of new funding methods and employer rates for PERS/OPSRP. PERS rates as the benchmark for ORP contributions have become unpredictable as PERS works to determine new funding methods. During that period, PERS/OPSRP pension benefits will not be affected, but employees new to the OUS or currently being recruited to replace vacancies, are unable to make informed decisions because of the rate unsurety for the ORP.

To illustrate, in November 2003, the PERS Board adopted an amortization policy that reduced the state’s employer contribution rate for OPSRP-era employees from 8.04 percent of salary to 0.6 percent of salary. Technical implementation for the policy proved problematic, and the policy was rescinded. Until new amortization methods for old and new PERS pension plans are approved and implemented, ORP employer contribution rates remain subject to mid-year changes.

The OUS has requested that the PERS Board delay implementation of any new amortization policy until the next, regular employer contribution rate adjustment in July 2005.

**Future Corrective Action**
The statutory rate linkage between PERS/OPSRP and the ORP is problematic because the objectives of defined benefit and defined contribution retirement plans are fundamentally different. That is, the contributions going into each of these types of plans, even if equal, are not intended to result in the same outputs in terms of retirement income.

Equal PERS and ORP contributions permitted simplified budgetary and financial administration when the ORP was initially proposed. Linking the PERS and ORP contribution rates is also a simple method for meeting the requirements for a money purchase pension plan, in other words, that employer contributions be made according to a fixed formula, (i.e., the PERS rate). However, recent events in both the investment markets and PERS reform create significant questions about continued use of the original rate-setting methodology because of the continued contribution rate volatility.

Alternatives to using the PERS employer contribution rate to establish a competitive, stable, and sustainable ORP contribution rate are under study. Changing the ORP employer contribution rate would require amending ORS 243.800(9) through legislative action. To achieve this, numerous stakeholders’ interests need to be addressed by the OUS, and preliminary discussions were begun in December 2003. Developing an
acceptable proposal for legislative consideration will require continued collaboration with campuses, internal and external stakeholders, ORP fund sponsors, and PERS.

BOARD DISCUSSION:
Ms. Denise Yunker, Benefits Director for the OUS, provided further explanation of the ORP. She indicated that the presentation was being made at the present time because there is the potential for some policy decisions requiring Board action in the coming months. It was pointed out that the plan has been in operation since 1996. What has occurred over the past years is that “some of the factors that are influencing PERS now, most notably in the last year with the legislative reform in 2003, and the market performance that affected the liabilities to the PERS system, created some differences in the funding mechanisms that have played out to be very worrisome for participants and for those who are plan fiduciaries,” Ms. Yunker explained.

One of the issues affecting ORP is the PERS amortization policies. “We have received further clarification from PERS that actually they are having to change their methodology and there could be impacts for all ORP participants going forward, depending on which methodology they adopt.” Ms. Yunker shared with the Committee that it is her belief that some sort of adjustment to the statute needs to be considered in the next legislative session. She indicated that there might be an item on the April agenda to consider proposing amendments to the statute that would then have to be approved in the next legislative session.

b. Executive Budget Process/Expectations

Note: Mr. Bill McGee’s power point presentation is available on the OUS web site at http://www.ous.edu/board/meetingmaterials.

BOARD DISCUSSION:
Mr. McGee, Budget Analyst with the Department of Administrative Services, began his presentation by reminding the Board of the economic picture of Oregon since the 1990s and the unprecedented economic growth, large population increases, increases in the high tech industry, and so forth; this was followed by an unprecedented drop after 2001. “For the first time, as far as we know, in Oregon’s history, the legislature had less money to spend than the Governor did in preparing the respective budgets. This was a very difficult situation for the legislature,” Mr. McGee pointed out. “Also, the net tax receipts in the 2001-2003 biennium were, in fact, lower than they were in a prior biennium.” However, the good news is that the projections are that there will be an economic recovery in the years ahead.

“The real story is told by the percentage distribution of the General Fund and Lottery funds budget, which show very graphically the disinvestment, particularly in higher education, where from a high of 13 percent of the state’s discretionary budget in the 1987-1989 biennia, the University System is now down to about 6 percent of that budget,” Mr. McGee explained.
The budget timeline, with agency tasks, was explained along with the various fund types that make up the OUS budget. Chair Blair asked specifically what the separate appropriations by the legislature were. “The Education and General is a separate appropriation, each of the three statewides (OSU’s Agricultural Experiment Stations, the Extension Service, and the Forest Research Laboratory) are separate appropriations, debt service, Sports Action Lottery, and capital construction are also presented as separate appropriations,” Mr. McGee explained.

The budget process and timelines were presented, beginning with the legislatively approved budget that includes all actions, for this cycle, through the April 2004 Emergency Board. April 15 is the time by which OUS must identify the issues that will be discussed with the agency during the remainder of the budget development process. Mr. McGee explained that any legislative concept that will have any fiscal impact requires a policy package. “If the Governor is going to bring legislation forward that requires new money, he needs to have that in his budget or we can’t bring the legislative concept package forward. There is also a statutory requirement that agencies include in their budget narrative 10 percent reduction options off all fund types.” Continuing, he added that this year there may be a request for an additional 10 percent in General Fund reductions from agencies in order for the Governor to have some options when he formulates his budget. To clarify the point, Mr. McGee highlighted that on the current projection for the 2005-2007 biennium, there could be as much as a $600 million shortfall between the essential service level and the revenue projection.

Mr. McGee explained the legislative concept process, noting that the Governor files all executive branch bills on behalf of the agencies. “If a concept has a fiscal impact, it must have an associated policy package or packages. Policy packages that require statutory changes must have associated legislative concepts. They need to be hand in glove.” Placeholder concepts are due by April 15 and by July 15, legislative counsel needs to have all of the information complete to continue the drafting process. Between July and November, OUS works with legislative counsel to finish the bill drafting and on December 1, all agency bill drafting needs to be completed.

c. Tuition and Fees

DOCKET ITEM:

The Oregon Legislature grants authority to the State Board of Higher Education to establish tuition and fees for enrollment at Oregon University System (OUS) institutions. Based on recommendations from the institutions and the Chancellor, the Board annually sets fees for enrollment at the institutions, including:

- Tuition
- Building Fees
- Health Service Fees
- Incidental Fees
- Education Resource Fees
- Residence Hall Room and Board Rates
• Other Special Fees as determined by the Board

The Board has delegated authority to the institution presidents to establish certain fees, fines, and charges for services and materials, including:
• Laboratory and Course Fees
• Fees for workshops
• Instruction Fees for self-support courses
• Charges for auxiliary services, e.g. food services, student centers, and parking
• Fines for violation of campus regulations
• Charges for facilities use
• Charges for other materials and services

Statutory Authority: ORS 351.070 Board General Powers
ORS 351.072 Adoption of Certain Standards
ORS 351.170 Charges for Use of Buildings

Administrative Authority: OAR 580-040-0010 Institutional Authority to Establish Fees

A. Tuition Structure and Assessment

1. Tuition is established to provide support for instructional programs and instructional support expenditures. Tuition rates vary in general based on student level and residency. In some cases, tuition rates are based on course level or the cost of providing a course.

Tuition rates for students admitted to regular academic programs are based on student classification and residency:
   Student level – Undergraduate and Graduate
   Residency – Resident and Nonresident

2. Historically, full-time students in regular academic programs paid a fixed amount of tuition, regardless of the number of credit hours. The tuition “plateau” was 12-18 credit hours for undergraduates and 9-16 credit hours for graduate students. Effective Winter Term 2004, the State Board approved proposals from the institutions for significant modifications to the tuition structure by compressing the number of credit hours in the plateau; eliminating the plateau completely; or implementing a modified per credit hour structure with reduced per credit increments within a specified range.

   a. Undergraduate tuition structures:
      (1) Tuition plateaus are set at OIT, WOU, and PSU(12-15) and SOU (12-16)
      (2) Tuition will be assessed on a straight per credit hour basis at EOU.
      (3) Tuition will be assessed through a modified per credit hour tuition with a reduced per credit hour increment within a specified range at OSU and UO.
b. Graduate tuition structures:
   (1) Tuition plateaus will be set at OIT (9-15), OSU (9-16), SOU (9-14), UO (9-16), PSU and WOU (9-12).
   (2) Tuition will be assessed on a straight per credit hour basis at EOU.

c. Professional program tuition structures:
   (1) OSU – Pharmacy and Veterinary Medicine tuition is assessed as a single full-time tuition as necessitated by the curriculum requirements.
   (2) UO - Law School is assessed tuition with a plateau of 9-16 credit hours on a semester basis.

3. The 2003 Legislature placed expectations on tuition and fee increases for the 2003-2005 biennium through the following Budget Note:

   **Tuition and Fees**
   The approved budget, except for a reduction in Other Funds expenditures to reflect the reduction in employer contribution rates for the Public Employees Retirement System (PERS), accommodates tuition and fee revenue projected under the rate structure approved by the State Board of Higher Education for the 2003-04 academic year, and the rates proposed for the 2004-05 academic year. The Subcommittee expects that the Board will not increase rates on tuition and other fees that generate funds for the Education and General limited budget beyond these levels, if the General Fund appropriation to the Department is not reduced after adjournment of the 2003 regular legislative session. The Subcommittee notes that the Emergency Board may increase the Other Funds expenditure limitation for the Education and General program if enrollment levels exceed those currently projected.

**B. Incidental Fee**
The incidental fee is assessed to provide support for student activities. Student committees make recommendations for the amount and use of fees on each campus. The funds generated by this fee are to be used for “student union activities, educational, cultural, and student government activities, and athletic activities.”

**C. Health Services Fee**
This fee is used to support each institution’s student health services, which are operated similarly to auxiliary services. Generally, rate increases reflect the institutions’ efforts to maintain the self-support nature of these services.
D. Building Fee
The building fee is the same for all institutions. ORS 351.170 allows OUS to assess up to $45 per student per term to finance debt service for construction associated with student centers, health centers, and recreational facilities constructed through the issuance of Article XI-F (1) bonds.

E. Resource Fee
There are two forms of Resource Fees: universal fees, assessed to all students; program fees, assessed to students admitted to particular academic programs; and, one-time fees for first-term students.

A Program Resource Fee is assessed to students admitted to, or enrolled in a school, college, department, or degree program. It may be assessed to certain classes of students, such as all freshmen, seniors, graduates, etc., or to students admitted to, or enrolled in a degree program, such as business, engineering, law, etc.

The 2003 Legislature limited Resource Fees for the 2003-2005 biennium with the following budget note:

“...The Subcommittee further notes that resource fee (including energy surcharge fee) revenue in the approved budget totals 8.6% of gross tuition revenue. The Subcommittee expects the Department to limit resource fee revenue to no more than 8.6% of gross tuition revenue.”

F. Energy Surcharge Fee
Originally authorized in 2001-02, the Energy Surcharge Fee was created to address a critical increase in energy costs to OUS institutions.

2003-2005 Biennium

In April 2003, the State Board approved tentative tuition plans for 2003-04 and 2004-05. All campuses proposed increases in each of the two years in response to the severe state funding reductions.

In July 2003, the Board approved specific tuition and fee rates for 2003-04, including changes to the tuition plateaus. In taking action, the State Board approved the principles that OUS institutions may: 1) modify or eliminate tuition plateaus, and 2) develop individual plans to modify or eliminate tuition plateaus in the future on a schedule that best meets their needs and the needs of their students. These plans would be submitted to the State Board for approval.

Attached are a series of tables with information on tuition and fee increases and comparisons with peers:
- 2003-04 tuition and fees and rates of increase over the prior year
- 2003-04 Programmatic Resource Fees and increases over prior year
- Planned increases for 2004-05
- OUS Median Annual Tuition and Fees 1991-2004
- 2003-04 Tuition and Fee Comparisons with Peer Universities
Table 1: 2003-04 Tuition and Fees and Rates of Increase Over the Prior Year (Undergraduate)

<table>
<thead>
<tr>
<th>Winter Term 2003 Tuition and Fees</th>
<th>Full-Time Undergraduate - 15 Credit Hours</th>
<th>EOU</th>
<th>OIT</th>
<th>OSU</th>
<th>PSU</th>
<th>SOU</th>
<th>UO</th>
<th>WOU</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tuition</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residents</td>
<td>$ 1,290</td>
<td>$ 1,116</td>
<td>$ 1,239</td>
<td>$ 1,320</td>
<td>$ 1,046</td>
<td>$ 1,236</td>
<td>$ 1,080</td>
<td></td>
</tr>
<tr>
<td>Nonresidents</td>
<td>$ 1,290</td>
<td>$ 4,176</td>
<td>$ 5,491</td>
<td>$ 4,620</td>
<td>$ 3,936</td>
<td>$ 5,229</td>
<td>$ 3,835</td>
<td></td>
</tr>
<tr>
<td><strong>Fees</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>20</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td>50</td>
<td>60</td>
<td>100</td>
<td>60</td>
<td>50</td>
<td>90</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>Building</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td></td>
</tr>
<tr>
<td>Incidental</td>
<td>195</td>
<td>159</td>
<td>170</td>
<td>131</td>
<td>144</td>
<td>173</td>
<td>159</td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>99</td>
<td>101</td>
<td>94</td>
<td>110</td>
<td>99</td>
<td>99</td>
<td>81</td>
<td></td>
</tr>
<tr>
<td><strong>Total Fees</strong></td>
<td>$ 409</td>
<td>$ 365</td>
<td>$ 409</td>
<td>$ 346</td>
<td>$ 338</td>
<td>$ 427</td>
<td>$ 355</td>
<td></td>
</tr>
<tr>
<td><strong>Total Tuition and Fees</strong></td>
<td></td>
<td>$ 1,699</td>
<td>$ 1,481</td>
<td>$ 1,648</td>
<td>$ 1,666</td>
<td>$ 1,384</td>
<td>$ 1,663</td>
<td>$ 1,435</td>
</tr>
<tr>
<td>Residents</td>
<td>$ 1,699</td>
<td>$ 4,541</td>
<td>$ 5,900</td>
<td>$ 4,966</td>
<td>$ 4,274</td>
<td>$ 5,656</td>
<td>$ 4,190</td>
<td></td>
</tr>
<tr>
<td>Nonresidents</td>
<td>$ 1,699</td>
<td>$ 4,541</td>
<td>$ 5,900</td>
<td>$ 4,966</td>
<td>$ 4,274</td>
<td>$ 5,656</td>
<td>$ 4,190</td>
<td></td>
</tr>
</tbody>
</table>

**Percentage Increase over Prior Year**

<table>
<thead>
<tr>
<th>Tuition</th>
<th>EOU</th>
<th>OIT</th>
<th>OSU</th>
<th>PSU</th>
<th>SOU</th>
<th>UO</th>
<th>WOU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residents</td>
<td>27%</td>
<td>4%</td>
<td>11%</td>
<td>22%</td>
<td>3%</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>Nonresidents</td>
<td>27%</td>
<td>1%</td>
<td>16%</td>
<td>10%</td>
<td>8%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Fees</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Technology</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Building</td>
<td>29%</td>
<td>29%</td>
<td>29%</td>
<td>29%</td>
<td>29%</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>Incidental</td>
<td>0%</td>
<td>0%</td>
<td>11%</td>
<td>0%</td>
<td>-1%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Health</td>
<td>0%</td>
<td>0%</td>
<td>7%</td>
<td>0%</td>
<td>3%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total Tuition and Fees</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residents</td>
<td>20%</td>
<td>3%</td>
<td>10%</td>
<td>18%</td>
<td>3%</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Nonresidents</td>
<td>20%</td>
<td>1%</td>
<td>15%</td>
<td>9%</td>
<td>8%</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>

*Excludes Resource Fees. Amounts are rounded to nearest dollar.
Table 1: 2003-04 Tuition and Fees and Rates of Increase Over the Prior Year (Graduate)

<table>
<thead>
<tr>
<th>Winter Term 2003 Tuition and Fees</th>
<th>Full-Time Graduate - 12 Credit Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EOU</td>
</tr>
<tr>
<td><strong>Tuition</strong></td>
<td></td>
</tr>
<tr>
<td>Residents</td>
<td>$2,400</td>
</tr>
<tr>
<td>Nonresidents</td>
<td>$4,584</td>
</tr>
<tr>
<td><strong>Fees</strong></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>20</td>
</tr>
<tr>
<td>Technology</td>
<td>50</td>
</tr>
<tr>
<td>Building</td>
<td>45</td>
</tr>
<tr>
<td>Incidental</td>
<td>195</td>
</tr>
<tr>
<td>Health</td>
<td>99</td>
</tr>
<tr>
<td><strong>Total Fees</strong></td>
<td>$409</td>
</tr>
<tr>
<td><strong>Total Tuition and Fees</strong></td>
<td></td>
</tr>
<tr>
<td>Residents</td>
<td>$2,809</td>
</tr>
<tr>
<td>Nonresidents</td>
<td>$4,993</td>
</tr>
<tr>
<td><strong>Percentage Increase over Prior Year</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Tuition</strong></td>
<td></td>
</tr>
<tr>
<td>Residents</td>
<td>1%</td>
</tr>
<tr>
<td>Nonresidents</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Fees</strong></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>0%</td>
</tr>
<tr>
<td>Technology</td>
<td>0%</td>
</tr>
<tr>
<td>Building</td>
<td>29%</td>
</tr>
<tr>
<td>Incidental</td>
<td>0%</td>
</tr>
<tr>
<td>Health</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total Tuition and Fees</strong></td>
<td></td>
</tr>
<tr>
<td>Residents</td>
<td>1%</td>
</tr>
<tr>
<td>Nonresidents</td>
<td>14%</td>
</tr>
</tbody>
</table>

*Excludes Resource Fees. Amounts are rounded to nearest dollar.
### Table 2: 2003-04 Programmatic Resource Fees and Increases over the Prior Year

<table>
<thead>
<tr>
<th>OIT</th>
<th>2002-03</th>
<th>2003-04</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMT/ Paramedic Ed</td>
<td>$85</td>
<td>$85</td>
<td>0%</td>
</tr>
<tr>
<td>Clinical Lab Science</td>
<td>135</td>
<td>135</td>
<td>0%</td>
</tr>
<tr>
<td>OSU</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Undergraduate</td>
<td>100</td>
<td>130</td>
<td>30%</td>
</tr>
<tr>
<td>MBA</td>
<td>350</td>
<td>350</td>
<td>0%</td>
</tr>
<tr>
<td>Pre-Engineering</td>
<td>100</td>
<td>192</td>
<td>92%</td>
</tr>
<tr>
<td>Engineering</td>
<td>150</td>
<td>430</td>
<td>187%</td>
</tr>
<tr>
<td>Art</td>
<td>-</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Interdisciplinary Studies</td>
<td>-</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>-</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Honors College 01-02</td>
<td>25</td>
<td>25</td>
<td>0%</td>
</tr>
<tr>
<td>Honors College 02-03</td>
<td>100</td>
<td>100</td>
<td>0%</td>
</tr>
<tr>
<td>Honors College 03-04</td>
<td>-</td>
<td>167</td>
<td></td>
</tr>
<tr>
<td>Pharmacy</td>
<td>-</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td>PSU</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Service Fee - All</td>
<td>-</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Business Undergraduate</td>
<td>50</td>
<td>100</td>
<td>100%</td>
</tr>
<tr>
<td>MBA</td>
<td>150</td>
<td>350</td>
<td>133%</td>
</tr>
<tr>
<td>Engineering</td>
<td>170</td>
<td>250</td>
<td>47%</td>
</tr>
<tr>
<td>Fine &amp; Performing Arts</td>
<td>50</td>
<td>50</td>
<td>0%</td>
</tr>
<tr>
<td>Speech &amp; Hearing Graduate</td>
<td>-</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td>SOU</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MBA Resident</td>
<td>100</td>
<td>100</td>
<td>0%</td>
</tr>
<tr>
<td>MBA Nonresident</td>
<td>150</td>
<td>150</td>
<td>0%</td>
</tr>
<tr>
<td>M Management</td>
<td>160</td>
<td>160</td>
<td>0%</td>
</tr>
<tr>
<td>M Mental Health Counseling</td>
<td>333</td>
<td>333</td>
<td>0%</td>
</tr>
<tr>
<td>M Group Facilitation &amp; Training</td>
<td>300</td>
<td>300</td>
<td>0%</td>
</tr>
<tr>
<td>M Human Services</td>
<td>-</td>
<td>300</td>
<td></td>
</tr>
<tr>
<td>Science Undergraduate</td>
<td>20</td>
<td>20</td>
<td>0%</td>
</tr>
<tr>
<td>Business Undergraduate</td>
<td>15</td>
<td>15</td>
<td>0%</td>
</tr>
<tr>
<td>MA Teaching</td>
<td>180</td>
<td>120</td>
<td>-33%</td>
</tr>
<tr>
<td>UO</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-Business</td>
<td>-</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Business</td>
<td>125</td>
<td>125</td>
<td>0%</td>
</tr>
<tr>
<td>MBA</td>
<td>550</td>
<td>550</td>
<td>0%</td>
</tr>
<tr>
<td>Architecture</td>
<td>50</td>
<td>50</td>
<td>0%</td>
</tr>
</tbody>
</table>
## Programmatic Resource Fees

<table>
<thead>
<tr>
<th></th>
<th>Per Term</th>
<th>2002-03</th>
<th>2003-04</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts &amp; Science Undergraduate</td>
<td>40</td>
<td>40</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Science Undergraduate</td>
<td>70</td>
<td>70</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Computer Science</td>
<td>125</td>
<td>125</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Pre-Journalism &amp; Journalism</td>
<td>75</td>
<td>75</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Multimedia Undergraduate</td>
<td>40</td>
<td>50</td>
<td></td>
<td>25%</td>
</tr>
<tr>
<td>Music</td>
<td>60</td>
<td>75</td>
<td></td>
<td>25%</td>
</tr>
<tr>
<td>Education</td>
<td>50</td>
<td>50</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Honors College 00-01</td>
<td>50</td>
<td>50</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Honors College 01-02</td>
<td>150</td>
<td>100</td>
<td></td>
<td>-33%</td>
</tr>
<tr>
<td>Honors College 02-03</td>
<td>400</td>
<td>150</td>
<td></td>
<td>-63%</td>
</tr>
<tr>
<td>Honors College 03-04</td>
<td>-</td>
<td>500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UO Law</td>
<td>2,770</td>
<td>3,170</td>
<td></td>
<td>14%</td>
</tr>
</tbody>
</table>

### Table 3: Planned Increases for 2004-05

#### Planned Tuition Increases for 2004-05

**Approved by the State Board in April 2003**

<table>
<thead>
<tr>
<th></th>
<th>EOU</th>
<th>OIT</th>
<th>OSU</th>
<th>PSU</th>
<th>SOU</th>
<th>UO</th>
<th>WOU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident Undergraduate</td>
<td>10%</td>
<td>9%</td>
<td>5%</td>
<td>8%</td>
<td>12%</td>
<td>12%</td>
<td>6%</td>
</tr>
<tr>
<td>Nonresident Undergraduate</td>
<td>10%</td>
<td>9%</td>
<td>5%</td>
<td>4%</td>
<td>8%</td>
<td>3.5%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Resident Graduate</td>
<td>10%</td>
<td>9%</td>
<td>5%</td>
<td>8%</td>
<td>12%</td>
<td>12%</td>
<td>6%</td>
</tr>
<tr>
<td>Nonresident Graduate</td>
<td>10%</td>
<td>9%</td>
<td>5%</td>
<td>8%</td>
<td>8%</td>
<td>3.5%</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

*Note: Campuses are also considering changes in the tuition plateaus*

Revenue estimates provided to the Legislature in June 2003 included the projected percentage increases above, which were approved by the Board in April 2003. Campuses are currently in the process of refining their tuition and fee proposals for 2004-05 based on current financial projections.
Table 4: OUS Median Annual Tuition and Fees 1991-2004

The chart above shows that tuition and fees increased sharply in 1991-92 in response to Measure 5 state budget reductions, rose moderately through the 1990’s, and then increased dramatically over the past two years in response to state funding reductions.
Table 5: 2003-04 Tuition and Fee Comparisons with Peer Universities

<table>
<thead>
<tr>
<th>Resident Undergraduate Full-time Students</th>
<th>Annual Tuition and Fees - OUS and Peer Institutions - 2003-04</th>
<th>Ranked by 2003-04 Average Tuition &amp; Fees compared with Peer Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Large Universities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University Of Illinois At Chicago</td>
<td>$6,934</td>
<td></td>
</tr>
<tr>
<td>Indiana University-Bloomington</td>
<td>6,517</td>
<td></td>
</tr>
<tr>
<td>Purdue University-Main Campus</td>
<td>5,860</td>
<td></td>
</tr>
<tr>
<td>SUNY At Buffalo</td>
<td>5,856</td>
<td></td>
</tr>
<tr>
<td>University Of California-Davis</td>
<td>5,853</td>
<td></td>
</tr>
<tr>
<td>Indiana University-Purdue University-Indianapolis</td>
<td>5,703</td>
<td></td>
</tr>
<tr>
<td>University Of California-Santa Barbara</td>
<td>5,639</td>
<td></td>
</tr>
<tr>
<td>University Of Wisconsin-Milwaukee</td>
<td>5,104</td>
<td></td>
</tr>
<tr>
<td>Iowa State University</td>
<td>5,028</td>
<td></td>
</tr>
<tr>
<td>University Of Iowa</td>
<td>4,993</td>
<td></td>
</tr>
<tr>
<td>University Of Washington-Seattle Campus</td>
<td>4,968</td>
<td></td>
</tr>
<tr>
<td><strong>University Of Oregon</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oregon State University</td>
<td>4,719</td>
<td></td>
</tr>
<tr>
<td><strong>Portland State University</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University Of Memphis</td>
<td>4,443</td>
<td></td>
</tr>
<tr>
<td>University Of Colorado At Boulder</td>
<td>4,020</td>
<td></td>
</tr>
<tr>
<td>University Of North Carolina At Chapel Hill</td>
<td>3,993</td>
<td></td>
</tr>
<tr>
<td>North Carolina State University At Raleigh</td>
<td>3,889</td>
<td></td>
</tr>
<tr>
<td>University Of Arizona</td>
<td>3,603</td>
<td></td>
</tr>
<tr>
<td><strong>Regional Universities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SUNY College At Fredonia</td>
<td>5,362</td>
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BOARD DISCUSSION:
Ms. Nancy Heiligman, Assistant Vice Chancellor for Budget Operations, reminded the Board that at the June 2004 meeting, staff would be requesting Board approval of the 2004-05 academic year tuition and fee rates. She reviewed with the Board the materials that had been presented in the docket materials.

The authority to set tuition is delegated by the legislature to the State Board of Higher Education. “The Board has reserved the right to set rates of tuition, building and health fees, student incidental fees, education resources fees, and residence hall and board rates. The Board has, in turn, delegated authority to the campuses to set other kinds of fees, fines, and charges and requires the campuses to go through an extensive process as they prepare their fee proposal for the Board,” she explained.

It was pointed out that with the implementation of the Resource Allocation Model (RAM), there has been more differentiation in tuition policies across the System. Out of the last legislative session there was a budget note regarding tuition and fees and the legislature put a limit on tuition and fees for the current biennium based on the estimates that the System brought forward during the Ways and Means process.

Chair Blair asked for clarification on the PSU percentage of increase on tuition and fees, indicating that the chart showed that the tuition for residents increased 22 percent. Ms. Heiligman responded that the figure was no longer correct because the elimination of the plateau would have caused a 22 percent increase for a student enrolled for 15 credits. “Now, with the narrowing of the plateau, there actually is no increase for a student taking 15 credit hours at PSU this year,” Ms. Heiligman explained. This applies to resident and nonresident students.

Director Burns was interested in knowing if there were data available on the effects of the removal of the tuition plateau. She asked if information could be made available about how this has affected course load and student enrollment. It was explained that this is just beginning to be examined. “We believe there has been a dip in enrollment

<table>
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Source: Chronicle of Higher Ed Survey 2004
based on the increases in cost per credit hour, but we haven’t had time to really understand what is happening at each campus. We can get that information for you,” Ms. Heiligman concluded.

Referring to Table 5, Director Lorenzen observed, for illustrative purposes, that tuition and fees are approximately $5,000 (choosing a round number). If that is the case, “the difference appears somewhere about $5,500 between tuition and fees and the overall cost. I am recalling that the state support is somewhere in the neighborhood of 34 percent. It doesn’t quite balance out.”

It was explained that the resource fees, which provide approximately another 8 percent, are not included in the numbers. In addition, it was pointed out that there are some other miscellaneous revenues and fees—indirect cost recovery, for example. Ms. Heiligman indicated that this type of information would be presented at the April Board meeting. Chair Blair requested information on these dimensions for nonresident students, as well.

President Goldschmidt commented that there was a matter “of timing in the rhythm of the universities. It sounds like, when we talk to legislators, as if our information doesn’t all roll in at the same time. We give them whatever we think we can give them and then we get more and then we act on it. They express this feeling that there is sort of a ball being moved around out here that is either hidden or they never get their arms around it.”

Ms. Heiligman indicated that on September 1, 2004, the OUS budget would be submitted. “At that time, we will have preliminary estimates of enrollment and tuition revenues. Those are the key components of our budget that will be updated prior to the legislative session. One of the difficulties in working with the legislature is when to update the numbers during the session and if we get more accurate numbers, we want to share those, but we also don’t want to surprise the legislature. We have been having conversations initially with the Legislative Fiscal Office and DAS about how we can make that more of a routine kind of update so there aren’t any surprises.

Chair Blair asked if the System Office was giving the campuses a set of instructions and the kind of information that needs to come in and at what time, and if there were regular deadlines around updates and other information that come in.

Senior Vice Chancellor Anderes responded that the approach was being changed. “Specifically, we do some updating but I think we want to have as clear a picture going into the Governor’s budget in September as we can on what the tuition and fee rates will be. Right now, the campuses will be looking at enrollment projections; looking at and developing their proposals for the 2005-2007 tuition and fee rate increases so all of that is incorporated in the document and the information that you will see in June and July when you approve it for submission to the Governor.” In response to Director Dyess’ question, Dr. Anderes indicated this would include the cost by each institution.
d. OSU, Energy Plant Project

The Finance Committee heard a report concerning the Energy Plant project at Oregon State University. Senior Vice Chancellor Anderes explained that this is an evolving project and one that might come up quickly for approval by the Board. “We thought it was appropriate to bring it forward and give a little background since we are on the OSU campus.”

OSU Vice President for Finance and Administration Mark McCambridge, OSU Facilities Director Jim Lloyd, and OUS Director of Capital Construction, Planning, and Budgeting Bob Simonton, reviewed the evolution of the OSU Energy Plant Project. They described it as “an innovative approach to financing a significant deferred maintenance problem.”

President Goldschmidt asked how frequently a $50 million project wanders in off the legislative cycle. Dr. Anderes responded, “Very infrequently. Normally, you will see that most of the projects, a vast majority of the projects, will work through the capital budget requirement, the capital budget process, and review. You’ll see that go to the legislature. It may change in terms of its scope, it may change its fund source, but generally there will be more opportunities to review it.”

Continuing the questioning, President Goldschmidt asked, “I presume this wasn’t in last year’s projects, or was it?” The response was that it was not. To which President Goldschmidt asked if OSU planned to take themselves out of the queue of the next round of capital projects. When Mr. Simonton added that the project was part of the deferred maintenance program, Mr. Goldschmidt asked if it had been sized the same way as presented. Mr. Simonton explained that in recent studies it has been determined that it is actually cheaper to build a new plant than to fix the old one – so it is a different project. “With the recent failure of a boiler, capacity is diminished where the Plant can only serve this campus if the temperature is greater than 27 degrees Fahrenheit. So, as the equipment continues to deteriorate, it puts this campus at risk of not being able to serve heat and hot water to the facilities,” Mr. Simonton indicated.

Mr. Lloyd explained the importance of the request for building a new power plant. (A copy of the handout is on file in the Board’s office.) The heat plant was built in 1923, with additions built in 1940 and 1972. The plant is at the top of the OSU list of deferred maintenance. It has been determined that the existing plant would not survive a modest seismic event without structural damage. “To restore the existing building and equipment plus the seismic retrofits, it became apparent that building a new facility would actually be less expensive,” Mr. Lloyd pointed out.

Mr. Simonton explained that there are seven different funding sources in the proposed plan for a total of $50 million. “The heart of the plan is that we use energy savings from the project to attract energy tax credit dollars from Oregon businesses. This is through the Office of Energy program – the Business Energy Tax Credit program. Those tax credits are leveraged to obtain the state G-bonds [Article XI-G Bonds]. We are also in the process of attracting lottery bonds because of the economic development of this
work. The project will employ over 400 workers over the two year life of the project and the lottery bonds can also be leveraged to obtain G-bonds,” he concluded.

Director Lorenzen inquired as to how the state energy credits flow through to benefit a nonprofit entity. Mr. Simonton responded that businesses buy the tax credits. A follow-up question by Director Lorenzen was how the facilities people balance the issues of whether or not this project is needed. Since the facility had stood for so long without the seismic upgrades, one might question the presentation of this as a critical rationale for replacing the facility.

Chair Blair asked if anyone knew what the energy savings would be on an annual basis or if there were other economic benefits. Mr. Lloyd indicated the savings would come out to about a million dollars a year and those savings would be part of the funding model. “We would use operating leases to obtain the equipment and the energy savings would pay the lease payments.”

4. **ADJOURNMENT**

Meeting adjourned by Chair Blair at 9:30 a.m.

Virginia L. Thompson  
Secretary to the Board

Donald W. Blair  
Committee Chair
1. **CALL TO ORDER/ROLL CALL**

A meeting of the State Board of Higher Education was called to order on February 20, 2004, in the Gumwood Room of the Erb Memorial Union, on the University of Oregon campus. It was held pursuant to ORS 192.660(1)(h) for the purpose of consulting with counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed. Pursuant to ORS 192.660(4), no final action was taken or final decision was made at the executive session.

The executive session was called to order at 8:23 a.m. by President Goldschmidt.

On roll call, the following Board members answered present:

- Donald Blair
- Rachel Pilliod
- Bridget Burns
- Geri Richmond
- Kirby Dyess
- John von Schlegell
- Henry Lorenzen
- Gretchen Schuette
- Tim Nesbitt
- Howard Sohn
- Neil Goldschmidt

**Chancellor’s Office staff present:** Chancellor Richard Jarvis, Ben Rawlins, Virginia Thompson, and Marcia Stuart.

Others present: President Dave Frohnmayer, UO; Julia Lyon, The Bulletin, Bend, Oregon; and Greg Bolt, The Register-Guard, Eugene, Oregon

2. **ADJOURN TO EXECUTIVE SESSION**

President Goldschmidt moved to adjourn to executive session. The following voted in favor: Directors Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, Schuette, Sohn, and Goldschmidt. Those voting no: none. The Board adjourned to executive session.

3. **DISCUSSION REGARDING THREATENED LITIGATION**

Ben Rawlins, General Counsel, informed the Board of a current litigation and its potential impact on the Board, Board members, and the System.
4. **ADJOURNMENT**
The executive session adjourned at 8:37 a.m.

Virginia L. Thompson  
Secretary of the Board  

Neil Goldschmidt  
President of the Board
1. **CALL TO ORDER/ROLL CALL**

President Neil Goldschmidt called a regular meeting of the Oregon State Board of Higher Education to order at 8:55 a.m.

On roll call, the following Board members answered present:

- Donald Blair
- Bridget Burns
- Kirby Dyess
- Henry Lorenzen
- Tim Nesbitt
- Rachel Pilliod
- Geri Richmond
- John von Schlegell
- Gretchen Schuette
- Howard Sohn

Neil Goldschmidt

**System Office staff present:** Chancellor Richard Jarvis, Tom Anderes, Shirley Clark, Grattan Kerans, Ben Rawlins, Virginia Thompson, Susan Weeks.

**Others:** Presidents Dan Bernstein, Phillip Conn, Martha Anne Dow, Dave Frohnmayer, Dixie Lund, Ed Ray, and Elisabeth Zinser, Provost Leslie Hallick, President-elect Khosrow Fatemi was also in attendance.

Meeting attendees also included other institution representatives, members of the System Office, the press, and other interested observers.

2. **CONVERSATIONS WITH THE BOARD: OREGON INSTITUTE OF TECHNOLOGY**

**DOCKET ITEM:**

**President’s Conversation with the Board**

February 20, 2004

*(revised from 10/17/03 presentation to the Board)*
BACKGROUND INFORMATION
Martha Anne Dow, President

MAJOR PRIORITIES AND STRATEGIC ISSUES
Oregon Institute of Technology (OIT) has a unique mission as Oregon’s institute of technology to deliver technology education throughout the state and the Pacific Northwest region.

OIT has a long tradition of direct connection with the economy and workforce development in the areas of engineering, engineering technologies, and the health professions. The OIT programs in management, communication, and the applied sciences also produce graduates who are very successful in a variety of professions. The graduate success rate for the last five graduating classes is 96 percent, with an average starting salary (for 2002 graduates) of $45,400. Ninety-one percent of employed 2002 graduates were in their professional field of study.

Currently, we are increasing access through more statewide and Internet delivery and increasing affordability through a new scholarship fund-raising campaign.

The major university priorities for 2003-2005 include:

1. Enhancing the living and learning environment.

Student success continues to be the number one goal at OIT. To accomplish this, OIT is committed to sustaining the quality of its programs and increasing accessibility to Oregonians and others. Maintaining a successful student living and learning environment is the key to fulfilling that goal. Our main strategic initiatives have addressed (1) improving retention and graduation rates through the development and implementation of a Student Success Plan that strengthens our advising, tutoring, and mentoring programs; (2) implementing freshman success seminars and learning communities; (3) improving the main campus environment by renovating the College Union and planning new residence facilities; and (4) creating the right environment for success with our web-based and Portland degree completion programs for working professionals.

2. Developing “centers of excellence” in health professions education and in renewable energy education and applied research.

**HEALTH:** OIT will expand its leadership role in health professions (allied health) education through the establishment of a Center for Health Professions. A business plan has been developed in partnership with public and private health care entities. The plan focuses on expanding OIT’s capacity for increasing enrollment in high market demand health modalities and raising the funds to build new facilities to meet educational and clinical needs. Partnerships with community colleges will be expanded to meet workforce needs. The cost of this project is in the $10-$20 million range.
RENEWABLE ENERGY: OIT will expand its leadership role in renewable energy education and applied research. This will include developing projects to build “sustainable” campuses in Klamath Falls and Portland. The focus of this activity will be integrating the academic programs and applied research of the Oregon Renewable Energy Center (OREC) into campus life. OIT’s Klamath Falls campus is well positioned for this activity, since it has been geothermally heated and cooled for nearly 40 years, saving millions of dollars in fuel costs and establishing OIT as a model campus for such energy use. With OREC being established as a “center of excellence” for OIT, its staff will explore the use of the Klamath Basin’s sunny days to convert solar power to electricity and other projects as they are developed. One of these projects being considered is a zero-base energy use Residence Hall – where heat, cooling, and electric power are supplied by renewable energy sources. OREC is already working with Clackamas Community College in an academic program initiative at its Wilsonville Training Center and will continue to build partnerships with community colleges in addressing workforce needs in the emerging “smart energy” technologies.

The major strategic issues are addressed by these questions:

a. How can we develop the public/private partnerships to support these “centers of excellence,” both programmatically and financially?

b. How can we manage these centers using a creative public/private business model?

c. How can OIT extend both its health professions and renewable energy programs and services to other locations in Oregon to increase access to them?

3. Managing enrollment to maximize access.

We are challenged by the need to “size ourselves” appropriately to meet industry demands and to maintain our tradition of quality programs. Growth is important for OIT to achieve its statewide mission and its strategic objectives. While we are pleased by the increasing demands for our graduates by businesses, industry, health care, and government agencies, we are also challenged by the new approach to funding public higher education. Our enrollment is currently at its highest point in history, and our goal is to move from an FTE of 2,260 in Fall 2002 to an annualized FTE of 2,518 in Fall 2005.

OIT is implementing an enrollment management and marketing plan, which was developed following a study during 2002-03. In its initial year, the plan will target strategies to increase enrollment in areas in which we have additional capacity without significant additional costs for personnel and facilities. These include degree completion programs in allied health delivered via the web or other means to provide access to place bound students; the Geomatics (formerly surveying) program; and co-enrollment and transfer agreements with community colleges in the management majors, and Information Technology.

The major strategic issue is managing enrollment. These questions arise:
a. How do we determine what new programs to add, where to add them, and how to fund the initial costs?

b. How do we meet our commitment of access to all qualified Oregonians when our most in-demand programs continue to grow and there are not adequate resources to increase capacity?

c. How do we develop capacity to provide graduates to meet workforce and economic needs?

4. Graduate studies.

In the current workforce environment, there is an increased interest in technology-oriented graduate degrees. We are currently developing a Master’s degree program in Manufacturing Engineering Technology at the request of and in partnership with the Boeing Company. This program will be extended to our Portland location and will offer a substantial benefit to manufacturing industries in the Portland area.

5. Generating private support.

Strategically, OIT needs to generate additional private support to maintain the quality of our programs and enhance the new initiatives being advanced through the strategic planning process. OIT will increase our support from the private sector through a major fund-raising campaign. The first thrust of this campaign, which was begun last fall, is specifically for scholarships to increase access and address affordability issues for our students. Later parts of the campaign will focus on campus infrastructure.

An important preliminary to fund-raising efforts is the continued nurturing of relationships with industry partners, community friends and supporters, and alumni. We are developing programs to increase our “connections” with our alumni, a resource that holds great-untapped potential for OIT. This initiative will include both friend-raising and fund-raising efforts. Our alumni have dramatically increased their support of OIT in the past four years and, through their connections with industry, will be an important part of OIT’s fund-raising campaign.

6. Retaining a strong faculty in a highly competitive environment.

OIT will support continuing faculty professional development opportunities and the development of a compensation plan. The average starting salary for our 2002 graduates was $45,400, almost as much as the average faculty salary of $50,700. The strategic issue is the current status of the salary freeze and the challenge of developing ways to provide incentives for faculty and staff to recognize their productivity and dedication. Faculty expertise and commitment are keys to OIT’s success.

For additional information, refer to the Strategic Plan document, which is attached.

FINANCIAL SELF-ASSESSMENT
Based on the Financial Composite Index developed by Ron Salluzo and Fredric Prager, OIT’s financial health is marginal. This composite index is composed of four ratios: reserve ratio, income to expense ratio, return on net assets ratio, and long term debt ratio. OIT is not performing optimally in revenue growth, growth in assets or reserves. We need to find additional sources of revenue, increase reserves, add capital assets, and lower long-term debt. These are formidable financial objectives at this time of uncertain support from the public sector.

Faculty compensation is a significant concern as salaries are slipping in competitiveness with our peer group of 12 institutions, going from third to fifth in two years.

While financial health is not optimal, OIT management has been disciplined in making financial decisions supporting access and quality in the instruction functions. From 2002 to 2003, OIT has:

a. Increased expenditures in instruction, research, and academic support by 7 percent.
   b. Reduced institutional overhead 13.6 percent from $5,082 to $4,390 per FTE.
   c. Improved the operating margin from a negative $521,000 to a positive $89,000.

While tuition increased by 20 percent from Fall 2002 to Fall 2003, OIT has maintained a 17 percent effort in fee remissions to help needy students. The trend in increasing funds for quality instruction and fee remissions continues in the 2004 budget. Overhead per FTE is projected to be less for 2004.
Priorities for 2004 that should improve the financial health of OIT include an emphasis on targeted marketing of select programs, alumni involvement, and the annual fund campaign.

Due to late actions by the legislature and the postponement of the plateau reduction implementation, the revenue plan for this biennium is $1,250,000 out of balance. We will ask the OIT Fiscal Operations Advisory Committee to revise our strategic priorities and revenue and expenditure build-up during this term.

OIT will experience an additional financial impact because of the failure of Measure 30. A potential further reduction of $395,000 will result in reductions again in course section offerings as well as administrative and student services.

**ENROLLMENT TRENDS**

OIT’s focused mission in engineering, engineering technology, and the health professions provides unique opportunities for the State of Oregon in public higher education. The enrollment at OIT fluctuates with the business/industry market needs and is subject to the economic conditions in the high tech and healthcare industries and OIT’s marketing strategies. The enrollment is also dependent on the ability of the institution to provide access statewide. After a period of declining enrollments during the early 1990’s, which reflected the business environment and rising tuition, OIT has experienced continuing growth through the addition of new programs, emphasis on retention and scholarship programs, and a concerted effort to expand access through
the Portland campus and other extended programs. OIT has exhibited over a 32 percent increase in enrollment since 1996.

Overall enrollment growth on the campus is expected to be at a rate of 1.5 percent per year, with growth of 12 percent in student credit hours over the biennium in the high demand areas of engineering, computer science and information technology (ETIC metrics). OIT is undertaking an extensive enrollment management effort with focused activities to identify and enroll additional students in targeted areas that have workforce demand and OIT has existing capacity, including geomatics, information technology, management, and web-based health programs. These efforts will include leadership by a broad Enrollment Marketing Working Group representing faculty, staff, and administration on campus under the leadership of the Director of Admissions. Faculty involvement will include the identification of a faculty “champion” for each area and extensive activities with the professional community and alumni network in the state.

As we aggressively increase access to health programs, we will expand capacity and outreach. The results of new recruitment and retention efforts are likely to be partially offset by the higher cost of education at OIT; hence, we are projecting a conservative growth rate. We continue to believe that the higher cost of a technology-focused education is well worth the expense to the student, due to the higher career earnings potential. Note that OIT’s costs per student are among the highest in OUS due to the cost of laboratories and faculty salaries in technology areas.
NEW PROGRAMS WITH PARTNERS

New programs that will be added during this biennium include the Respiratory Care program, offered in Medford, in partnership with Rogue Community College; the Master’s degree in Manufacturing Engineering Technology in partnership with Boeing in Seattle; a Bachelor’s degree program in Dental Hygiene in La Grande, in partnership with the ODS Companies (a Portland-based multi-faceted organization that provides dental, medical, and professional liability insurance products and business services) and Eastern Oregon University; and a minor in Information Technology to be delivered at a distance in partnership with Eastern Oregon University. The following table indicates the expected enrollment in those programs in the final year of the biennium and the expected long-term enrollment in those programs.

Of special note is OIT’s partnership with Klamath Community College (KCC). OIT played a major role in the founding of KCC in the mid-1990s and, since 1995, has sustained a joint enrollment program. Each term, approximately 100 students from KCC are enrolled in OIT courses and there is an increasingly defined path of students moving from their initial education at KCC to one of OIT’s Bachelor’s degree programs. The KCC-OIT partnership today includes coordinated calendars, schedules, admissions, and financial aid processes; shared classrooms, labs, library, and bookstore services; student-focused academic articulation through individualized advising; and, for the past four years, Rising Junior Scholarships to make the transition more affordable. Both KCC and OIT are proud of the fact that the number of Klamath Basin residents participating in higher education opportunities has effectively doubled since KCC first started offering classes in 1996.

OIT is expanding its graduate program delivery in partnership with Boeing in Seattle through the development of a Master’s degree in Manufacturing Engineering Technology. This degree will not only meet the needs of workplace professionals inside the Boeing Company, but will be provided in Portland to working professionals and our corporate partners, as well as in Klamath Falls to students on the main campus.
New Programs

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<th>LONG TERM ENROLLMENT TARGET</th>
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<tr>
<td>Information Technology Minor</td>
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SPECIAL EXCELLENCE INITIATIVES

Renewable Energy: OIT is continuing to develop a center of excellence in renewable energy technologies, the federally funded Oregon Renewal Energy Center (OREC). OREC, established by legislation in the 2001 session, is engaged in a partnership with Clackamas Community College for the delivery of a renewable energy systems degree at the baccalaureate level. OREC faculty and staff will implement a research and instructional partnership with CCC at the Wilsonville utility training site, as well as at their main campus. OREC is also exploring partnerships in education, training, and applied research with PGE and PacifiCorp. OIT will develop a renewable energy emphasis in existing engineering and technology curricula on the main campus.

Center for Health Professions: OIT has developed a business plan for the Center for Health Professions (CHP). In partnership with the health industries in the state, OIT continues to survey the need for employees in the health professions. In partnership with the Oregon Health and Science University and community colleges throughout the state, we are developing and delivering baccalaureate programs in a wide range of health professions. Clinical Laboratory Science and Paramedic Education are delivered in Portland in cooperation with OHSU. Numerous programs are delivered in Klamath Falls to over 750 residential students. And we are expanding our partnership with Klamath Community College, Rogue Community College, and Umpqua Community College to support student access to programs in the health professions. And, as previously mentioned, a program in dental hygiene to be offered in La Grande with Eastern Oregon University and sponsored by ODS will begin in the Fall of 2004.
CHP recently received a federal earmark of $50,000 to implement the first phase of the business plan.

DISTANCE EDUCATION

OIT has recently reorganized its Distance Education office to more effectively provide technology education to Oregonians throughout the state. We are continuing to develop curricula for distance delivery in the health professions, information technology, engineering technology, and management in partnership with other members of the Oregon University System. The health programs that are available by web-based delivery include three bachelor's degree-completion programs from the Medical Imaging Technology Department: Radiologic Science, Vascular Technology, and Echocardiography. In addition, the Bachelor's degree completion program in Dental Hygiene and the Picture Archiving and Communications Systems (PICS) specialization will become available. Some of these programs already have students. All of them are poised to begin an aggressive targeted marketing effort in 2004.

ACADEMIC AFFAIRS

Program Reduction/Consolidation - Academic and Administrative: The academic affairs office of OIT has been restructured during the past several years to reduce the cost of administering academic programs during a time of declining resources. OIT programs are organized into two schools, the School of Engineering, Technology, and Management, and the School of Health, Arts, and Sciences. The dean function in each of those schools is currently being performed by the Assistant Provost for Academic Affairs, thus decreasing the administrative overhead by one position. No decision has been made on the permanence of this arrangement, but we continue to examine the strengths and weaknesses of this operational model.

We have completed the closure of a program in Information Technology at Ft. Lewis, Washington. The continuing students near degree completion are being advised and monitored through OIT's Portland Operations sites.

We are also completing the closure of the Laser Optical Engineering Technology program. The student demand for that program did not reach the targets originally established for the program and it was terminated due to fiscal realities. The laser laboratory equipment and faculty expertise are being focused on a new optoelectronics specialization within the Electronics Engineering Technology department. Assessment of workforce demand indicates that there is a need for professionals with optics experience.

Faculty Resources: Due to diminished revenue and the need to enhance productivity, there will be little growth in the number of the faculty during the coming biennium. The exceptions will be in the high priority areas for the institution, i.e., the centers of excellence, and the areas of highest growth of student demand. The impact of
increasing enrollment in the health programs will require additional faculty in the general education areas. This issue will be assessed during the 2003-04 year.

**FACILITIES**

*Space Requirements:*

*New Facilities:* OIT is in need of two new facilities, a Center for Health Professions and a modern multi-purpose residential facility.

1. The Center for Health Professions would need to be approximately 80,000 square feet for labs, classrooms, clinics, and faculty offices. This fall, we remodeled classrooms in Semon Hall in order to increase capacity and meet accreditation requirements. This activity received matching private support. Securing match for G bonds will be a real challenge with the current financial condition of the institute. The match will have to come from sources other than the operating budget and reserves. This effort will be part of a fund-raising campaign.

2. Our present student housing is not modern in the sense that it does not provide the privacy, amenities, or services expected by our students. As a result, the number of students living on campus is declining. To maintain a residential campus, we need to provide the type of housing desired by today’s student. We are currently developing a student housing proposal that incorporates a net zero energy consumption concept that will serve as a living and learning laboratory for students in our technical majors. Private support is being pursued for the mechanical and energy aspects of the facility.

*Renovations:*

1. Our most pressing renovation and expansion need is the Learning Resources Center, which includes our library. The Northwest Commission on Colleges and Universities gave us notice that additional student and collection space is necessary to maintain our accreditation.

2. Major renovations are needed for three classroom buildings: Semon, Cornett, and Owens Halls. The rapid growth of the health professions programs has caused overcrowding and reconfigurations in these facilities that will need to be addressed when the Center for Health Professions comes online. These facilities are all in need of renovation to accommodate new instructional technology as well as new student workstations.

*Deferred Maintenance:* According to the Oregon University System’s Resource Renewal Model, $16,000,000 in deferred maintenance exists throughout the campus at this time.
In 2002, the federal standards for arsenic levels in potable water changed. The wells that supply OIT’s water no longer meet the federal standards. We have until 2006 to bring our potable water supply in compliance with the new standards.

TUITION/AFFORDABILITY STRATEGIES

The following graphs illustrate the trend in tuition and fee increases between 1992-2004.
Our current approved tuition strategy is to complete the elimination of the plateau in 2005. In 2004, we propose to increase the tuition rate by 12 percent from $93 to $104 per credit.

For the past several years, we have been in a partnership agreement with Klamath Community College funded by the State to provide KCC students access to OIT classes at KCC tuition rates. The funding for this partnership will run out at the end of 2004. We are in negotiations with KCC leadership on how to continue this partnership without the funding. We may propose a tuition that is between the KCC tuition and our regular in-state tuition/credit. Also, we are developing other community college and private partnerships in which we wish to propose differential tuitions.

We are currently revising all of our contracts for educational services to ensure we are providing instruction at the current tuition plus State support level.

Due to the economic demographics of many of our students, we are very concerned about affordability. Two ratios we are watching are tuition as a percent of Oregon per capita income (15.4 percent) and average cost of attendance as a percent of Oregon per capita income (45.3 percent). Both of these are above 2001 averages from national comparison groups of 10.0 percent and 27 percent respectively.

Two out of every three OIT students (67 percent) are receiving some type of financial aid. As tuition increases, we must find ways to be sure that OIT is accessible to the students with the most financial need. Currently, we have budgeted a 17 percent fee
remission allocation. Last fall, we disbursed $598,078. By spring term, our disbursed fee remissions will total approximately $1.7 million. In addition, for this year, we have awarded over $250,000 in scholarships managed by the Oregon Tech Foundation. The

**Comparative Revenue Sources**

<table>
<thead>
<tr>
<th>Year</th>
<th>Other Income</th>
<th>Tuition</th>
<th>State Appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>99-00</td>
<td>75%</td>
<td>20%</td>
<td>5%</td>
</tr>
<tr>
<td>00-01</td>
<td>71%</td>
<td>21%</td>
<td>8%</td>
</tr>
<tr>
<td>01-02</td>
<td>71%</td>
<td>21%</td>
<td>8%</td>
</tr>
<tr>
<td>02-03</td>
<td>67%</td>
<td>23%</td>
<td>10%</td>
</tr>
<tr>
<td>03-04</td>
<td>62%</td>
<td>33%</td>
<td>5%</td>
</tr>
</tbody>
</table>

The challenge for OIT will be to double the private scholarship donation.

**FUND RAISING EXPECTATIONS**

Financial support from alumni friends and industry partners becomes increasingly important as OIT strives to respond to provide quality academic programs and optimal student services. Several significant developments have occurred in advancement and development initiatives during the last four years.

5. The percentage of alumni that participate in financial gifts has increased from 3 to 10.3 percent.

6. Over 2,400 new addresses of alumni have been added in the last year.

7. The annual fund contributions increased 33 percent between 2001 and 2002.

8. Several recognition events have increased the giving levels.

Increasing the alumni database and offering more alumni activities, both on and off campus, should increase the alumni participation to 20 percent over the next five years. The annual fund goal is to increase the amount each year to $1 million in 2008. An overall strategy will focus on annual giving increases in the unrestricted category in order to assist OIT during times of declining state revenue support.
A capital campaign feasibility study done last spring projected that OIT could raise $30 million during the next five years.

A fund-raising campaign is now under way to raise an initial $3 million to increase scholarship support.

The biggest challenge for a comprehensive fund-raising effort is finding resources for the development and advancement infrastructure. We have added one new position this year—an annual fund director—to support this effort.

RESEARCH

As it begins its third year, the Oregon Renewable Energy Center, created by state legislation in 2001, has received financial support from U.S. Department of Energy, the Engineering Technology Industry Council, and private industry. The overarching goal is to establish OIT as a national leader in renewable energy education and applied research. The opportunity for applied research projects for undergraduate students in the engineering and computer technologies is an attribute of this initiative.

The programmatic focus will be on “smart energy,” the convergence of telecommunications, computing, and energy technologies to bring about “smart” grid operations and end use management. Projected growth in grants and contracts is $1 million over the 2003-05 biennium.

The influence on economic development includes early stage commercialization of energy systems.

PERFORMANCE MEASURES

Performance Targets for the key strategic initiatives for 2003-2005 are:

1. Center for Health Professions
   a. Double the OIT enrollment in the health professions programs.
   b. Create ten significant partnerships with education and private health care institutions and equipment manufacturers to address the workforce needs of Oregon and the region.

2. Oregon Renewable Energy Center
   a. Obtain a national ranking among like institutions.
   b. Obtain two key research projects that involve five student researchers.
   c. Develop two intellectual property licenses granted to commercial entities.

3. Increase FTE enrollment to 2,518 by 2005.
OUS-OIT Performance Targets

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2004-05</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Persistence</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freshmen that persist to second year</td>
<td>68.9%</td>
<td>73%</td>
<td>75%</td>
</tr>
<tr>
<td>Satisfaction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelor’s grads rating experience very good or higher</td>
<td>93%</td>
<td>93%</td>
<td>Sustain</td>
</tr>
<tr>
<td>R &amp; D – gifts, grants, contracts</td>
<td>$2.0 million</td>
<td>$3.0 million</td>
<td></td>
</tr>
<tr>
<td>Total degrees</td>
<td>360</td>
<td>375</td>
<td></td>
</tr>
<tr>
<td>Degrees in shortage areas Engineering, Computer, IT</td>
<td>178</td>
<td>242</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mission Specific</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women enrolled in engineering</td>
<td>101</td>
<td>117</td>
<td></td>
</tr>
<tr>
<td></td>
<td>12% increase</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelors Degree completion (6 years)</td>
<td>41%</td>
<td>43%</td>
<td></td>
</tr>
</tbody>
</table>

MANAGING AND ASSURING QUALITY

With declining state resources, OIT has continued to focus on a “student first” philosophy. During a campus-wide budgeting process, we committed to filling faculty positions in program areas that are critical. We also allocated a sum to an institutional equipment budget to assist in providing basic equipment needs. This budget item had been eliminated during last year as we struggled with budget reductions. The instructional budget received an additional allocation to provide resources to support additional adjunct faculty in order to maintain course sections that serve the general education courses in math, communication, humanities, and social sciences.

To focus on maintaining and assuring quality in the classroom, we made compromises in administrative services.

The OIT faculty are dedicated and motivated to provide quality academic programs. The student services area and faculty are continuing to implement and develop optimum learning environments, which include mentoring, tutoring, and learning communities. The biggest challenge for OIT in providing quality instruction is the difficulty in acquiring and maintaining equipment necessary for an optimum applied learning environment.
Through the advice of the industry advisory councils, we continue to assess and change the curricula to meet the needs of the professions. The strategic issue is to develop business partnerships to enhance our ability to educate students in the ever-changing world of technology.

Our increases in enrollment in the health programs particularly will require additional equipment. Currently, we are developing partnerships with companies who manufacture those instruments as well as the hospitals and clinics that buy state-of-the-art equipment.

We wish to maintain small class sizes in the laboratories and the student/faculty ratios that are conducive to a quality learning environment.

We have additional enrollment capacity in several major programs, but we need to add faculty to the programs in health, computer engineering technology, and the general education areas of math, science, and communications.

In summary, OIT has a unique and important niche in the Oregon University System. We wish to thank the members of the Board for your recognition and support.
Oregon Institute of Technology formalized a Strategic Plan entitled, “Shaping the Future of Technology Education in 1994.” The strategic planning process continues with the following Strategic Directions and Goals—A 5 Year Plan, 2002-07. A summary of specific priorities for 2003-05 is listed at the end of this document.

**Vision:** Oregon Institute of Technology shall be a leader in higher education in the Northwest providing Oregon, the region, and the nation with graduates who have the knowledge and skills to excel in an increasingly technological workplace. In addition to our reputation for teaching excellence, we will be known for our commitment to applied research, scholarship, and economic development.

**Mission:** Oregon Institute of Technology, the only public institute of technology in the Pacific Northwest, provides degree programs in engineering and health technologies, management, communications, and applied sciences that prepare students to be effective participants in their professional, public and international communities. Six objectives are central to our mission:

1. Provide degree programs that enable graduates to obtain the knowledge and skills necessary for immediate employment.

2. Enable students to be effective communicators, responsible citizens, and lifelong learners by assisting them in the development of critical thinking and problem-solving skills, and ethical and cultural awareness.

3. Offer continuing and distance education and advanced professional studies to meet the emerging needs of today's citizens.

4. Provide informational and technical expertise to regional, state, national, and global publics in applied research.

5. Develop and maintain partnerships with public and private institutions, business and industry, and government agencies to ensure quality programs that meet the needs of students and the organizations that employ them.

6. Provide statewide access to address the needs of the Oregon workforce.
Marketing Mission (Elevator Speech): OIT advances knowledge by educating students in engineering, technology, health, management, information, and environmental programs. Emphasis on creative and experiential instruction, coupled with our close ties to industry, prepares students for professional careers and lifelong learning. The institute fosters economic development through meeting workforce needs and applied research.

The success of our students is the number one goal at OIT. As we examine the economic and political environment in Oregon and consider our future roles as educators, two key needs emerge. We must sustain the quality of our programs and increase their accessibility to Oregonians.

Five Year Goals
2002-2007
(7/1/02 – 6/30/07)

Access: OIT will offer its programs to a wider range of students.

To accomplish this, we will (1) develop existing and new academic programs and offer them wherever they are needed; (2) use appropriate alternative instructional delivery methods; (3) enhance the diversity of the student body with special emphasis on recruiting and retaining women in engineering and technology programs and minority students in all programs; (4) increase the retention and graduation of international students; (5) develop graduate degrees; and (6) expand the number of community college partnerships to support access activities.

Excellence: OIT is committed to program excellence and student-centered service.

To accomplish this, we will (1) set appropriate admissions standards; (2) increase student success, retention and graduation; (3) assess all academic programs periodically to maintain accreditation and licensure standards and to validate relevance and fiscal viability; (4) recruit and retain faculty and staff by offering competitive compensation and professional development opportunities; (5) provide faculty development opportunities to improve student learning; and (6) increase incentives and rewards for faculty and staff participation in applied research and other professional scholarship activities outside the classroom.

Workforce Development and Economic Opportunities: OIT will continue to be a community and statewide leader in integrating technology education with economic development.

To accomplish this, we will (1) engage with the community to develop a workforce and an economic strategy for the Klamath Basin; (2) become involved with statewide economic development issues that involve OIT areas of expertise; (3) lead the OUS system in graduate employment success rate; (4) increase the number of faculty and
staff who are involved in economic development initiatives; (5) strengthen our response to the educational needs of industry; and (6) build community engagement and commitment as a resource to the regional community.

**Fiscal and Operational Efficiency:** *OIT will emphasize continuing fiscal and operational efficiency.*

To accomplish this, we will (1) implement a process mapping improvement plan; (2) maximize private support and sponsored programs; (3) provide leadership in the development of a small university allocation model; and (4) work with OUS and the Board to develop “the new partnership with Oregon” for more autonomy and flexibility in higher ed administration; (5) assess the recently reorganized academic and administrative structures; and (6) optimize the condition and utilization of academic facilities.

**Partnerships:** *OIT will develop and maintain partnerships with business and industry, government agencies, and other public and private entities.*

To accomplish this, we will (1) implement marketing and communication plans; (2) focus on Klamath Community College, Pre-College, and Oregon Renewable Energy Center (OREC) partnerships; (3) enhance our connections with business and industry; and (4) develop and implement an identity and “visibility” strategy.

**Facilities Enhancement:** *OIT will develop academic and student services facilities that exemplify a premier institute of technology.*

To accomplish this, we will review and revise the Master Plan to include (1) a Cornett Hall plan; (2) completion of the College Union renovation; (3) a review of Library facilities; (4) an investigation of how to proceed for a new residence hall; and (5) a plan for the future of the Child Care facility.

**2003-05 GOALS**

OIT must continue to provide access to students throughout Oregon.

1. Emphasize alumni involvement in fund-raising and recruiting.

2. Implement an integrated marketing plan aligned with enrollment goals and resources.

3. Develop the Center for Health Professions—double the number of graduates in the health professions to meet workforce needs.

4. Develop and implement a campaign to increase financial resources.
5. The Oregon Renewable Energy Center at OIT will develop applied research projects and build a “sustainable” campus.
6. Implement a Masters’ degree in Manufacturing Engineering Technology.
7. Enhance professional development for faculty and staff.
8. Study and develop a comprehensive compensation plan for faculty and staff.
### Students: Fall 2003

<table>
<thead>
<tr>
<th></th>
<th>OIT</th>
<th>OUS</th>
<th>OIT's % of OUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fall 2003 Headcount</td>
<td>3,236</td>
<td>79,558</td>
<td>4.1%</td>
</tr>
<tr>
<td>Total FTE enrollment</td>
<td>2,413</td>
<td>67,439</td>
<td>3.6%</td>
</tr>
<tr>
<td>Undergraduates</td>
<td>3,235</td>
<td>64,516</td>
<td>5.0%</td>
</tr>
<tr>
<td>% Percent 25 or older</td>
<td>34%</td>
<td>23%</td>
<td>7.3%</td>
</tr>
<tr>
<td>% Percent part-time (&lt;12 hours)</td>
<td>37%</td>
<td>22%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Graduates</td>
<td>1</td>
<td>15,042</td>
<td>0.0%</td>
</tr>
<tr>
<td>Masters, postbaccalaureate, non-admit</td>
<td>1</td>
<td>11,519</td>
<td>0.0%</td>
</tr>
<tr>
<td>Doctoral, first-professional</td>
<td>0</td>
<td>3,523</td>
<td>0.0%</td>
</tr>
<tr>
<td>New undergraduate community college transfers</td>
<td>203</td>
<td>4,545</td>
<td>4.5%</td>
</tr>
<tr>
<td>Ethnicity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>African American</td>
<td>32</td>
<td>1,447</td>
<td>2.2%</td>
</tr>
<tr>
<td>American Indian</td>
<td>54</td>
<td>988</td>
<td>5.5%</td>
</tr>
<tr>
<td>Asian/Pacific Islander</td>
<td>152</td>
<td>5,306</td>
<td>2.9%</td>
</tr>
<tr>
<td>Hispanic/Latino</td>
<td>146</td>
<td>2,802</td>
<td>5.2%</td>
</tr>
<tr>
<td>White</td>
<td>2,598</td>
<td>58,467</td>
<td>4.4%</td>
</tr>
<tr>
<td>Unknown / Multiple Ethnicities</td>
<td>228</td>
<td>6,665</td>
<td>3.4%</td>
</tr>
<tr>
<td>Nonresident Alien</td>
<td>26</td>
<td>3,883</td>
<td>0.7%</td>
</tr>
<tr>
<td>Total annual unduplicated headcount (2002-03)</td>
<td>4,075</td>
<td>107,626</td>
<td>3.8%</td>
</tr>
</tbody>
</table>

### Degrees: 2002-03

<table>
<thead>
<tr>
<th></th>
<th>OIT</th>
<th>OUS</th>
<th>OIT's % of OUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>448</td>
<td>15,199</td>
<td>2.9%</td>
</tr>
<tr>
<td>Associate</td>
<td>79</td>
<td>87</td>
<td>90.8%</td>
</tr>
<tr>
<td>Bachelor's</td>
<td>365</td>
<td>11,063</td>
<td>3.3%</td>
</tr>
<tr>
<td>Master's</td>
<td>4</td>
<td>3,433</td>
<td>0.1%</td>
</tr>
<tr>
<td>Doctoral</td>
<td>0</td>
<td>357</td>
<td>0.0%</td>
</tr>
<tr>
<td>First Professional</td>
<td>0</td>
<td>259</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

### Tuition, Fees, and Student Budget: 2003-04

#### Tuition & Fees: 2003-04
(based on 15 credit hours for undergraduates and 12 credit hours for graduates)

- Resident undergraduate: $4,443
- Resident graduate: $6,600
- Nonresident undergraduate: $13,600
- Nonresident graduate: $11,200

### Resident Undergraduate Student Budget, 2003-04
Total = $13,127

- Tuition & Fees: $4,443
- Books & Supplies: $2,004
- Room & Board: $5,680
- Personal Expenses: $1,000

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Oregon State Board of Higher Education
Draft Minutes
February 20, 2004

Regular Board Meeting
Page 112
APPENDIX A
Faculty: 2003-04 (Full-Time Ranked Instructional)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Men</th>
<th>Percent of Total</th>
<th>Women</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>114</td>
<td>75</td>
<td>66%</td>
<td>39</td>
<td>34%</td>
</tr>
<tr>
<td>Professor</td>
<td>28</td>
<td>21</td>
<td>75%</td>
<td>7</td>
<td>25%</td>
</tr>
<tr>
<td>Associate Professor</td>
<td>39</td>
<td>27</td>
<td>69%</td>
<td>12</td>
<td>31%</td>
</tr>
<tr>
<td>Assistant Professor</td>
<td>43</td>
<td>26</td>
<td>60%</td>
<td>17</td>
<td>40%</td>
</tr>
<tr>
<td>Instructor/Lecturer</td>
<td>4</td>
<td>1</td>
<td>25%</td>
<td>3</td>
<td>75%</td>
</tr>
</tbody>
</table>

Faculty: 2003-04 Average Compensation by Rank (includes salary and benefits)

- Total, All Ranks $70.5
- Professor $79.6
- Associate Professor $70.1
- Assistant Professor $62.2
- Instructor/Lecturer $58.2

Faculty and Staff, 2003-04

<table>
<thead>
<tr>
<th></th>
<th>OIT</th>
<th>%</th>
<th>OUS</th>
<th>%</th>
<th>OIT's % of OUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>364</td>
<td>100%</td>
<td>12,096</td>
<td>100%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Faculty*</td>
<td>131</td>
<td>36%</td>
<td>5,658</td>
<td>47%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Executive/administrative</td>
<td>28</td>
<td>8%</td>
<td>412</td>
<td>3%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Professional non-faculty</td>
<td>66</td>
<td>18%</td>
<td>2,486</td>
<td>21%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Secretarial/clerical</td>
<td>64</td>
<td>18%</td>
<td>1,812</td>
<td>15%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Technical/paraprofessional</td>
<td>18</td>
<td>5%</td>
<td>719</td>
<td>6%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Skilled craft</td>
<td>12</td>
<td>3%</td>
<td>310</td>
<td>3%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Services/maintenance</td>
<td>45</td>
<td>12%</td>
<td>699</td>
<td>6%</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

*Those holding academic rank with assignments of instruction, research, or public service.

Campus Facilities: 2003

- Total all facilities 27 708,500 gsf*
- E&G facilities
  - Percent built between 1960-1975 61%
  - Percent of E&G in deferred maintenance 21%
- Total current replacement value $131
  - E&G plant 68
  - Auxiliary enterprises 63

*Gross square feet
### Annual Revenues and Expenditures: 2002-03

<table>
<thead>
<tr>
<th>Category</th>
<th>OIT (in thousands)</th>
<th>OUS (in thousands)</th>
<th>OIT's % of OUS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nonoperating Revenues (expenses)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government appropriations</td>
<td>15,845</td>
<td>371,495</td>
<td>4.3%</td>
</tr>
<tr>
<td>All other</td>
<td>1,240</td>
<td>41,580</td>
<td>3.0%</td>
</tr>
<tr>
<td><strong>Operating Revenues</strong></td>
<td>19,834</td>
<td>1,183,684</td>
<td>1.7%</td>
</tr>
<tr>
<td>Tuition and fees</td>
<td>8,000</td>
<td>385,983</td>
<td>2.1%</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>6,746</td>
<td>585,624</td>
<td>1.2%</td>
</tr>
<tr>
<td>All other</td>
<td>5,088</td>
<td>212,077</td>
<td>2.4%</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td>37,310</td>
<td>1,579,234</td>
<td>2.4%</td>
</tr>
<tr>
<td>Instruction</td>
<td>14,039</td>
<td>401,694</td>
<td>3.5%</td>
</tr>
<tr>
<td>Research</td>
<td>122</td>
<td>206,542</td>
<td>0.1%</td>
</tr>
<tr>
<td>Public service</td>
<td>1,462</td>
<td>87,865</td>
<td>1.7%</td>
</tr>
<tr>
<td>All other</td>
<td>21,687</td>
<td>883,133</td>
<td>2.5%</td>
</tr>
</tbody>
</table>
BOARD DISCUSSION:
When asked about the number of OIT campus locations, President Dow said that there was the main campus in Klamath Falls, the Metro Center in Portland, a campus near Wilsonville near the site of the old Dammisch Hospital, at the Boeing Company in Seattle, and the CAPITAL Center in Beaverton.

President Dow indicated that OIT would address the affordability of degrees if there were incentive scholarships for community college students “to come across to a four-year institution.” Klamath Community College (KCC) has a program called the Rising Junior Scholarship. When students are close to an associate degree, and if they have the qualifications, they receive scholarships at OIT. “Since we have partnered with KCC, we have doubled the opportunities in Klamath Falls for our residents in educational programs. At the present time, we have 61 active program articulation agreements with 13 community colleges in Oregon, three in California, and one in Washington State.”

A question was asked regarding the health professions programs as to whether there were physical plant or faculty limitations to having larger programs. President Dow responded that it was both. However, there is a backlog of student demand. “What OIT needs most from the Board, like President Frohnmayer said last night, is advocacy with the legislature and with the public for us as individual institutions as well as the whole System. This includes leadership in targeting priorities and aligning resource investment capital, and encouraging entrepreneurship,” she concluded.

Provost Leslie Hallick was called on to comment about the health care marketplace. “Three things are driving the health care workforce needs,” she said. “There is a tremendous shortage of health care providers and there has also been a lot of growth in the population in Oregon. The other factor is the aging demographics. All of us are going to need more and more health care in the future and the capacity isn’t there,” she indicated. According to Provost Hallick, one of the most remarkable aspects of the many partnerships Dr. Dow had mentioned was that capacity in the health professions has been increasing without additional resources through entrepreneurship and innovation.

Director von Schlegell asked what percentage of OIT graduates remained in Oregon following graduation and President Dow responded that the figure was a little over 50 percent remained in Oregon. “However, in the health fields, at least 60 percent of the students stay in Oregon because right now there are jobs for them. For example, in the sonography area, I believe we have about 20 employers that are screaming for our students.”

Approximately 38 percent of OIT students come from Southern Oregon, specifically Klamath and Lake County. The next highest percentage comes from Portland, and the remainder from around the state.

Director Lorenzen pointed out a statistic that approximately 95 percent of the OIT graduates are placed within a year of graduation and at an average starting salary of $45,000. “You also remarked that the average faculty salary was, in comparison, about
$50,000.” President Dow indicated that retaining the high quality faculty OIT has is a major challenge. Dr. Richmond, remarking that the education of OIT students was heavily dependent upon equipment, asked, “What kind of staff do you have to keep the equipment running because if you have faculty doing it, that means they have less time with their students.” The response was that there are only two technicians on campus – one of them services the health technology equipment and the other is in the engineering area.”

3. **APPROVAL OF MINUTES**
   - Executive Session Meeting, November 20, 2003
   - Regular Board Meeting, November 21, 2003
   - Regular Board Meeting, December 19, 2003
   - Special Board Meeting, January 27, 2004

Director Schuette moved approval of the minutes of the November 20, 2003, Executive Session Meeting, the November 21, 2003, Regular Board meeting, the December 19, 2003, regular Board meeting, and the January 27, 2004, Special Board meeting. Director Lorenzen indicated a correction needed to be made as he had been in attendance at the November 30, 2004. With that correction, the following Board members voted in favor of the motion to approve the minutes as corrected: Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, Schuette, Sohn, and Goldschmidt. Those voting no: none.

4. **CONSENT ITEMS**

   a. **OUS undergraduate admission policy for the 2005-06 academic year**

   **DOCKET ITEM:**

   **Background**

   Oregon State Board of Higher Education policy calls for approval in February of the preceding calendar year of undergraduate admission requirements for Oregon University System (OUS) institutions for each academic year. This schedule is necessary for institutional planning, program implementation, publication production, and timely notice to prospective students.

   No changes in undergraduate admission requirements for the 2005-06 academic year have been proposed by OUS campuses. Two charts in the front of the report summarize freshman and transfer admission requirements for 2005-06.

   **Brief Update on Aligning Undergraduate Admission with K-12 Student Learning in Oregon**

   For more than a decade, Oregon’s policy makers and public education systems have held to the goal that all Oregon students should have the opportunity to prepare for postsecondary education. Making this goal a reality has required the development and
implementation of rigorous standards for K-12 learning and systems of accountability for achieving results. A succession of national and state legislative and policy efforts to “leave no child behind” is being extended to postsecondary attainment, in response to the economy’s demand for higher skills and a stronger pipeline.

Among the ways that higher education shares responsibility for building a stronger pipeline is aligning admission standards with K-12 academic standards. (Many other actions taken simultaneously are also needed to improve preparation, access, and achievement – e.g., enhanced teacher education, better articulation with community colleges, accelerated learning options, integrated K-16 student data systems, etc.) In Oregon, results of “staying the course” in school reform and deliberate alignment of K-16 standards and assessments with OUS expectations of student preparation for admission, as directed by the Joint Boards of Education, is showing positive outcomes. As reported to both Boards and the legislature in 2003, results of The First Year study, based on more than 6,082 OUS freshmen and 12,519 community college students, found that students who met benchmarked standards in high school were more likely to succeed academically in their first year of college than those who did not. (A second First Year study using the next cohort of high school graduates who entered college is currently underway.)

There are a number of predictors of first year college success; these are captured in traditional OUS admission requirements such as the high school grade point average, rigorous curricular experience, and national test scores (e.g., SAT and ACT). An even more comprehensive picture of student preparation is obtained if proficiency information is added. Proficiency information includes benchmarked high school assessments in math knowledge, skills, and problem solving; reading; writing; science knowledge and skills; second language oral proficiency; and more. Development of standards, proficiencies, and their assessments has been endorsed by the legislature in Senate Bill 919 (1997) and is led by the Proficiency-based Admission Standards System (PASS) project in OUS.

To fully implement the Board’s long-standing policy direction of including more proficiency information into the student’s admission profile, a direction that is consistent with public systems in many other states (and recently urged by the National Governors Association Center for Best Practices), better data connections are needed between high schools and postsecondary institutions. Considerable progress has been made during the past year in the design and implementation of an electronic P-16 Integrated Data-Transfer System, a collaboration among the Oregon Department of Education, the Oregon Department of Community Colleges and Workforce Development, and OUS. Staff from the three sectors are piloting a prototype during this academic year. Pending adequate funding, the target date for final statewide implementation is fall 2006. When the system is in place, through their high schools, student applicants will be able to send OUS and the community colleges more comprehensive information about their performance for use in admission and placement reviews. In turn, institutions in which students enroll will be able to provide more useful feedback to high schools about their students’ college success.
**Staff Recommendation to the Board**

Staff recommended that the general undergraduate admission policy be approved with no changes from the 2004-05 academic year requirements.

**BOARD ACTION:** This item was part of the consent agenda. Vote recorded on page 137.

**Further Detail**

**Undergraduate Admissions**

The following two charts summarize freshman and transfer admission requirements for 2005-06. Subsequent sections of the report provide more detailed information.

| Undergraduate Freshman Admission Requirements for 2005-06 (Residents and Nonresidents) |
|----------------------------------|------------------------------------------------|
|                                  | EOU  | OIT  | OSU  | PSU  | SOU  | UO   | WOU  |
| High School Graduation           | Yes  | Yes  | Yes  | Yes  | Yes  | Yes  | Yes  |
| Subject Requirements – 14 Units (4-English, 3-Math, 2-Science, 3-Social Studies, 2-Second Language) | Yes  | Yes  | Yes  | Yes  | Yes* | Yes  |
| SAT I / ACT Scores**             | Yes  | Yes  | Yes  | Yes  | Yes* | Yes  |
| High School GPA                  | 3.00*** | 3.00 | 3.00 | 3.00 | 2.75 | 3.00* | 2.75 |
| Additional Campus Review Required | Below 3.00 portfolio required | 2.50 to 2.99 | 2.75 to 2.99 | 2.70 to 2.99 | Below 2.75 | Below 3.25; or fewer than 16 subject units | Below 2.75 |

* UO automatically admits applicants who have a 3.25 high school GPA and 16 units of subject requirements including the 14 OUS subject requirements and 2 additional academic units. Applicants below the 3.25 high school GPA or 16 units of subject requirements will receive an additional campus review for admissibility.

** Minimum test scores are not set, but test results must be submitted and may be used during additional campus review processes.

*** In courses taken to satisfy the subject requirements.

Note: All OUS campuses conduct more comprehensive reviews of applicants who do not meet the minimum required GPA for admission. Reviews include additional factors such as standardized test results, rigor of courses taken, review of writing sample or personal essays, Proficiency-based Admission Standards System (PASS) performance information, and other indicators that predict success in college.
Undergraduate Transfer Admission Requirements for 2005-06

<table>
<thead>
<tr>
<th>Minimum College Credits Required*</th>
<th>EOU</th>
<th>OIT</th>
<th>OSU</th>
<th>PSU</th>
<th>SOU</th>
<th>UO</th>
<th>WOU</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30</td>
<td>36</td>
<td>36</td>
<td>30</td>
<td>36</td>
<td>36</td>
<td>24</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GPA (Residents)</th>
<th>2.25</th>
<th>2.00</th>
<th>2.25</th>
<th>2.00</th>
<th>2.25</th>
<th>2.25</th>
<th>2.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>GPA (Nonresidents)</td>
<td>2.25</td>
<td>2.00</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.50</td>
<td>2.00</td>
</tr>
<tr>
<td>All Applicants Must Meet Specified Course Requirements**</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Note: Students who have completed fewer than 12 transferable quarter credits (or 8 semester hours) must meet freshman admission requirements. Students who have completed from 12 to 36 transferable quarter credits must meet both freshman and transfer admission requirements.

* Below these minimums, applicants must meet freshman admission requirements.

** Courses required: OSU and UO require one writing course beginning with WR 121 with a grade of C- or above; college algebra or above with a grade of C- or above, or the equivalent of Math 105.

All institutions: Two years of same high school-level second language with a grade of C- or above, or two terms of a college-level second language with a grade of C- or above, or acceptable performance on proficiency-assessment options. American Sign Language meets the second language requirement. The second language requirement applies to transfer students graduating from high school in 1997 and thereafter.

Freshman Admission

To be admitted to freshman standing, students must fulfill each of the requirements (or alternatives) as specified in 1. through 4. below. Applicants failing to meet all of these requirements may receive a comprehensive review of their application that may result in an offer of admission.

1. **High School Graduation**

   Public high school graduates must have graduated from a standard high school.

   Private high school graduates must have graduated from an accredited high school.

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1 Students with any college credit note Transfer Admission, 1.

2 Standard high schools are public high schools that are certified as meeting specified levels of resources, services, and quality established by the Oregon Department of Education.

3 Accredited high schools are those that are reviewed and recognized by a regional entity, such as the Northwest Association of Schools and Colleges, as meeting an appropriate level of academic rigor and support.
Students who did not graduate from a standard or accredited high school must meet the minimum score and average subtest score on the test of the General Educational Development (GED) as listed below.

**Minimum General Educational Development (GED) Admissions Requirement for 2005-06**

<table>
<thead>
<tr>
<th>Campus</th>
<th>Minimum Score*</th>
<th>Average Score Five Subtests*</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOU</td>
<td>Portfolio Required</td>
<td>Portfolio Required</td>
</tr>
<tr>
<td>OIT</td>
<td>400</td>
<td>580**</td>
</tr>
<tr>
<td>OSU</td>
<td>400</td>
<td>580</td>
</tr>
<tr>
<td>PSU</td>
<td>400</td>
<td>460</td>
</tr>
<tr>
<td>SOU</td>
<td>410</td>
<td>550</td>
</tr>
<tr>
<td>UO</td>
<td>410</td>
<td>580</td>
</tr>
<tr>
<td>WOU</td>
<td>400</td>
<td>550</td>
</tr>
</tbody>
</table>

* For tests taken before January 1, 2002, scores were reported in a two-digit format. To convert a pre-2002 score to the current three-digit format, add a zero. (For example, a 40 becomes 400.)

** OIT: Applicants with GED composite scores between 550 and 570 (55 and 57) and a minimum of 400 (40) on each subtest must have minimum SAT scores of 400 math and 800 composite or ACT scores of 17 math and 16 composite. For scores between 500 and 540 (50 and 54) and a minimum score of 400 (40) on each subtest must have minimum SAT scores of 500 math and 1000 composite or ACT scores of 21 math and 21 composite.

Additionally, students who did not graduate from an accredited or standard school must meet SAT/ACT requirements and have an average score of 470 or above (1410 total) on three College Board SAT II Subject Tests (Writing, Math level I or IIC, and a third test of the student’s choice).

**Minimum ACT/SAT I Requirements for Students Who Did Not Graduate From an Accredited or Standard School for 2005-06**

<table>
<thead>
<tr>
<th>Campus</th>
<th>ACT or SAT I</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOU</td>
<td>Portfolio Required</td>
</tr>
<tr>
<td>OIT</td>
<td>21 or 1070</td>
</tr>
<tr>
<td>OSU</td>
<td>23 or 1000</td>
</tr>
<tr>
<td>PSU</td>
<td>21 or 1010</td>
</tr>
<tr>
<td>SOU</td>
<td>21 or 1070</td>
</tr>
<tr>
<td>UO</td>
<td>22 or 1070</td>
</tr>
<tr>
<td>WOU</td>
<td>21 or 1000</td>
</tr>
</tbody>
</table>
2. **Admission Tests (ACT and SAT)**

Applicants must submit scores on the SAT I or American College Test (ACT).

SAT II Subject Tests are required for applicants who are graduates of unaccredited high schools, including home-schooled students.

Test scores are used:
- as an alternate means of meeting the GPA and/or subject requirements;
- to comply with the admission policy for graduates of unaccredited high schools;
- in selectively admitting qualified applicants; and
- for advising, guidance, and research purposes.

3. **OUS Subject Requirements**

Applicants must satisfactorily (grade of C- or above) complete at least 14 units\(^4\) (one year equal to one unit) of college preparatory work in the following areas. Graduates of Oregon high schools may also use the Proficiency-based Admission Standards System (PASS) option to substitute for English, mathematics, science, and second language subject requirements.

**English (4 units).** Shall include the study of the English language, literature, speaking and listening, and writing, with emphasis on and frequent practice in writing expository prose during all four years. Students may also demonstrate proficiency to meet this requirement by being assessed using the PASS English standards.

**Mathematics (3 units).** Shall include first-year algebra and two additional years of college preparatory mathematics selected from geometry (deductive or descriptive); advanced topics in algebra, trigonometry, analytical geometry, finite mathematics, advanced applications, calculus, and probability and statistics, or courses that integrate topics from two or more of these areas. One unit is **strongly recommended** in the senior year. (Algebra and geometry taken prior to ninth grade will be accepted.)

**Science (2 units).** Shall include a year each in two fields of college preparatory science such as biology, chemistry, physics, or earth and physical science. It is **strongly recommended** that one year be taken as a laboratory science and that a total of three years of science be taken.

**Social Studies (3 units).** Shall include one year of U.S. history, one year of global studies (world history, geography, etc.), and one year of a social studies elective. Government is highly recommended.

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\(^4\) Minimum requirements for admission to UO include these 14 units. For automatic admission, students must complete two additional approved units in any of the five subject requirements.
Second Language (2 units). Shall include two years of the same high school-level second language, or a C- or above in the third year of a high school-level language, or two terms of a college-level second language with a grade of C- or above, or satisfactory performance on an approved assessment of second language proficiency. Demonstrated proficiency in American Sign Language meets the second language requirement. The second language requirement only applies to applicants graduating from high school in 1997 or later. Students failing to meet this requirement must complete it with a grade of C- or above or with two terms of the same college-level second language.

4. High School Grade Point Average (GPA) and Subject Requirements

Eastern Oregon University
- High School Graduate or Portfolio Review
- Admission Test (ACT or SAT I)
- 3.0 high school GPA in courses that satisfy the OUS Subject Requirements
  ➢ Alternative to GPA Requirement:
    - Review of a submitted portfolio that includes an essay on educational goals, recommendations, grades, coursework, test scores, and any other evidence of academic and community achievement.
- Subject Requirement: 14 units
  ➢ Alternative to Subject Requirement:
    - Students who have below a 3.00 high school GPA in all subject requirement coursework may be selectively admitted based on a review of a submitted portfolio that includes an essay on educational goals, recommendations, grades, coursework, test scores, and any other evidence of academic and community achievement.

Oregon Institute of Technology
- High School Graduate
- Admission Test (ACT or SAT I)
- 3.0 high school GPA in courses that satisfy the OUS Subject Requirements
  ➢ Alternative to GPA Requirement:
    - High School GPA between 2.75 and 2.99: SAT I math 400 or above and SAT I math and verbal combined score of 800 or above or ACT math of at least 17 and composite of at least 16.
    - High School GPA between 2.5 and 2.74: SAT math of 500 or above and SAT math and verbal combined score of 1000 or above or ACT math of at least 21 and composite of at least 21.
- Subject Requirement: 14 units
  ➢ Alternative to Subject Requirement:
    - Score an average of 470 or above (1410 total) on three College Board SAT II Subject Tests (Writing, Math Level I or IIC, and a third test of the student’s choice).
Oregon State University
- High School Graduate
- Admission Test (ACT or SAT I)
- 3.0 high school GPA in courses that satisfy the OUS Subject Requirements
- Subject Requirement: 14 units
- Strength of Curriculum
  - Alternative to GPA and Subject Requirement
    - Insight Resume
    - Personal letter requesting special permission
    - Three letters of recommendation

Portland State University
- High School Graduate
- Admission Test (ACT or SAT I)
- 3.0 high school GPA in courses that satisfy the OUS Subject Requirements
  - Alternative to GPA Requirement:
    - 990 SAT or 20 ACT
- Subject Requirement: 14 units
  - Alternative to Subject Requirement:
    - Score an average of 470 or above (1410 total) on three College Board SAT II Subject Tests (Writing, Math Level I or IIC, and a third test of the student’s choice).

Southern Oregon University
- High School Graduate
- Admission Test (ACT or SAT I)
- 2.75 high school GPA in courses that satisfy the OUS Subject Requirements
  - Alternative to GPA Requirement:
    - 1010 SAT or 21 ACT
- Subject Requirement: 14 units
  - Alternative to Subject Requirement:
    - Score an average of 470 or above (1410 total) on three College Board SAT II Subject Tests (Writing, Math Level I or IIC, and a third test of the student’s choice).
    - If admitted by exception to the second language requirement, the admission deficiency must be made up through two terms of a college-level second language.

University of Oregon
- High School Graduate
- Admission Test (ACT or SAT I)
- 3.00 minimum cumulative high school GPA and 14 academic subjects. Automatic admission requires a 3.25 GPA and two additional subject requirements.
  - Applicants below a 3.25 GPA or with less than 16 academic units are considered for admission through a comprehensive review, which includes:
Rigor of courses taken in high school;
Grade trends throughout high school;
Number of senior year academic courses;
Quality of admission essay; and
SAT I or ACT scores and other factors provided by the applicant.

- Subject Requirement: 14 units (16 for automatic admission)
  - Subject requirements can also be met alternatively by:
    - Score an average of 470 or above (1410 total) on three College Board SAT II Subject Tests (Writing, Math Level I or IIC, and a third test of the student’s choice).

**Western Oregon University**
- High School Graduate
- Admission Test (ACT or SAT I)
- 2.75 high school GPA in courses that satisfy the OUS Subject Requirements
  - Alternative to GPA Requirement:
    - 1000 SAT or 21 ACT
- Subject Requirement: 14 units

**Five Percent Special Admission**
Institutions are authorized to admit a quota of freshmen totaling no more than five percent of the institution’s first-time freshman class for the previous academic year as exceptions to the stated admission requirements. To qualify for five percent special admission, applicants are considered on a case-by-case basis. If admitted by exception to the second language requirement, the admission deficiency must be made up by completion of two terms of a college-level second language or by demonstration of proficiency in a second language.

**Selective Admission**
Institutions are authorized to manage enrollment to ensure the maintenance of academic quality. Thus, simply qualifying for admissions does not guarantee admission; institutions may use a number of other factors in making a final admissions decision.

**Transfer Admission**

1. **All Transfer Applicants**

    - Students who have earned between 12 and 36 quarter credit hours of college-level work (Oregon Institute of Technology, Oregon State University, Southern Oregon University, University of Oregon); 30 (Eastern Oregon University, Portland State University); or 24 (Western Oregon University) must meet both freshman and transfer admission requirements. Students who have completed fewer than 12 transferable quarter credits (or 8 semester hours) must meet freshman admission requirements.
Students who meet the above minimum college credits to be reviewed using transfer admission criteria must meet GPA requirements in acceptable college work: 2.25 (Eastern Oregon University, Oregon State University, Southern Oregon University, University of Oregon) or 2.00 (Oregon Institute of Technology, Portland State University, Western Oregon University).

Transfer applicants under freshman admission or transfer requirements must have completed two terms of a college-level second language with an average grade of C- or above, or two years of the same high school-level second language with an average grade of C- or above, or satisfactory performance on an approved second language assessment of proficiency. Demonstrated proficiency on American Sign Language meets the second language requirement. The second language requirement applies to transfer applicants graduating from high school in 1997 or after.

2. Applicants Must Meet Institutional Requirements

**Eastern Oregon University**
- A minimum GPA of 2.25 or above in 30 or more quarter credit hours of acceptable college-level work.

**Oregon Institute of Technology**
- A minimum GPA of 2.00 or above in 36 or more quarter credit hours of acceptable college-level work.

**Oregon State University**
- A minimum GPA of 2.25 or above in 36 or more quarter credit hours of acceptable college-level work;
- One writing course beginning with WR 121 with a grade of C- or above; and
- College algebra or above with a grade of C- or above, or the equivalent of Math 105.

**Portland State University**
- A minimum GPA of 2.00 or above in 30 or more quarter credit hours of acceptable college-level work.

**Southern Oregon University**
- A minimum GPA of 2.25 or above in 36 or more quarter credit hours of acceptable college-level work.  

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5 SOU limits the number of credits of physical education or team sports used to compute GPA to 12.
**University of Oregon**
- A minimum GPA of 2.25 or above in 36 or more quarter credit hours of acceptable college-level work;
- One writing course beginning with WR 121 with a grade of C- or above; and
- College algebra or above with a grade of C- or above, or the equivalent of Math 105.

**Western Oregon University**
- A minimum GPA of 2.00 or above in 24 or more quarter credit hours of acceptable college-level work.

*Special Transfer Admission*
Institutions are authorized to grant special admission to transfer applicants on a case-by-case basis in accordance with each institution's transfer admission policy. If admitted by exception to the second language requirement, the admission deficiency must be made up by completion of two terms of a college-level second language or by demonstration of proficiency in a second language.

*Selective Admission*
Institutions are authorized to manage enrollment to ensure the maintenance of academic quality. Thus, simply qualifying for admissions does not guarantee admission; institutions may use a number of other factors in making a final admissions decision.

b. **OHSU, M.S., Ph.D., Biomedical Engineering**

**DOCKET ITEM:**

Oregon Health and Science University proposed to offer an instructional program leading to the M.S. and Ph.D. degrees in Biomedical Engineering, effective immediately.

No other university in Oregon offers a graduate-degree program in biomedical engineering.

This program will prepare students to apply engineering principles to medical problems, resulting in research design, development, execution, and evaluation of biomedical systems and products. Examples of modern biomedical solutions include pacemakers, prosthetic limbs, and dialysis machines.

The proposed program allows students to choose one of three tracks: biomedical optics, biomaterials, and neuroengineering. The curriculum includes courses from a well-established program in biomedical optics and biomaterials, which has been part of the Oregon Graduate Institute (OGI) Department of Electrical and Computer Engineering for many years. Many additional courses have been developed to accommodate students with interests in other research and clinical specialties that are already strong within OHSU (e.g., neuroscience).
To be admitted, a student must have an acceptable Graduate Record Exam (GRE) score; and an acceptable grade point average with a B.S. in physics, mathematics, or an engineering discipline. Highly qualified individuals with degrees in biology may be considered if they have demonstrated adequate quantitative skills.

Upon entry into the program, an interim faculty advisor will be assigned to each student. Near the end of one year of core coursework in life sciences, engineering, and mathematics, a Student Program Committee composed of four to five faculty members (including one from another department) will be formed for each student. This committee will work with the student to chart a course of study consistent with both the student’s interests and the need for broad knowledge in biomedical engineering and in the student’s chosen specialty.

The need for the program is evidenced by a number of factors. Those graduates of Oregon State University’s bioengineering baccalaureate program who wish to enter a graduate program in biomedical engineering must leave the state. By not offering a graduate program in biomedical engineering, the development of academic and industrial biotechnology in Oregon, as well as biomedical research, is inhibited. Some applications of modern technology to medical care and the development of devices and processes that might otherwise derive from existing biomedical and clinical research programs are also inhibited.

The occupational outlook is bright for graduates of the proposed program. In Oregon, ten-year occupational projections for biomedical engineers (2002-2012) indicate a 24 percent increase and, for the U.S., a 31 percent increase or 2,000 total job openings. According to a recent survey by the trade journal, The Scientist and Abbott, Langer and Associates, the median salary and cash compensation for bioengineering, bioinformatics, and clinical research areas range from $75,000 to $77,000.

Currently, 13 core faculty and 29 affiliate faculty are in place to offer the program. Funds have been committed to recruit seven additional core faculty, and remaining funds will be used to recruit an additional four to six core faculty members. All will be expected to have strong quantitative backgrounds with Ph.D. degrees in biomedical engineering or a closely related field. An academic coordinator has been hired who will distribute promotional materials, correspond with prospective applicants, track students' progress, etc. All other support personnel are in place.

Current reference materials, facilities, equipment, and technology are in place or under construction to support the program. The new Department of Biomedical Engineering currently resides in the Bronson Creek and Vollum buildings on the OGI campus. Additional remodeling of the Vollum building and construction of the Willamette River campus will expand the facilities available to the program.

A $4 million grant from the Murdock Charitable Trust and approximately $3.5 million from the Oregon Opportunity Award have provided support to launch this program. Over
the long term, funds to sustain the department are expected to come from tuition, fees, research grants, charitable fundraising, and from license and royalty income.

An external review of the program was conducted by Ernest Stokely, associate dean emeritus, Department of Biomedical Engineering, University of Alabama-Birmingham; Lawrence Schramm, professor, Departments of Biomedical Engineering and Neuroscience, The Johns Hopkins University; and James Sweeney, associate professor and associate chair, Harrington Department of Bioengineering, Arizona State University. The team's report expressed strong support for the program. They indicated that the relationship of OHSU's program to OSU's undergraduate program in bioengineering will likely grow.

“The undergraduate program at OSU in bioengineering . . . will be a feeder program for the proposed graduate program . . . [C]urrent plans for the proposed program include a component to attract Oregon State University bioengineering undergraduate students to OHSU for summer internships. This experience will enhance the recruitment of some of the best of these students into the graduate program at OGI/OHSU.” (p. 1) In addition, collaboration among the faculty of the two institutions will develop, as appropriate.

The external review team agrees with OHSU’s assessment that the program will make Oregon more attractive to the biotechnology industry. The team was very impressed with the commitment of OHSU faculty and leadership to the program and with the “professionalism and energy” of the students. Two minor concerns regarding program administration and funding stability are being addressed by OHSU.

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

Staff Recommendation to the Board
Staff recommended that the Board authorize Oregon Health and Science State University to establish a program leading to the M.S. or Ph.D. in Biomedical Engineering. The program would be effective immediately, and the OUS Office of Academic Affairs would conduct a follow-up review in the 2009-10 academic year.

BOARD ACTION: This was a consent item. Vote recorded on page 137.

c. OSU, graduate certificate, Sustainable Natural Resources

DOCKET ITEM:

Oregon State University proposed to offer an instructional program leading to the graduate certificate in Sustainable Natural Resources, effective summer term 2004. The proposed interdisciplinary program will be housed in the College of Forestry and will also involve faculty from the Colleges of Liberal Arts and Agricultural Sciences. No other university in the country offers this program.
The proposed program focuses on the development of integrated case studies. Students will complete 18 credits in:

- ecology and management (e.g., ecological principles of sustainable natural resources, reduced impact timber harvest, sustainable silviculture, sustainable management of aquatic and riparian resources),
- human dimensions (e.g., economics of sustainable natural resource management, basic beliefs and ethics in natural resources), and
- integration (sustainable natural resource development, independent project in natural resource sustainability).

The program will be offered as an intensive, 14-week session during alternate summer sessions. Students will work closely with a faculty mentor and group of fellow students. To be admitted, students must have earned a baccalaureate degree in the area of natural and life sciences, natural resource management, forestry, environmental studies, or social sciences; and have worked professionally for at least two years in natural resource management or policy, or environmental science or policy. Each applicant will use his/her experience to develop a case study project, the completion of which is a certificate requirement. Because this is an intensive, residential program with several planned field trips, enrollment will be limited to 25 students per session.

Need for this certificate program can be documented in a number of ways. The Oregon Sustainability Act, which was ratified in 2002, directs all state agencies to increase their sustainability practices. U.S. and international contacts have attested to the need for this program, as well as the results of a needs survey. Increasingly, sustainable practices are certified through third-party organizations, which operationalize indicators of sustainability and then help organizations find ways to assess progress toward those goals. There is a need in both certification organizations and natural resource agencies/companies for individuals who understand the complexity of natural resource systems and can assess impacts of current and planned practices.

No new faculty will be required to offer this program and less than 1.0 FTE of support staff will be needed in the first year. The library has suggested minimal acquisitions and OSU has agreed to support those. All other equipment and facilities are in place. The program will be run on a self-support basis; however, the program coordinator will contact potential funding agencies and foundations for support of scholarships and field-trip expenses.

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

**Staff Recommendation to the Board**
Staff recommended that the Board authorize Oregon State University to establish a program leading to the graduate certificate in Sustainable Natural Resources. The program would be effective summer 2004, and the OUS Office of Academic Affairs would conduct a follow-up review in the 2009-10 academic year.
BOARD ACTION: This item was part of the consent agenda. Vote recorded on page 137.

d. Resolution—refunding bond sale

DOCKET ITEM:

Staff Report to the Board
The State Board of Higher Education has an opportunity to achieve significant debt savings by refunding certain outstanding series of bonds. This will require the issuance of refunding bonds. Authorization for the sale is granted by Oregon Revised Statutes 286.051 and 288.605 through 288.695, inclusive.

OUS’ present value savings net of selling expenses are projected to be approximately $1.8 million. Maturity lengths will remain unchanged or be shortened. Under no circumstances will maturities be extended.

The sale date has been tentatively set for March 2004. However, Board action to approve the following bond resolution is required before the State Treasurer can arrange for, and proceed with, the sale.

RESOLUTION FOR THE SALE OF REFUNDING BONDS

WHEREAS, ORS 286.031 states, in part, that the State Treasurer shall issue all general obligation bonds of this state after consultation with the state agency responsible for administering the bond proceeds; and

WHEREAS, ORS 286.033 states, in part, that the state agency shall authorize issuance of bonds subject to ORS 286.031 by resolution; and

WHEREAS, ORS Chapters 351, 288 and 286 provide further direction as to how bonds are sold and proceeds administered; and

WHEREAS, ORS 286.051 authorizes the issuance of refunding bonds and ORS 288.605 et. seq. authorizes the issuance of advance refunding bonds by the State Treasurer upon finding that certain requirements and conditions have been met; and

WHEREAS, it appears advantageous to this Board to sell refunding bonds to refund certain outstanding bonds thereby benefiting the state;

NOW, THEREFORE, be it resolved by the State Board of Higher Education of the State of Oregon as follows:

Section 1. Issue. The State of Oregon is authorized to issue general obligation bonds (the "Bonds") in such series and principal amounts as the State Treasurer, after consultation with the Senior Vice Chancellor for Finance and Administration of the
Department of Higher Education, shall determine are required to refund all or any portion of its General Obligation Building Bonds, 1993 Series A; 1995 Series B; 1997 Series A; Series 1999 A and B; 2001 Series A; and any other series of bonds that meet the requirements established by law and approved by the State Treasurer.

Section 2. Maintenance of Tax-Exempt Status. The Board covenants for the benefit of the owners of the Bonds to comply with all provisions of the Internal Revenue Code of 1986, as amended (the "Code"), that are required for Bond interest to be excluded from gross income for federal income taxation purposes (except for taxes on corporations), unless the Board obtains an opinion of nationally recognized bond counsel that such compliance is not required in order for the interest to be paid on the Bonds to be so excluded. The Board makes the following specific covenants with respect to the Code:

(a) The Board shall not take or omit any action if the taking or omission would cause the Bonds to become "arbitrage bonds" under Section 148 of the Code and shall assist in calculations necessary to determine amounts, if any, to allow the State to pay to the United States all "rebates" on "gross proceeds" of the Bonds that are required under Section 148 of the Code.

(b) Covenants of the Board or its designee in its tax certification for the Bonds shall be enforceable to the same extent as if contained herein.

Section 3. Sale of Bonds. The State Treasurer, with the concurrence of the Senior Vice Chancellor for Finance and Administration, shall sell the Bonds as the State Treasurer deems advantageous.

Section 4. Other Action. The State Treasurer, the Senior Vice Chancellor for Finance and Administration, or the Controller of the Department of Higher Education is hereby authorized, on behalf of the Board, to take any action that may be required to issue, sell, and deliver the Bonds in accordance with this resolution.

Staff Recommendation to the Board
Staff recommended that the Board adopt the above bond resolution authorizing the issuance of refunding bonds.

BOARD ACTION: This item was part of the consent agenda. Vote recorded on page 137.

e. Naming of Southern Oregon University library

DOCKET ITEM:

- The Lenn and Dixie Hannon Library

Executive Summary

Purpose:
Southern Oregon University requested an exception to OAR 580-50-0025 pertaining to the naming of buildings for a living person. This exception is requested to permit the University to name the university library “The Lenn and Dixie Hannon Library.” The OAR provides that an exception may be made for “unusually meritorious reasons.”

**Staff Report to the Committee:**
During his nearly 30-year tenure as Oregon State Senator, Lenn Hannon, with the able assistance of Dixie Hannon, made profound contributions to the betterment of Oregon, its public services, its economy, and the lives of scores of its citizens. The span of Senator Hannon’s service on the Senate matches that of Senator W. H. “Bill” Strayer in that both gentlemen were elected eight times in their respective districts. Senator Strayer served out his last term for a total of 32 years of service, whereas Senator Hannon served for 30 years. The nearly unprecedented length of service, the scope and importance of Senator Hannon’s contributions, and his well-earned reputation as a public servant of high integrity and character place him in the top ranks of Oregon public policy leaders across the state’s history. All who know well his accomplishments and work understand that he depended heavily on the professional assistance and personal support of Dixie Hannon. She served most ably as his chief legislative assistant and deserves the honor along with her husband. Some of the many contributions are outlined below.

**Public Schools and Post-secondary Education:**
Senator Hannon is widely recognized for his stalwart support of public schooling and post secondary education via community colleges and public universities. Among his special endeavors was his role in helping the Oregon University System craft a feature to the Resource Allocation Model that accounted for economies of scale when allocating state appropriations to the OUS universities. In addition, he made sure that the four smaller institutions had the same opportunity as the larger universities to automate their libraries. He was instrumental in obtaining both the initial one-time funding for the hardware and software and the necessary ongoing funds to operate those systems. In this he laid the foundation for the Orbis Cascade Alliance, which began in 1993 and is a model of library cooperation to maximize scarce resources and enhance access to knowledge and information.

**Southern Oregon University and Programs:**
Senator Hannon recognized the changing mission and capability of Southern Oregon State College and led the legislative action to rename the college Southern Oregon University in 1997. When the Engineering and Technology Industry Fund was created to advance engineering and computer science education, research, and innovation capacity in Oregon, Senator Hannon secured an allocation of $500,000 for SOU to recognize Southern’s growth in computer science education and potential for significant contributions to technology and innovation in specific areas. SOU joined the Engineering and Technology Industry Council conversation and earned respect in computer and information technology education. Moreover, Southern is collaborating with the University of Oregon in Materials Science research and is developing its special niche in cyber-security education and research.
Senator Hannon had much to do with "behind the scenes" advancements as well. For example, he was the motivation behind a quarterly meeting of law enforcement personnel and school district officials from Ashland and the Rogue Valley. It serves as an "Alliance of Community Agencies" to share information and expertise for coordinated support of safety and security for students and the communities where they study.

**SOU Facilities:**
To support economic development for Southern Oregon, Senator Hannon rallied support for public financing to build and equip the computing services center at Southern Oregon University. It became a "state of the art" computing space to house student computer laboratories, computing services offices, mainframe and support space, and the academic Department of Computer Science. He supported construction of the Old Mill Village to house SOU students with families and additions to McNeal Hall for athletics and physical education programs. He was instrumental in acquiring state matching funds ($5.6 million) for the construction of the Center for the Visual Arts, leading to $5.6 million in private funding through a successful local campaign.

The current Library and Learning Center project is a signature contribution from Senator Lenn Hannon for education and economic development in Southern Oregon and the advancement of the region’s role in securing the vitality of Oregon as a whole. This $23.5 million project is testament to Senator Hannon’s support for Southern Oregon University’s instrumental role in the development of the region and state. The result will be a facility that increases academic resources for the only research library between Eugene, Oregon, and Chico, California. It will render SOU's capacities more accessible to Oregon’s businesses, educational institutions, and other agencies, as well as to scholars around the world. It will be a state-of-the-art learning and teaching center for faculty and students, and will be a place of inquiry and conversation for citizens of the region and inquirers from throughout Oregon and beyond. Senator Hannon understood this potential and made sure that the physical and technological capabilities to realize this dream would be in place for at least a century, with the capacity to adapt to changes on the horizon. Moreover, he wanted this project to stimulate the local economy and provide jobs. Seventy percent of the construction dollars are spent locally, with 30 percent coming from suppliers in other areas, mostly Oregon. Nearly all of the workers are residents of the Rogue Valley.

**Region and State:**
Senator Hannon has secured millions of dollars for improvements for Southern Oregon roads, as well as funds for numerous construction projects throughout the Rogue Valley, including the Medford Armory and the Oregon Shakespeare Festival. He has worked hard to craft the Oregon Health Plan, to have health insurance carriers treat mental health illness the same as any other type of illness, and to support stable funding for the work of state police and firefighters. These illustrations don’t come close to chronicling the vast contributions he has made to his region and state.
In recognition of the unusually meritorious contributions made by Senator Lenn Hannon with the assistance of Dixie Hannon, this honor was requested by Southern Oregon University through an exception to the Oregon Administrative Rule precluding the naming of facilities for persons who are living.

The University’s administration consulted with appropriate groups on campus and secured the unanimous endorsement of the University Planning Committee, which includes in its charge, the review of facility naming actions. The Faculty Senate Advisory Council, the Faculty Emeritus Council, and the student body president have indicated their support as well.

Staff Recommendation to the Board
Staff recommended that SOU’s library be named “The Lenn and Dixie Hannon Library” in honor of Lenn and Dixie Hannon, strong supporters of the University.

BOARD ACTION: This item was part of the consent agenda. Vote recorded on page 137.

f. Authorization to award honorary degrees

- OSU/PSU/SOU:

DOCKET ITEM:

Summary
The 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.

Oregon State University requested authorization to award honorary doctorates to Ursula K. Le Guin and Sanjaya Rajaram, assuming they are able to attend OSU’s June 2004 Commencement ceremony. Portland State University requested authorization to award honorary doctorates to Harold Schnitzer, Arlene Schnitzer, Congressman John Lewis, and W.T. “Bill” Lemman at PSU’s 2004 spring Commencement ceremony. Southern Oregon University requested authorization to award an honorary degree to Ms. Geraldine Ferraro.

Oregon State University
Ursula K. Le Guin, a Portland resident since 1958, is among the greatest living American fiction writers. Le Guin is noted for her science fiction, fantasy, and realistic fiction; yet her work goes much deeper. Her works have been hailed for their ecological consciousness, concern for social justice, commitment to rights, and portrayal of different cultures. She has published 5 books of poetry, 2 collections of essays, 17 novels, and more than 100 short stories. She has written books for children and young
adults, screenplays, essays, verbal texts for musicians, voice texts for performance and recording, and two volumes of translation. Her stories, novels, poems, and essays have an international following, and her works are discussed in literature, philosophy, sociology, anthropology, and political science courses at OSU and on campuses throughout the United States.

Le Guin’s first major work of science fiction was The Left Hand of Darkness, a morally complex exploration of gender roles that gained attention for the level of literary sophistication it brought to the genre. Her novels of utopian fiction – *The Dispossessed* and *Always Coming Home* – enlarged her reputation through their anthropological depth and daring creativity. Her realistic stories of a small Oregon beach town in *Searoad* illuminated the grief of ordinary people. The first four Books of *Earthsea*, her most widely read fantasy works, have sold millions of copies in the U.S. and U.K. and have been translated into 16 languages.

Three of Le Guin’s books have been finalists for the American Book Award and the Pulitzer Prize. She has received the PEN/Malamud Award, the National Book Award, five Hugo Awards, five Nebula Awards, the Kafka Award, the Pushcart Prize, and numerous other honors. Le Guin has taught writing workshops from Oregon to Australia and is actively involved in the literary community of Portland.

Sanjaya Rajaram, retired director of the Wheat Research Division of the International Center for Maize and Wheat Research, has contributed to the release of more than 450 varieties of wheat in 51 countries. After he took over the center’s wheat-breeding program, world production increased by more than 200 million tons during the next quarter century, and center-produced varieties generated approximately $13 billion in the U.S. alone.

Developing countries have benefited the most from Rajaram’s work. He helped create a global network facilitating the free exchange of invaluable genetic resources among thousands of wheat researchers worldwide, and he has broken ideological and parochial barriers that might have separated the work of individual scientists. Rajaram, in collaboration with OSU wheat breeders, developed the International Winter-Spring Wheat Improvement Program that had a worldwide impact on food production through expanding the genetic biodiversity of wheat.

Throughout his distinguished career, Rajaram has shared his vast knowledge of wheat breeding through more than 300 journal articles, book chapters, and conference proceedings, and more than 500 invited lectures or symposia presentations. He has mentored over 700 young scientists from dozens of developing countries. Rajaram has received numerous awards, including the Monsanto Crop Science Distinguished Career Award, the Padma Shri Award from India, the Crawford Fund Derek Tribe Award from Australia, the Rank Prize Award for Nutrition from the U.K., and the Friendship Award from China.

*Portland State University*
Harold Schnitzer and Arlene Schnitzer have served the University, city, and region, individually and jointly, for many years. The extraordinary public service and generous philanthropy of Harold Schnitzer and Arlene Schnitzer have benefited the cultural arts, health and human service agencies, and religious and educational institutions. Their memberships on boards, councils, and committees that support people and communities are numerous, and their contributions immeasurable.

In 2002, Arlene Schnitzer established the James DePreist Visiting Professorship in Ethnic Art at PSU with a leadership gift from the Harold Schnitzer and Arlene Schnitzer CARE Foundation. Her unwavering commitment to the success of the project has led to her friends and colleagues lending their financial support to the program, as well. Arlene Schnitzer has served on many public service boards and committees, and she continues to serve on the board of the Boys and Girls Clubs of Portland; McCallum Theatre in Palm Desert, California; Northwest Academy; and Oregon Health & Science University Foundation. She has produced numerous public affairs programs, including the award-winning Town Hall. Arlene Schnitzer has also served on the Oregon State Board of Higher Education and the Oregon State Government Ethics Commission.

Harold Schnitzer and his son, Jordan, supported the creation of Oregon’s first Judaic Studies programs at the University of Oregon and Portland State University. Harold Schnitzer currently serves on the board of the Portland Art Museum, is a life trustee of Lewis & Clark College, and is founder and co-sponsor of Night Scape, a recreational and educational program for at-risk teens in two Boys and Girls Clubs locations in Portland.

Congressman John Lewis, the son of sharecroppers, has spent over 40 years as a leader in progressive social movements and the human rights struggles in the U.S. As a student, he organized sit-in demonstrations at segregated lunch counters in Tennessee and participated in the Freedom Rides. During the height of the Civil Rights Movement, Lewis was chairman of the Student Nonviolent Coordinating Committee, which he helped form. By 1963, Lewis was recognized as one of the “Big Six” leaders of the Civil Rights Movements, along with the likes of Martin Luther King, Jr. In 1965, he helped lead over 600 marchers in Selma, Alabama, in what would become known as “Bloody Sunday” and would eventually lead to the Voting Rights Act of 1965.

Lewis’s next steps moved him into the larger political arena. Appointed by President Jimmy Carter, he directed over 250,000 volunteers of ACTION (the federal volunteer agency) and later served in various elected positions. He currently serves in Congress, where he has provided leadership in a number of capacities since 1986. In the 108th Congress, Lewis is a member of the House Budget Committee and House Ways and Means Committee, where he serves on the Subcommittee on Health. As Senior Chief Deputy Democratic Whip, he sits in a direct line of succession to the number two Democratic leadership position in the House.

W.T. “Bill” Lemman has spent his life in the service of public higher education and has a deep personal connection to Portland State University. One of the first students of
PSU’s predecessor institution, the Vanport Extension Center, he later worked in the Center’s business office, as PSU’s director of business affairs, and finally as vice president for business and finance for 14 years.

Lemman had the vision to bring the first student housing to Portland State, developing a long-range plan that included the buildings lined up in the Park Blocks. He saw the need to grow beyond the early plans of maintaining a “non-campus” institution and proposed innovative ways to ensure the campus could meet the needs of a diverse student population. Through urban renewal, he helped create opportunities for the campus to develop land, buildings, and relationships that would serve it well for years to come.

Lemman’s contributions to public higher education extend beyond Portland. He served as vice chancellor for the areas of administrative and finance from 1974 until 1989 when he served as interim chancellor for a year. Prior to retirement (from 1990-91), Lemman served as interim president for Oregon Institute of Technology. Overall, his 40-year career in public higher education greatly improved both Portland State University, in particular, and higher education as a whole in the state.

**Staff Recommendation to the Board**

Staff recommended the Board authorize Oregon State University to award honorary doctorates to Ursula K. Le Guin and Sanjaya Rajaram, and authorize Portland State University to award honorary doctorates to Arlene Schnitzer, Harold Schnitzer, Congressman John Lewis, and W.T. “Bill” Lemman at the 2004 spring Commencement ceremonies.

**BOARD ACTION:** This item was part of the consent agenda. Vote recorded on page 137.

- **SOU:**

**DOCKET ITEM:**

**Summary**

Board of Higher Education policy permits institutions, with the concurrence of their faculty, to award honorary degrees. Each institution proposing to award 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 requested authorization to award an honorary doctorate to Geraldine Ferraro at the June 2004 Commencement ceremony.

Geraldine Ferraro, executive vice president of The Global Consulting Group (GCG) public affairs practice, has had a distinguished career and provided leadership in Congress, other public service and humanitarian endeavors, and business. She was elected to three terms in the U.S. House of Representatives and served on such
committees as the Select Committee on Aging, Public Works Committee, Budget Committee, and Post Office and Civil Service Committee. Ferraro also earned a place in history as the first female vice-presidential candidate on a national party ticket.

In the 1990s, Ferraro served in a variety of capacities such as public delegate to the World Conference on Human Rights; U.S. Ambassador to the United Nations Human Rights Commission; vice chair of the U.S. Delegation at the Fourth World Conference on Women, which was held in Beijing; and co-host of Crossfire, a political interview program on CNN. She remains active in the nation's foreign-policy debate, serving in such capacities as board member of the National Democratic Institute of International Affairs and a member of the Council on Foreign Relations.

Currently, Ferraro is a political analyst for FOX News, a columnist for the New York Times Syndicate, and serves on numerous boards (e.g., Planned Parenthood Federation of America, National Breast Cancer Research Fund, National Women’s Health Resource Center). In addition to her significant contributions nationally and internationally, Ferraro's extensive public service and leadership work has touched Oregon directly. Through the generosity of Yamanouchi Consumers, Inc., (a client of GCG), Ferraro has provided public policy guidance to Southern Oregon University. Her expertise has proven invaluable in the process of strategically positioning and advancing SOU for the future.

**Staff Recommendation to the Board**

Staff recommended the Board authorize Southern Oregon University to award an honorary doctorate to Geraldine Ferraro at the 2004 spring Commencement ceremony.

**BOARD DISCUSSION AND ACTION:**

President Goldschmidt commended the institutions on the selection of the individuals to receive honorary degrees. He also mentioned the naming of the SOU Library, the Lenn and Dixie Hannon Library. “Almost all of us, if we have been in public life at all, have been beneficiaries of the efforts of Lenn and Dixie Hannon. I won’t be in attendance, but I think half of Oregon will be. I want you to convey to him that he will be missed in the Oregon legislature. He has been a tremendous friend, I know, of your institution, but of education and higher education in general. On behalf of the Board and the presidents and all of us in other capacities – me as governor, Dave (Frohnmayer) as Attorney General – think of all the years that Lenn has been helping all of us. Please tell him congratulations from everyone.”

It was moved by Director Lorenzen that the consent agenda be approved as presented. Those voting in favor: Directors Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, Schuette, Sohn, and Goldschmidt. Those voting no: none.

5. **BOARD ORGANIZATIONAL STRUCTURE; COMMITTEE/WORKING GROUP ASSIGNMENTS**

President Goldschmidt reported that the Finance/Budget/Audit/Personnel/Real Estate Committee would be staffed by Vice Chancellor Anderes and assisted by Nancy
Heiligman. This Committee has not yet met but will be holding a first meeting in March. “We expect that you, Don (Blair), and Dr. Anderes will come back to the Board with suggestions about additions to the Committee or different ways to manage it.” This Committee is a Standing Committee of the Board.

“I would expect that, by the meeting in Corvallis, it is possible the Board will actually have a recommendation on how the Academic Programs Committee will be handled. You saw on the consent agenda today, programs that were approved. There is a process now for handling these items. This is going to be reviewed and we will have a conversation about it. This is an area that will be, if I were predicting ahead of time and if it isn’t already, an entirely deregulated undergraduate approach. I think the Board will get a chance to have a conversation about this to basically cut the universities loose and figure out how they can coordinate it among themselves in terms of what we do about graduate programs.”

Continuing, President Goldschmidt indicated that Nan Poppe, a president of one of the Portland Community College campuses, had agreed to co-chair the Access/Affordability Working Group.

“We are actually already standing on the work that the Chancellor’s team and the community colleges did with the Governor’s office to try to get this package ready in the last session,” Goldschmidt indicated. He added that it is important to get a package done in this area. “I would prefer to start our conversations with legislators and private sector interested parties, students, and others on the subject of where might the money come from if we had a package we could sell as the agreement of the leadership in education in Oregon. The beginning of this is not going to be a conversation about taxation, cash. One rule is in place: This Board will not propose to take money from existing university or community college sources to fund this access program. It means that we have to be looking elsewhere.”

The Excellence in Delivery and Productivity Working Group chaired by Gretchen Schuette, President Goldschmidt pointed out, is the one charged with a major legislative initiative for the System. “We need to give evidence to legislative leadership that those things within our control we can do if they have no fiscal impact on what we have done and are doing. The work will include a conversation about what Oregon’s economy is going to be like since it will define the educational quality of Oregon’s workforce and ultimately gets to the question of quality in our programs in order to serve that need,” President Goldschmidt emphasized.

It was highlighted that the Board of Higher Education had an ongoing interest in working with the Board of Education through the work of the Joint Boards. “I think, given the effects of Measure 30 on public schools in our state, we need to let them (K-12) take a breather,” President Goldschmidt pointed out. He indicated that he would not immediately be appointing Board members to serve on the Joint Boards Working Group.
Another Working Group is focused on Academic Excellence and Economic Development. “This is the item that the Governor would like to have sooner than later,” Goldschmidt emphasized. However, because of the scope of work of the Working Group, it was acknowledged that it probably could not meet a June budget window.

Director Dyess observed that the Working Group is developing a work plan that includes visits to higher education institutions as well as visiting with economic development experts throughout the state and that the complexity of schedules would mean that it will take longer for the Working Group to gather all of the needed information.

Board member assignments to additional committees such as OCKED (Oregon Council for Knowledge and Economic Development), Oregon College Savings Network, and OHSU, and a fifth member of the Executive Committee are yet to be decided.

“The one disruptive element here is that we have basically wandered into the Chancellor’s Office review under an enormous press of time,” President Goldschmidt observed. “Vice Chair Richmond has been interviewing people, trying to figure out what they do for the Chancellor and what their skill sets are, and these folks have been assigned by us to staff these committees. These committees are not some permanent, lifetime assignment. They are not an organizational principle for a Chancellor’s Office.”

Director Sohn asked if the Working Groups had any charters or charges. Director Nesbitt indicated that he has named appointees to bring a charge or mission statement to be used for his Working Group (Access/Affordability). Director Sohn indicated that he was thinking “strictly in terms of the outside world.”

Director Burns asked what the Board defined as ‘access,’ since it is rather an amorphous concept. President Goldschmidt indicated that “there is only one meaning and that is what the Governor says it is. ‘More, better, faster’ is ultimately a way for us to say to the legislature, ‘we can deliver an enormous amount of high quality product if you will help us make investments in the right place and we can reduce the time it takes for somebody to get from high school through to whatever destination they want.’”

6. **Measure 30: Implications for the State and OUS**

The item regarding Measure 30 and the implications for the state and OUS was introduced as an opportunity, in a public setting, to have the Chancellor and the institution presidents talk to the Board about impacts.

Chancellor Jarvis reviewed the background of the results of a failure of Measure 30. With the defeat of Measure 30, the enactment of consequences of House Bill 5077 came into play, which meant a $7.5 million reduction for the OUS. He indicated that among the leadership of the System, there was a desire to ask the question, “What if? We know the Board is taking a look at the System office functions. We anticipate that there will be reassignments and reductions. What can we ask the campuses to do to think about how they would tackle this reduction?”
As a result, the System office provided the campuses with a “what if” planning scenario. “I should stress,” Chancellor Jarvis indicated, “that this is strictly a planning scenario number. And the campuses will point out, rightfully, that until they too know what those reductions mean, it’s not clear where eventual costs savings will come from. So, we find ourselves in a bit of a difficult spot to give you a precise response now. But we would like to give you a flavor of what is on the presidents’ minds and our own minds in the Chancellor’s Office as we know that, come May 1, we will have to have submitted to DAS a reduction plan of $7.5 million.”

OSU President Ray observed that his institution had set a goal over the next several years to cut administrative costs by 20 percent. “We held in reserve effectively the three percent that was at risk as a result of Measure 30. I would say that a good proportion of the money came from administrative costs.”

Continuing, President Ray indicated that any resources they get back will not be put back where they came from, but “would be put back primarily in two areas. One area is into additional courses in high demand areas to give students greater flexibility and access to instructional resources, and the second area that we are very concerned about is financial aid for students—particularly need-based aid.” President Ray underscored the fact that for every $100,000 that would be available if cuts did not have to be made, four additional courses per quarter for 45 students could be retained or added. “We’re talking about access to high demand courses for approximately 500 students per year. Or 16 half-tuition or eight full-tuition awards could be given per quarter to students.”

For the University of Oregon, President Frohnmayer reported the strategies would be similar to those expressed for OSU. If the System Office were assigned a target of $3.5 million for reductions, the UO would need to reduce approximately $880,000 from its budget. “The practical effect is to roll all of that (reduction) into next year. In effect, we have to because we have commitments to our students for the balance of this academic year,” President Frohnmayer explained. “We don’t want to do things that imperil a student’s time to degree but that is a risk at the level of cuts that we would have to take.”

The reduction target for PSU would be, according to President Bernstine, approximately $875,000, which translates to about 210 unfunded Oregon residents, and “the question is, ‘in light of the cuts, how do we continue to accommodate the growth that we are currently experiencing?” he continued.

For SOU, the estimate of cuts would be approximately $212,000, which, according to President Zinser, “would be additional administrative and service reductions that would come on top of a series of administrative and service reductions over the last couple of years.” She indicated that the University Planning and Budget Committee is working to identify the most appropriate places for further reductions. “We have gotten to the point where we have to close service in the library one day a week,” she concluded.
President Dow indicated that OIT has already made substantial reductions in the administrative areas and that they have four director positions that have been left unfilled. “Our program with Boeing actually had some revenue in it and we are going to have to use that to offset some of the cuts. I would say the major impact, just from Measure 30, is reduced class sections for spring term and not hiring some critical faculty, as well as not filling administrative positions.”

President Goldschmidt asked for clarification on process and if it was correct that a plan for reductions had to go to the Department of Administrative Services on or about the first of May. Several presidents had indicated that they would be “rolling forward the cuts and absorbing them in the second half of the biennium. When we make this proposal, is this something about which there will be an objection?”

Vice Chancellor Anderes responded that what “we have to guarantee is that by the end of the biennium, by June 30, there will have been a reduction of $7.5 million. So if we identify a reduction that leads to that three months down the road or four months, that will meet the charge.”

“Where I’m going with this is the following,” President Goldschmidt explained. “I think that the Committee that is doing the review of the Chancellor’s Office is not likely to have the ability to have merged all these quite intricate changes that are being made in a fully complete way. But we have obligations to the employees. I mean, even if we conclude there is some function that we should abandon in order to meet these budget goals, it is not a circumstance where we have no obligations to the people who are affected by these decisions. I think for the Chancellor’s Office as well, it is likely to be that much of the capture of any savings would be happening in the second year of the biennium. And you’re saying that would be acceptable?”

Vice Chancellor Anderes responded affirmatively, indicating that the important matter was that, by the end of the biennium, there would be a reduction in total of $7.5 million. “The key is being certain that we have the permanent reductions in place and that when we identify our plan we identify the level that we are going to be using fund balances for this biennium and then how we are going to translate that into permanent reductions going into the next,” Dr. Anderes concluded.

Director Burns asked about what flexibility there was in distributing the reductions and the level of cash balances that institutions needed to have. Dr. Anderes said that there was maximum flexibility and that, at the present, institutions were examining the resources within their budgets and what the options would be. “We would like to bring forward, through the Budget Committee, a fairly clear statement of what we think are appropriate fund balances. In effect, put together a policy that presently doesn’t exist on fund balances. What that would do is provide guidance both for the Board and for the campuses as we talk about spending down fund balances or accruing monies.”
President Conn indicated that WOU has already suspended a number of support services and that at the present time there are seven director positions vacant. “This has major implications for our support services where we have cut about 25 percent of the budgets. Our hope, obviously, with a reduced amount of cuts, we can restore some activity in these critical areas. I think what is at stake right now,” President Conn continued, “is to continue to draw down on our reserves, which we are doing and continue to keep these director positions in limbo until we know precisely what the cut will be.”

President Goldschmidt asked how the Board would know if an institution had drawn down on the reserves in some fashion that ultimately impairs future choices for the campus. President Conn responded that WOU was projecting, until the latest information was received, a reserve in deficit. “I assume it is prudent to have some balances. Indeed, we would not have been making payroll a few months back had we not had these reserves to draw against. The main answer I would give is that without any reserve, given the volatility of our current budget situation, we are extremely vulnerable.”

President Goldschmidt continued, “What I would say to the chair of the Committee (Finance/Budget/Audit/Personnel/ Real Estate) and our chief financial officer is that, if any president is headed in this direction, you deserve a very quick conversation with the chief financial officer and the Committee because this is not one where we can afford to let you go over any cliffs because we can’t retrieve you. And, I don’t think the legislature is compelling us to eliminate all those reserves.”

President Lund reported that the uniqueness at EOU was captured in several ways. EOU is the smallest institution in the System and, therefore, probably the most reliant on the Chancellor’s Office for certain services. “I’m very sensitive to what is going on in that office and appreciate the fact that we are able to at least take off the table a planned tuition surcharge of $38.00 per student per term beginning spring term.” Continuing, President Lund indicated that, if the Chancellor’s Office absorbs part of the reduction, the amount that EOU will need to eliminate is in the range of $182,000. However, this reduction is on top of over a million dollars in cuts already required and will necessitate reducing staffing and operating hours even more than they have already been in student service operations.

“The other thing is that, at Eastern, we’re so small that when we start talking about cutting sections, we’re really talking about program reduction and that is something we have pledged to avoid,” President Lund continued. The debate is whether the institution absorbs some of the cuts by fund balance or not.

Vice Chancellor Anderes indicated that there has been a request from the Governor’s office to look at fund balances and that is currently being done.

Returning to an earlier question raised by Director Burns regarding flexibility of the presidents to deal with some of the issues related to reductions, faculty salaries, and
hiring, President Goldschmidt indicated that it did not seem prudent for the institutions to be requesting exemptions when a plan has not yet been developed.

7. **REPORT ITEMS**

a. **Distance Learning**

**DOCKET ITEM:**

**2004 e-Learning Distance Education Summit**
**January 26, 2004**
**Portland, Oregon**

*Purpose*

The 2004 e-Learning Distance Education Summit, held January 26 at the Oregon Museum of Science and Industry (OMSI) in Portland, brought together education and government leaders and over 175 e-learning practitioners from K-12, community colleges, and four-year colleges and universities. The goal of the summit was to begin a statewide collaborative effort in support of distance education, especially online education and videoconferencing. The summit was hosted by the Oregon Department of Education with planning assistance in the months preceding the conference from a statewide focus group including representatives from K-12, community colleges, universities, and business and industry. OMSI provided meeting space and services for the all-day invitational summit with additional support provided by Intel, Microsoft, Oregon Public Broadcasting (OPB), and Qwest.

Display tables outside the meeting rooms provided information about e-learning providers and services including online schools and programs from all sectors, the Oregon Network for Education (ONE), OPB, Wildlife Safari, and others. Summit proceedings were distributed to a statewide audience via a live videostream and to seven videoconferencing sites located throughout the state.

*Session Content “Where Do We Go From Here?”*

Superintendent Susan Castillo initiated a call to bring together the resources of the education sectors to meet the increasing demand for e-learning. Two morning panels focused on videoconferencing and online learning, providing a review of current e-learning enrollments, programs, courses, and infrastructure. Attendees visited with a high school Spanish class being taught by videoconferencing to multiple locations in southern Oregon.

A student panel provided an honest and engaging assessment of what it means to learn online. Students discussed the importance of having access to previously unavailable courses and some of the positive and negative aspects of independent learning. The growing number of K-12 students participating in e-learning has implications for
postsecondary education since they will expect options for e-learning when they move on to colleges and universities.

A panel of state education, business, and government leaders set the tone for the afternoon workgroups by discussing the question, “Where do we go from here?” The panel was moderated by Senator Ted Ferrioli and included Maynard Orme, OPB; Nancy Stueber, OMSI; Judy Peppler, Qwest; Connie Green, Oregon Department of Community Colleges and Workforce Development; James Sager, Office of the Governor; and Richard Jarvis, Oregon University System.

Panelists highlighted several key points.

- e-Learning is central to each organization’s mission because it enhances access to quality education and training opportunities. e-Learning not only bridges distance but also overcomes time restraints by providing flexible learning opportunities for both on- and off-campus students.
- Statewide access to educational opportunities is critical to economic and workforce development in the state.
- As more students arrive in our schools and colleges capable and prepared to use new technologies, teachers and faculty must be provided the resources and time to integrate technology into teaching and learning.
- e-Learning requires a robust, integrated (voice, video, data) network throughout the state and down to last-mile connections to homes, schools, and businesses.
- Collaboration across education sectors and with industry and non-profit organizations is key to moving forward. Collaborative areas include content development, faculty/teacher training, infrastructure, and improved articulation within content areas and across sectors.

**Workgroup Outcomes**

The summit planning group identified six issues thought to impact implementation of a statewide e-learning system: leadership and governance, funding and strategies for leveraging resources among partnerships, technology and infrastructure, marketing and information sharing, course development, and special needs and access.

In the afternoon, participants broke into groups to discuss issues and begin the process of identifying solutions to perceived roadblocks. Full reports concerning observations and challenges will be posted at the summit website in the next few weeks at http://www.ode.state.or.us/elearning/2004 summit.aspx. Four highlights were:

1. The state lacks a unifying vision that highlights the importance of e-learning and provides major e-learning goals around which educators and institutions can organize their efforts.
2. Campuses and schools must look for ways to “mainstream” e-learning. First-generation distance learning aimed at off-campus students is giving way to e-learning that provides flexible opportunities for all students.
3. There is a need to share information. Inventoring what we have in place and providing a central e-learning resource is critical to marketing, enhancing professional development, and avoiding duplication.

4. Collaboration is important to moving forward. Building on the comments from the leadership panel, all six workgroups highlighted the need to improve articulation among community colleges, universities, and K-12; address funding models that impede curriculum sharing; expand integrated networks; and present a unified voice to the legislature on issues of e-learning and educational technology.

**Next Steps**

Conference planners asked that the six workgroups continue meeting over the next three to four months to refine recommendations for improving collaboration and moving towards an integrated, statewide e-learning approach. Recommendations will be compiled into a single document to be presented to the sector heads (Superintendent, Chancellor, and Commissioner), who in turn would share information, as appropriate, with their staffs and Boards.

**Distance Learning Report Items**

Chancellor Jarvis introduced the reports on Distance Learning, reminding Board members that this was part of a report that was delayed from the orientation session held prior to their confirmation.

“Distance education today is not what it was and not, perhaps, what many of us still think it is,” the Chancellor began. “The first generation of distance education, from the early 1980s to the mid-part of the 1990s, attempted to transmit a classroom type of experience to a remote site. They were strongly based on interactive video and the delivery of satellite services. It was still basically my place, my time, and you just get to plug into that in your place.”

In the mid-1990s, substantial technological and pedagogic developments took place. There was growth in on-line teaching and a much greater understanding both of the technology and of the pedagogic implications of asynchronous between faculty and students and among students. “A great many on-line programs do involve some in-person interaction and maybe even a modicum of residential interaction and most successful on-line programs discover that some parts of the program are best taught that way,” the Chancellor pointed out.

There has been substantial growth in distance learning in OUS and even more so within the community colleges. Distance education is certainly a part of the core business for postsecondary education now and many students are finding that it meets their needs. In closing, Chancellor Jarvis said that, “when we talk about distance education, we focus a lot on the production and development of content and that is, of course, what interests us intellectually. In fact, content is relatively straightforward to produce.

“The thing that I would stress is that, when you're in an on-line environment, the retention of the student becomes even more critical than it is in a campus-based,
face-to-face instruction mode and it is the campus support services that determine the success of most distance education programs. In addition, remember that students today have grown up with this technology. They are gathering from multiple institutions and by multiple modes of learning all the time. Many of the students of the institutions around this table are taking distance education courses from their own institution, from other institutions within the System, and from other providers on the web.” The Chancellor cautioned that in distance education the business case is different, the costs are different, and it becomes a matter of scalability and a question of whether the programs can continue to grow and expand and be cost effective.

President Lund indicated that her report would be on the EOU website at the president’s page button. She said that EOU was on the forefront of distance education and from the beginning the focus has been on credits that would lead to complete degree programs. Eastern is now able to offer six complete baccalaureate degrees. It has always placed a high priority on the provision of student services. There is a broad range of offerings including individualized studies, live courses on the weekend, and group distance instruction.

The EOU programs are built on a number of partnerships. The most visible one is the Eastern Oregon Collaborative Colleges Center—a partnership with Blue Mountain and Treasure Valley Community Colleges. Students are concurrently enrolled in all three of the institutions and the infrastructure is still the biggest challenge. “The focus at Eastern has been on, for lack of a better word, leveraging the programs, the faculty, the centers of excellence at these partner community colleges and OUS institutions to supplement what Eastern may have,” President Lund explained. She used four “case studies” of students to illustrate the multiple ways in which they were approaching obtaining courses required to earn a degree.

President Ray explained that at OSU the goal is to provide access to anytime, anywhere learning opportunities. The cost to students for the on-line E-campus program is the standard tuition plus what is called a technology resource fee. OSU attempts to have the program be responsive, relevant, and of high quality. “We also do everything we can to make sure that students have access to identical services in terms of financial aid, advising, and counseling that students who are on campus have,” President Ray explained.

Oregon State’s partners are 11 colleges and schools within the institution and eight community colleges through duel enrollment agreements. They are interested in the scalability of the infrastructure and attempt to make all transactions on-line for the distance students. The E-campus program has gone from just below 11,000 student credit hours in FY2000 to almost 22,000 hours in FY2003 and they are aiming to dramatically increase.

Director Schuette acknowledged the pioneering work of President Lund, remarking that, “Eastern has been at the forefront early on and made a tremendous difference. Many of us have gone to school on what Eastern has done,” she observed.
Director von Schlegell asked if there had been any reliable studies on the quality of distance education versus a campus-based education. Chancellor Jarvis responded that a great deal of research had been conducted and the overwhelming majority of the evidence shows no significant difference between distance education programs on campus-based programs.

Director Sohn asked if there were data to determine to what extent these distance programs are an exclusive experience and to what extent electronic distance learning is a supplement to some residential or on-campus experience. It was agreed that these data are difficult to track and that it is a mixed experience for most students. “We have those duel enrollment agreements with more distant community colleges and the way students do it is by mixing going to classes and doing things on-line. So, it’s a way for them to put a whole package together,” President Ray explained.

Continuing, Director Sohn asked if “students run into affordability problems with a residential program, take a term off and do electronic courses instead, and then go back to campus.” The answer from both presidents was that some of everything happens and it is difficult to track the various avenues a particular student might be taking to complete a course of study.

Director Blair inquired as to why EOU was the only institution in the System using APEL (Assessment of Prior Experiential Learning). President Lund explained that it is very difficult for faculty to attempt to evaluate individualized student portfolios to determine if there really is college equivalent learning that has been demonstrated. Also, there are not many faculty trained to do this.

It was highlighted by President Lund that 70 percent of the campus faculty are involved to a certain degree with distance education. The other courses that are not taught by campus faculty have to be approved by the regular faculty – and this creates an instructional capacity issue of how many faculty can an institution afford to be working on these courses.


DOCKET ITEM:

Summary
The report titled 2003 Annual Financial Report (see supplemental materials) was prepared by the Chancellor’s Office and the financial statements included within were audited by Moss-Adams, LLP, under contract to the Secretary of State, Audits Division. The audit opinion issued by Moss-Adams, LLP, is an unqualified opinion, which means that their opinion as to the fair presentation of the financial statements was issued without qualification.
The **2003 Annual Financial Report** is the second year implementation of Governmental Accounting Standards Board statement number 35 (GASB 35). These new accounting principles provide for greater comparability between the financial statements of public and private higher education institutions and are more similar to financial statements of private industry.

In addition to the significant format change in the financial statements, the implementation of GASB 35 has also resulted in the depreciation of fixed assets, a statement of cash flows, and a “Management’s Discussion and Analysis” section that is intended to provide an objective and easily readable analysis of OUS’ financial activities.

For fiscal year 2004, OUS will be required to implement GASB statement number 39. GASB 39 requires that the OUS financial statements also include the financial activity of the university foundations.

As stated above, Moss-Adams, LLP, has audited the financial statements of OUS and, in conjunction with that audit, has issued a letter to OUS Management (see supplemental materials) communicating observations and recommendations relating to OUS internal controls and compliance with federal grants and contracts. OUS management has issued a letter in response to these observations and recommendations (see supplemental materials) that includes general agreement with the observations and planned actions in response. None of the observations made by Moss-Adams, LLP, represent significant deficiencies in the design or operation of internal control. As part of the financial statement audit, Moss-Adams, LLP, is required to communicate certain matters related to the conduct of the audit to those who have responsibility for oversight of the financial reporting process.

**Staff Recommendation to the Board**
Subject to the report of Moss-Adams, LLP, staff recommended that the Board accept the **2003 Annual Financial Report**.
October 15, 2003

Oregon State Board of Higher Education
Oregon University System
Eugene, Oregon

Dear Members of the Board of Higher Education:

In planning and performing our audit of the financial statements of the Oregon University System (the System) for the year ended June 30, 2003, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. Our consideration of the internal control was for the limited purpose described above and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in internal control, errors or fraud may occur and not be detected by such controls.

Reportable conditions are defined under standards established by the American Institute of Certified Public Accountants as matters coming to our attention that represent significant deficiencies in the design or operation of internal control which, in our judgment, could adversely affect the System’s ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatement caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control and its operation that we consider to be material weaknesses as defined above.

During the course of the audit, we observed certain accounting and administrative matters which we would like to bring to your attention. These observations are presented below. They are communicated to you for your information and, hopefully, your action. The following are suggestions for increased effectiveness of operations and financial reporting:
System Wide:

**Fixed Asset Reconciliation (carryover comment)**

**Observation:** During our audit we did not observe complete and fully reconciled personal property fixed asset schedules at each university. Such reconciled and complete schedules foster accurate reporting under GASB 35. OUS experienced difficulties in reconciling the Banner general ledger balances to the underlying fixed asset records.

The formal schedule of fixed assets should consist of beginning balance, current year additions, current year disposals, reconciling items, and conclude with an ending balance. This schedule should be created from information contained in the underlying fixed asset records which should reconcile to the Banner general ledger.

**Recommendation:** We recommend each university prepare a year-end schedule of fixed asset balances that agrees the detailed fixed asset records to the Banner general ledger. If centralized fixed asset reporting continues, we recommend additional cross-training in this area at the OUS Controller’s Office level.

**Fixed Asset Depreciation Calculation**

**Observation:** Depreciation was noted to be calculating incorrectly at several universities for all assets tested that contained attachments to the original asset. The original asset was being depreciated appropriately, however the attachment was not being depreciated. An attachment is any amount capitalized that directly relates to an asset already logged into the fixed asset module in Banner FIS. This attachment is then included in the total cost of the original asset. We noted that Banner FIS allows attachments to be depreciated and the issue can be remedied through training of individuals who enter fixed asset information into Banner.

**Recommendation:** We suggest procedures be developed and implemented to ensure depreciation is properly recorded and appropriate training is made available to those individuals who perform work in the fixed assets module of Banner FIS.

**Fixed Asset Training**

**Observation:** During our audit, we noted the accounting records of real property was transitioning from the Controller’s office to the individual universities. It is imperative that during this transition process, appropriate training is provided to those individuals who will be working in the fixed asset module of Banner.

**Recommendation:** We suggest a training program be developed and implemented to ensure an appropriate level of knowledge and understanding of the fixed asset module of Banner.
University of Oregon:

Subcontract Audit Monitoring

Observation: University of Oregon has a policy that requires grant subrecipients to provide the University with copies of their audit reports during the first and last year of a grant subcontract. However, we observed that the University of Oregon does not require grant subrecipients to provide the University with the results of their federal funds audits between the first and last year of the subcontract. OMB Circular A-133 requires that pass through entities (UO) determine on a yearly basis if subrecipients audit results cause adjustments to their own records.

Recommendation: We recommend that the University implement policies and procedures to ensure that complete subrecipient monitoring is performed on a yearly basis. Monitoring should be performed to ensure that subrecipients spending $300,000 ($500,000 for 2004) or more in Federal awards during the subrecipient’s fiscal year have met the audit requirements for that fiscal year. Procedures could include developing a standard contract to require notification of audit findings on all subcontracts.

Portland State University:

Subcontract Audit Monitoring

Observation: During our audit, we noted Portland State University has a formal policy requiring grant subrecipients expending pass through funds of $300,000 or more in federal funds, to provide the University with copies of their audit reports on a yearly basis during the grant period. However, the University does not require grant subrecipients expending pass through federal funds less than $300,000 to provide copies of their audit reports during the grant period.

Recommendation: We recommend that the University extend their procedures used to monitor subrecipients who expend $300,000 ($500,000 for 2004) or more in pass through federal funds to all subrecipients. Monitoring should be performed to ensure that all subrecipients expending $300,000 or more in Federal awards during the subrecipient’s fiscal year have met the audit requirements for that fiscal year.

Southern Oregon University:

Recording Accounts Payable

Observation: Certain accounts payable related to construction projects were not recorded at June 30, 2003. These liabilities were identified and recorded as a result of audit procedures. Having controls in place to capture and record all liabilities of the University is necessary to ensure accurate financial reporting.

Recommendation: We suggest procedures be developed and implemented to ensure accounts payable amounts are properly recorded.
This report is intended solely for the use of the Oregon State Board of Higher Education, Secretary of State Audits Division, management and others within the System and is not intended and should not be used by anyone other than these specified parties.

Thank you for the opportunity to continue to be of service to you and the Oregon University System.

Very truly yours,

Moss Adams LLP
October 15, 2003

Oregon State Board of Higher Education
Eugene, Oregon

Oregon Secretary of State Audits Division
Salem, Oregon

We have completed our audit of Oregon University System ("System") for the years ended June 30, 2003 and June 30, 2002, and have issued our reports thereon dated October 15, 2003. Auditing standards generally accepted in the United States of America require that we communicate certain matters to an Audit Committee or an equivalent body such as the Budget and Finance Committee (the Committee), which has oversight responsibility for the financial reporting process. Matters required to be communicated are specified by the following subjects:

- Auditor’s responsibility under US generally accepted auditing standards and OMB Circular A-133
- Significant accounting policies
- Accounting estimates
- Audit adjustments
- Disagreements with management
- Consultation with other independent accountants
- Difficulties encountered in performing the audit.

* * * * *

AUDITOR’S RESPONSIBILITY UNDER US GENERALLY ACCEPTED AUDITING STANDARDS AND OMB CIRCULAR A-133

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the System’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.
As part of obtaining reasonable assurance about whether the System’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the System’s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to its Research & Development Cluster program, TRIO program, and HEAD Start program for the purpose of expressing an opinion on Oregon University System’s compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the System’s compliance with those requirements.

SIGNIFICANT ACCOUNTING POLICIES

Management has the responsibility for selection and use of appropriate accounting policies. We will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the System are described in Note 1 to the financial statements. As described in Note 1, the System adopted the provisions of Governmental Accounting Standards Board Statement No. 35, Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities; Statement No. 37, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statements and Note Disclosures, as of July 1, 2001. This resulted in a change in the format and content of the basic financial statements.

During 2003, the System changed its method of applying the “single asset” method of accounting for depreciation of fixed assets. The previous method adopted in 2002 during implementation of GASB No. 35, used only one record for each building (inclusive of additions and improvements) and resulted in additions and improvements being depreciated on the useful life of the original building. The method adopted in 2003 uses multiple records (i.e., separate accounts for each building and each major addition and improvement) each with a separate useful life. The change was made to better reflect the composite useful life of the assets for purposes of computing depreciation.

The application of other existing policies was not changed during the year. We noted no transactions entered into by the System during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Significant estimates affecting the financial statements were:

- Liability for Compensated Absences
- Allowance for Doubtful Accounts and Notes Receivable
- Useful Lives of Capital Assets
MOSS ADAMS LLP

Management’s estimate of the liability for compensated absences is based upon employee total benefit packages that approximate actual amounts. Management’s estimates of the allowances for doubtful accounts and notes receivable are based upon historical experience, and an analysis of the collectibility of individual accounts. Depreciation charges are derived from estimates of the useful lives of categories of capital assets. We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

AUDIT ADJUSTMENTS

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the System’s financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the System, either individually or in the aggregate, indicate matters that could have a significant effect on the System’s financial reporting process. In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Moss Adams concurs with management’s conclusion.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor’s report. During the course of audit, we had no disagreements with management.

CONSULTATION WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the System's financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, auditing professional standards require the consulting accountant to contact us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

* * * *

This information is intended solely for the use of the Oregon Secretary of State Audits Division, Oregon State Board of Higher Education, management, and others within the System and is not intended to be and should not be used by anyone other than these specified parties. Thank you for the opportunity to be of service to you and the Oregon University System.

Very truly yours,

MOSS ADAMS LLP
CERTIFIED PUBLIC ACCOUNTANTS
## CORRECTING ENTRIES

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February 3, 2004

Moss Adams LLP
975 Oak Street, Suite 500
Eugene OR 97401

Subject: Management Letter Resulting from FY 2003 Financial Statement and OMB Circular A-133 Audit

Thank-you for the observations and recommendations in the management letter which resulted from the FY 2003 financial statements and OMB Circular A-133 audit. We recognize the observations and recommendations are all part of the ongoing effort to continually improve the accounting and financial reporting of the Oregon University System and to ensure that our administration of Federal grants and contracts is in compliance with applicable OMB Circulars.

The following responses relate to the observations and recommendations noted in the management letter.

System-Wide Observations and Recommendations

Chancellor’s Office – Controller’s Division

Fixed Asset Reconciliation (carryover comment)
We concur with the observation and recommendations. Last year we developed a mechanism for preparing the GASB #35-required Capital Asset schedule in the notes to the financial statements. We also found that some of the university year-end reports of the fixed assets detail did not agree to the Banner general ledger. We will reiterate this requirement as part of the year-end closing of the books procedures. The fixed assets to Banner FIS reconciliations will be reviewed at year-end before preparing the financial statements for the year ended June 30, 2004.

Fixed Asset Depreciation Calculation
We concur that in some situations universities failed to complete the electronic fixed assets depreciation form on purchases of attachments to existing fixed assets. To correct this, follow-up training has occurred, and we have provided university business offices with an electronic job submission report which can be run to identify all fixed asset records which are not being depreciated. In addition, we will use the FY 2004 closing of the books instructions to ask universities to confirm the depreciation of all records before running the year-end depreciation reports.
Moss Adams LLP
Management Letter Response to FY 2003 Financial Statements and OMB Circular A-133 Audit
February 3, 2004
Page 2 of 3

Fixed Asset Training
We concur with the observation and recommendation. We have made a significant investment in time to document OUS fixed asset accounting policies. In addition, we have had and will continue to have ongoing meetings with university business offices and Banner fixed asset accountants regarding the conversion of the real property records to the university Banner FIS fixed asset modules.

Each university provides training in the use of the Banner software on its campus. However, we will determine the feasibility of an annual training workshop for users of the Banner Fixed Assets module.

University-Specific Observations and Recommendations
OUS management concurs with the observations and recommendations pertaining to specific OUS universities. Responses from the individual universities follow:

University of Oregon:

Subcontract Audit Monitoring
The Office of Research Services and Administration (ORSA) will change all sub agreement templates and sub agreement amendment templates issued by this office to incorporate new requirements relating to audit findings. The new agreement language will require the subrecipient to report annually any Office of Management and Budget Circular A-133 audit findings to the University of Oregon. ORSA will develop appropriate procedures to address the review of any audit findings received under this requirement and action to be taken.

Portland State University:

Subcontract Audit Monitoring
PSU concurs with this observation. We have revised our procedures to include sending notices to all subrecipients, as recommended. In addition, we have implemented procedures to monitor receipt of the subrecipient notices and ensure proper filing and record retention.

Southern Oregon University:

Recording Accounts Payable
Management concurs with the audit observation that an accounts payable related to a construction project was not recorded at June 30, 2003. SOU is moving construction accounting activities from the Physical Plant to Business Services where procedures are in place to ensure accounts payable amounts are properly recorded.
BOARD DISCUSSION AND ACTION:
Vice Chancellor Anderes introduced Ms. Nancy Young, from the Secretary of State Audits Division and Scott Simpson and Joel Powell of Moss-Adams in Eugene, Oregon. The three individuals reviewed the results of the audit report. The summary points were:

c. An unqualified opinion on the financial statements was issued;
d. Reasonable assurance was obtained that the financial statements were fairly presented in accordance with generally accepted accounting principles; significant accounting policies that changed over the course of the year were highlighted for the Board;
e. Accounting estimates used in preparation of the financial statements included compensated absences or accrued vacation; reserve for bad debt, and the useful lives of the capital assets;
f. There were no significant audit adjustments that the auditors proposed that the System either recorded or decided not to record;
g. There were no disagreements with management during the course of the audit;
h. There were no other consultations with or by any other accounting firm during the year;
i. There were no difficulties in performing the audit; and
j. There were no reportable conditions or material weaknesses in internal controls.

Mr. Simpson indicated that he might be in contact with Board members to request a short meeting to discuss fraud within OUS. In explaining the new accounting standard, he indicated that as of June 30, 2004, the financial statements would change as the financial statements of the institution foundations were integrated into a single column. “You’re going to see in the neighborhood of $700 million added to the Oregon University System.”
President Goldschmidt asked if Moss-Adams was going to audit the foundation accounts. Mr. Simpson indicated they would not. Continuing, President Goldschmidt asked if “by state law, is the Board responsible for them?” Clarifying the question, Director Blair said, “I see we’re not saying here that the Board only has responsibility for one column on the page. So, presumably, we as a Board will have responsibility for those integrated financial statements notwithstanding who does the audit, is that correct?” The answer was in the affirmative.

Director Blair indicated that he “would like, as a next step, to better understand this new pronouncement and to make sure we understand exactly what the Board’s responsibility and accountability are for those consolidated financial statements. I think it’s going to be something we are going to want to understand, particularly given the lack of control we have over those foundations and their financial statements.”

BOARD ACTION:

Controller Mike Green indicated that he wanted to focus on four ratios that permit viewing the financial statements in a different manner. “We are in the beginning stage of building some ratio analysis and building trend information that we can use in the future,” Mr. Green explained. The ratios are:

- Current ratio that answers the question, "does the University System have sufficient available resources to liquidate its current obligations?" The ratio for fiscal 2003 is 1.71; 2002, 1.681 which indicates adequate liquidity in a current position.
- Primary reserve ratio that answers the question, "does the University System have adequate operating reserves?" The ratio for 2003 is 18 percent; the ratio for 2002 is 17 percent. These results indicate adequate reserves at June 30, 2004.
- Debt burden ratio attempts to answer, "Are debt payment obligations becoming a significant portion of the overall expenditures?" Results indicate that the debt burden is low.
- The final ratio is titled, “Net Income Ratio,” and answers the question, “did OUS institutions live within their means during the fiscal year?” It indicated that OUS did live within its means during the fiscal year presented.

Mr. Green concluded that, “We ended the fiscal year in sound financial condition, weathered some significant financial uncertainties with revenue streams and, of course, we did receive a clean audit, which is always good news.”
8. **REPORTS**

- **Interinstitutional Faculty Senate (IFS) President**

  Dr. Peter Gilkey reported for the Interinstitutional Faculty Senate. He underscored that OUS faculty believe in public education. “We believe public education is a public, not a private, good; that public education is essential, not only to the economic development of the state, but also to the intellectual development of our citizens. Access and excellence are two sides to the same coin – to the job. And that job is transforming the lives of our fellow citizens. We, the faculty of the OUS institutions, know that you, the members of the State Board of Higher Education, share those beliefs. That is, after all, why you are here giving so generously of your time and energy,” he concluded.

  (Note: the full text of Dr. Gilkey’s remarks are available at http://darkwing.uoregon.edu/~ifs/dir04/Remarks20Feb04.html).

- **Oregon Student Association (OSA) President**

  Andy Saultz, chair of the Oregon Student Association, addressed the Board. (Note: the full text of Mr. Saultz’s comments are on file in the Board’s Office) He introduced several other student body presidents who were in attendance at the meeting. For the benefit of the new Board, Mr. Saultz reported some of the initiatives of the OSA and some of the successes and challenges of the organization during the last legislative session.

  “As the dust has cleared after the 2003 legislative session, the state has shifted the burden of financing higher education to students. As you know, in 1999, the state covered 51 percent of the cost of education. Today, the state covers less than 40 percent, obviously leaving students to cover the rest.

  “For all of these reasons, students are really looking forward to working with the new Higher Education Board. With the ideas and fresh perspective that this Board can bring to higher education, together we can help the state reinvest in students,” he added. In closing, Mr. Saultz thanked the Board for looking at all options as decisions are made regarding reductions resulting from the defeat of Measure 30.

9. **CHANCELLOR AND UNIVERSITY PRESIDENTS’ REPORT**

  President Lund reported that Dr. Shapur Shahbazi, a history professor at EOU, has been selected by the British Broadcasting Corporation to do a radio program in relation to his work in Iran on archeological treasures from the Persian area. Professor John McKinnon has recently been selected by the Oregon Music Teacher Association as the composer of the year for 2004-05. The award includes a $1,500 stipend to create an original composition. The campus hosted: a diversity forum that included the Chamber of Commerce, law enforcement community and students representing a broad spectrum of cultures; and a gathering of 5000 Future Business Leaders of America in a district skills contest. The EOU women’s basketball team took first in the Cascade Conference and are going to play for the national title.
Since he had visited with the Board the evening before, President Frohnmayer limited
his remarks to pointing out that the UO now has the money in the bank to begin
construction of the Native American Longhouse. The structure should be completed in
less than a year.

Provost Hallick reported that the impacts of the defeat of Measure 30 on OHSU have
been primarily on the health system. “It appears that the impact will be in the order of
$28-30 million, mostly in the form of people who will no longer have health insurance or
whose Medicaid reimbursement will be less than it has been.” OHSU continues to be
consumed with three major construction projects, all of which are slated for completion
between December of 2005 and May of 2006. She reported that the projects are on
target and on budget. OHSU is expanding its focus in the areas of heart and cancer and
they are beginning to see major grant awards in those areas. “The Women’s Health
Center is beginning to see national attention. It was just awarded one of a handful of
centers of excellence and that comes with a grant and money to train new faculty,” she
indicated.

In closing, Provost Hallick informed the new Board of the Intel Internatioinal Science and
Engineering Fair that will occur in the second week of May at the Portland Convention
Center. “It will bring tens of millions of dollars to Portland. Over the course of the last
few years, OHSU has been extremely engaged in developing this. We’re going to bring
6000 students from the K-12 system to Portland to visit that fair during that week,” she
concluded.

President Ray highlighted the Chemeketa/OSU dual enrollment agreement that was
signed recently. OSU has also signed a partnership agreement with Hewlett Packard
who has provided a building that will be used as part of the MMD (Multiscale Materials
and Devices) project that OSU is working on in partnership with the UO, PSU, Pacific
Northwest National Labs, and other industry interests. OSU recently received $5 million
from the Valley Foundation to support a renovation of the large animal facility in
veterinary medicine. “For those of you who don’t know, this is the first entering class in
history that will start and finish its veterinary education at OSU and we’re very pleased
that, as kind as they have been, we no longer have to go to Pullman to get our young
people educated and graduated through veterinary medicine,” President Ray pointed
out. In addition, OSU recently received a $3.5 million gift from Jeld-Wen to establish a
chair and program in the use of composites in construction that will take basic natural
resource-based industries and work on value-added areas to bring additional jobs and
economic development to the Oregon economy. Finally, the president reported that
OSU was fortunate to find “a $1.1 million undesignated balance in a gift available to use
at our discretion and we decided to put all that money into student financial aid during
this calendar year.”

Indicating that she had already spent a considerable amount of time discussing OIT,
President Dow briefly underscored the importance of the Intel Science Fair and
indicated that OIT had 27 faculty who had volunteered to be judges. “We have made a
major effort in pre-college programs. Much of the incentive resources came through ETIC funding and particularly in the engineering areas and computer science. Over 2,000 students have come to our campus over the last year to get involved with senior project students in innovative experiments which they will, in turn, take to the Science Fair.”

PSU, according to President Bernstine, had the pleasure of opening the Hewitt Art Collection, one of the largest collections of African American art. “It is owned by the Bank of America and they are co-sponsoring the exhibit at PSU in the art gallery. We are only one of three institutions of higher education in the country to house the exhibit and we expect over 1,000 middle and high school students to come through as part of class projects related to the collection,” President Bernstine noted. Also, for the second time in four years, the PSU opera program won first prize from the National Opera Association for Don Giovanni.

SOU students participated in the Bear Creek Water Forum that dealt with serious issues of water quality and water use. Students in the Criminology Club recently sponsored a “lock in” where they participated in intensive hands-on experiences in challenging criminal situations. SOU is involved, along with OHSU, in a new venture to bring a geriatric nurse practitioner program into the region. A senior student in the liberal arts, Robert Felthousen, will have a short story, “Questionnaire,” published in North American Review, which is “one of the finest outlets for the best American fiction in short story form,” President Zinser remarked. She also mentioned the New Voters Project. Oregon is one of six states in the country participating in the New Voters Project designed to get 19-24 year olds registered in larger numbers and turning out to vote.

President Conn reported that WOU had many opportunities in the past month to honor diversity on their campus. Activities included: the 11th annual PowWow with over 400 participants; the third annual regional MENCHA conference that included over several hundred Latino high school students on campus to look at the university; and an African American Awareness celebration with lectures and choir performances. “We have a new member of our senior administrative team,” President Conn observed, “Dr. Gary Dukes. He is the former chief student affairs officer at Colorado State, Pueblo, but he is a native of Oregon, having graduated from OSU and was a former employee of SOU.” Finally, WOU has just completed successful negotiation and ratification of a contract with the faculty union for this biennium. The faculty, with only one dissenting vote, ratified the contract.

10. **Public Input**

Mr. Bruce Miller, a retail consultant, addressed the Board concerning the truth about the UO vs. the University of Washington. He appealed for a board of regents for the UO like the one at UW.
11. **DELEGATION OF AUTHORITY TO BOARD’S EXECUTIVE COMMITTEE**

The Board concurred with the following Delegation of Authority:

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. 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.

12. **ADJOURNMENT**

It was moved by Director Sohn that the meeting be adjourned. All of the Board members voted in favor.

Meeting adjourned at 1:40 p.m.

Virginia L. Thompson  
Secretary to the Board

Neil Goldschmidt  
President to the Board
(This page intentionally left blank.)
1. **CALL TO ORDER/ROLL CALL**

President Neil Goldschmidt called a regular meeting of the Oregon State Board of Higher Education to order at 9:55 a.m.

On roll call, the following Board members answered present:

- Donald Blair
- Bridget Burns
- Kirby Dyess
- Henry Lorenzen
- Tim Nesbitt
- Rachel Pilliod
- Geri Richmond
- Gretchen Schuette
- Howard Sohn
- Neil Goldschmidt

Absent: Director John von Schlegell

**System Office staff present:** Chancellor Richard Jarvis, Tom Anderes, Shirley Clark, Dave McDonald, Ben Rawlins, Virginia Thompson, and Susan Weeks.

**Others:** Presidents Dan Bernstein, Phillip Conn, Martha Anne Dow, Dave Frohnmayer, Dixie Lund, Ed Ray, and Elisabeth Zinser, and Vice Provost Bob Vieira were also in attendance.

Meeting attendees also included other institution representatives, members of the System Office, the press, and other interested observers.

2. **CONVERSATIONS WITH THE BOARD: SOUTHERN OREGON UNIVERSITY**

**DOCKET ITEM:**
Students: Fall 2003

- Fall 2003 Headcount
- Total FTE enrollment
- Undergraduates
  - Percent 25 or older
  - Percent part-time (<12 hours)
- Graduates
  - Masters, postbaccalaureate, non-admit
  - Doctoral, first-professional
- New undergraduate community college transfers
- Ethnicity
  - African American
  - American Indian
  - Asian/Pacific Islander
  - Hispanic/Latino
  - White
  - Unknown
  - Nonresident Alien
- Total annual unduplicated headcount (2002-03)

Degrees: 2002-03

- Total
  - Associate
  - Bachelor's
  - Master's
  - Doctoral
  - First Professional

Tuition & Fees: 2003-04

( based on 15 credit hours for undergraduates and 12 credit hours for graduates)

- Resident undergraduate
- Resident graduate
- Nonresident undergraduate
- Nonresident graduate

Resident Undergraduate Student Budget, 2003-04

<table>
<thead>
<tr>
<th>Category</th>
<th>SOU</th>
<th>OUS</th>
<th>SOU’s % of OUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident undergraduate</td>
<td>$4,153</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resident graduate</td>
<td>7,321</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonresident undergraduate</td>
<td>12,823</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonresident graduate</td>
<td>12,571</td>
<td></td>
<td></td>
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</tbody>
</table>

Total = $14,122
Faculty: 2003-04 (Full-Time Ranked Instructional)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Men</th>
<th>Percent of Total</th>
<th>Women</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>182</td>
<td>107</td>
<td>59%</td>
<td>75</td>
<td>41%</td>
</tr>
<tr>
<td>Professor</td>
<td>63</td>
<td>40</td>
<td>63%</td>
<td>23</td>
<td>37%</td>
</tr>
<tr>
<td>Associate Professor</td>
<td>59</td>
<td>39</td>
<td>66%</td>
<td>20</td>
<td>34%</td>
</tr>
<tr>
<td>Assistant Professor</td>
<td>48</td>
<td>23</td>
<td>48%</td>
<td>25</td>
<td>52%</td>
</tr>
<tr>
<td>Instructor/Lecturer</td>
<td>12</td>
<td>5</td>
<td>62%</td>
<td>7</td>
<td>58%</td>
</tr>
</tbody>
</table>

Faculty: 2003-04 Average Compensation by Rank (includes salary and benefits)

- Total, All Ranks: $67.4
- Professor: $79.1
- Associate Professor: $66.0
- Assistant Professor: $58.5
- Instructor/Lecturer: $48.1

Faculty and Staff: 2003-04

<table>
<thead>
<tr>
<th></th>
<th>SOU</th>
<th>%</th>
<th>OUS</th>
<th>%</th>
<th>SOU's % of OUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>704</td>
<td>100%</td>
<td>12,096</td>
<td>100%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Faculty*</td>
<td>288</td>
<td>41%</td>
<td>5,658</td>
<td>47%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Executive/administrative</td>
<td>57</td>
<td>8%</td>
<td>412</td>
<td>3%</td>
<td>13.8%</td>
</tr>
<tr>
<td>Professional non-faculty</td>
<td>181</td>
<td>26%</td>
<td>2,486</td>
<td>21%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Secretarial/clerical</td>
<td>88</td>
<td>13%</td>
<td>1,812</td>
<td>15%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Technical/paraprofessional</td>
<td>23</td>
<td>3%</td>
<td>719</td>
<td>6%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Skilled craft</td>
<td>20</td>
<td>3%</td>
<td>310</td>
<td>3%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Services/maintenance</td>
<td>47</td>
<td>7%</td>
<td>699</td>
<td>6%</td>
<td>6.7%</td>
</tr>
</tbody>
</table>

*Those holding academic rank with assignments of instruction, research, or public service.
President Goldschmidt reminded the Board that his goal was to have the conversations with the presidents concluded as quickly as possible to enable Board members to better understand their missions and goals.

Southern Oregon University President Zinser began her presentation by discussing the institution’s mission: a public liberal arts and sciences university providing access to quality education and scholarship; and a comprehensive regional university deeply engaged in shaping our region and being shaped by our region. SOU has a distinction in the fine and performing arts.

When people are asked why they relocate to southern Oregon, in particular those who come to retire, the answer is for the lifestyle and the culture of the area. “Culture and tourism are very strong and SOU has had a very large role in this regard,” the president noted.

President Zinser formed a portion of her presentation around the theme, “a region in transition” and highlighted seven aspects of the economy and how SOU is engaged in it. The areas were:

- **Forests, Recreation, and Ecosystems**: In the timber field, SOU is involved through opportunities in secondary wood products; rivers and mountains in science and policy development through areas such as fire management policy
research and forest harvesting; and environmental studies and education programs;

- **Established and Emerging Industries:** pears and vineyards – shift from the established pear growing industry to the emerging vineyards;

- **The Arts:** through the Oregon Shakespeare Festival, the Britt Festival, the Southern Oregon singers, the Rogue Valley Symphony, the Chamber Music series; music through sophisticated technology in teaching piano and an internationally known piano star; sponsoring the American Band College; SOU and the fine arts through the Schneider Museum and work with youth of all ages through to a senior’s program and “Legends from Camp,” an animation of experiences in Japanese internment camps;

- **Commercial and retail** through companies such as Lithia Motors, Inc., who work closely with the Career Center;

- **“The Mythical State of Jefferson,”** that includes areas of California from Redding up through southern Oregon to Roseburg, an area covered by Jefferson Public Radio and including articulation with the College of the Siskiyous, Shasta College, and the College of the Redwoods;

- **Health Care Industry** including children and youth health education and programs for seniors;

- **Technology** through computer science, ETIC, applied multimedia, cyber-security, and materials science, to name a few.

President Zinser reviewed for the Board the partnerships for innovation that SOU maintains. These include Rogue Community College with whom they are collaborating on programs as well as facilities. Board President Goldschmidt urged all presidents to familiarize themselves with the community college strategies in their areas. “I think that any place you can hit the touchstones that the Governor has asked the Board to pay attention to on access and on the question of excellence in delivery and productivity is highly recommended.” President Zinser indicated that the Medford enrollment for SOU is growing so rapidly that she speculated that SOU would become a part of the building endeavors in which the community college is engaged.

SOU is engaged with K-12 and serves over 1000 students in an early entry program. In addition, they have some efforts directed specifically to Native American studies. Finally, SOU is engaged in collaborative programs with OHSU in the area of nursing and with OSU in the area of school counseling. The international enrollments at SOU have not declined. “We have a few very selected special relations,” President Zinser pointed out. “The one that is clearly our jewel is the University of Guanajuato, Mexico, which has gone on for 35 years. We have well over 200 graduates.

“It is very clear, and I bring it here in this very public setting, that Southern Oregon University has a great asset to bring to the table in trade relations and work with Mexico. I doubt there is any other relationship that could stand up to the depth and scope and years of this one in the efforts that have been made,” the president noted.
Director Sohn asked to what extent SOU presents itself as a liberal arts college. President Zinser responded that the word liberal is frequently misunderstood. “We haven’t gotten to the point yet where we are prepared to drop the words because a liberal arts institution is a liberal arts institution and it is grounded in a strong proportion of its majors being in the liberal arts and sciences. It can be very contemporary, very interdisciplinary in nature, and there is a growing effort on the national level to distinguish the public liberal arts institutions because they have never really been distinguished.”

3. **APPROVAL OF MINUTES**
   - Meeting of the Executive Committee of the Board, February 10, 2004

Before approving the minutes, President Goldschmidt acknowledged the presence of former OSU President John Byrne, “an extraordinary citizen. And Bob Adams, who served on the State Board of Higher Education, is here and he was a great Board member on a very fine Board of Higher Education.”

Director Pilliod moved that the minutes of the Executive Committee meeting of February 10, 2004, be approved. Those voting in favor: Directors Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, Schuette, Sohn, and Goldschmidt. Those voting no: None.

4. **CONSENT ITEMS**

   a. **OSU—Master's of Business and Engineering in Construction Engineering Management**

**DOCKET ITEM:**

Oregon State University proposed to offer an instructional program leading to the Master's of Business and Engineering (M.B.E.) in Construction Engineering Management (CEM), effective immediately. The proposed program, offered through the Department of Civil, Construction, and Environmental Engineering, would be the only one of its kind in the state. Currently, Portland State University offers the M.S. in Engineering Management and OSU offers the CEM option in its Civil Engineering master's degree program. OSU, PSU, and the University of Oregon offer business programs leading to the M.B.A.

Graduates of the proposed program will have an improved understanding of the links between construction engineering management and business and will be prepared for construction engineering management careers in industry, regulatory agencies, consulting firms, and municipalities.

The proposed program was developed with assistance from the Oregon-Columbia Chapter of the Associated General Contractors of America and the industry advisory board of the CEM program. Students will complete a total of 45 graduate credits, including 18 credits from the College of Business (e.g., Financial and Cost Analysis,
Information Management, Financial Markets and Institutions, Building Customer Relationships), 20 credits in construction engineering management (e.g., Risk Management in Construction, Construction Business Management, Project Controls), a 4-credit internship, and a final oral examination. The internship topic will be approved for its academic content by the student’s major professor prior to beginning the activity. The remaining credits may be from business, CEM, or any other approved courses. A total of six new CEM courses are proposed to support the program. No new College of Business courses are proposed.

Admission to the program will be limited to those with a current civil engineering, construction engineering management, or equivalent baccalaureate degree; or three years of professional construction industry experience and any undergraduate degree. OSU anticipates that many students will work towards their M.B.E. degree while continuing employment with construction firms. These individuals will be expected to implement academic concepts from their coursework in the workplace, measure and analyze the outcomes, and publish results through the internship capstone process. To allow working students to pursue the degree, the program is designed to be completed over two years on a part-time basis, or one year if enrolled full time. OSU anticipates 36 graduates of the CEM program over a five-year period.

The construction industry is a significant segment of Oregon’s economy, responsible for the design, construction, and renovation of all homes and multi-family housing, public works, and manufacturing and retail businesses. Although the proportion of construction industry managers with bachelor’s degrees similar to OSU’s CEM program has grown over the last 30 years, significant numbers of construction industry managers have no formal education in project management or business principles.

The proposed program offers an example of leveraging industry/donor funds through university partnership efforts. Funded primarily through an endowment developed by retired contractor Robert C. Wilson, the faculty member hired for a new endowed chair will serve as program director. In accepting the Wilson donation, the OSU College of Engineering agreed to contribute additional funds annually to fully support the Wilson Chair and to meet the objectives of the program. No additional faculty are required to implement the program. All current staff, facilities, equipment, and resources are sufficient to offer the program.

An external review team composed of Larry Grosse, professor, Manufacturing Technology and Construction Management, Colorado State University; J. Mark Taylor, Burns School of Real Estate and Construction Management, Daniels College of Business, University of Denver; and Howard Bashford, associate professor, Del E. Webb School of Construction, Arizona State University, conducted a site visit and evaluation of the proposed program in October 2003. The review team concurred with OSU’s assessment that demand for this program and its graduates is high, that faculty numbers and expertise are appropriate, and that this program will provide a unique offering in the U.S. by providing both construction engineering and business management instruction in equal measure.
The team offered several recommendations, largely around administration and growth of the program, to which OSU has responded. For example, the team recommended creation of an advisory board that combined business and construction industry members. OSU agreed to create such a board within the first year of the program. The team’s recommendation to “investigate the opportunity to create a partner program in Portland” had already been considered by OSU. PSU, including conversations with the deans of the Colleges of Engineering and Business, had previously developed a liaison with OSU.

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

Staff Recommendation to the Board
Staff recommended that the Board authorize Oregon State University to establish a program leading to the M.B.E. in Construction Engineering Management. The program would be effective immediately and the OUS Office of Academic Affairs would conduct a follow-up review in the 2009-10 academic year.

BOARD DISCUSSION AND ACTION:
This item was part of the consent agenda. Final action noted on page 177.

b. UO—Moss Street Property

DOCKET ITEM:

Executive Summary

Purpose:
University of Oregon (UO) sought Board approval to authorize the Senior Vice Chancellor for Finance and Administration, or designee, to complete the proposed purchase of a private residence, located at 1801 Moss Street in Eugene, Oregon, from the University of Oregon Foundation, for a maximum of $240,000 plus closing costs. The proposed property acquisition is located within the approved campus boundary and will provide the space required for development of a student residence, as outlined in the campus master plan. The University will use existing Systemwide spending limitation and will not require further legislative authorization for the transaction. The University expects to use $240,000 of Article XI-F(1) bond proceeds to cover the purchase price and closing costs. Debt service on the 30-year bonds is estimated at $15,000 per year. The acquisition is subject to satisfaction of several standard terms and conditions.

Background:
This site, comprised of approximately 8,640 square feet (approximately 0.2 of an acre), is strategically located in an area designated for future campus expansion. The property includes a single-family residence that will be used for student housing until the land is
needed for other University uses. However, it is especially timely to purchase the property, as it is one of four remaining properties in a campus area that is in the process of being rezoned from low density housing to public land for phased development of medium density residential housing, offices, or other support functions.

**Staff recommendation:**
Staff recommended that the Board approve the University of Oregon’s request to purchase the private residence, located at 1801 Moss Street, Eugene, Oregon, from the University of Oregon Foundation, for $240,000 plus closing costs, assuming all conditions are met and that the final purchase details are agreed upon by all parties, and subject to final approval by the Senior Vice Chancellor for Finance and Administration.

**Further Detail**

**Summary:**
University of Oregon (UO) seeks Board approval to authorize the Senior Vice Chancellor for Finance and Administration, or designee, to complete the proposed purchase of a private residence, located at 1801 Moss Street in Eugene, Oregon, from the University of Oregon Foundation, for a maximum of $240,000 plus closing costs. The proposed property acquisition is located within the approved campus boundary and will provide the space required for development of a student residence, as outlined in the campus master plan. The University will use existing Systemwide spending limitation, and will not require further legislative authorization for the transaction. The University expects to use $240,000 of Article XI-F(1) bond proceeds to cover the purchase price and closing costs. Debt service on the 30-year bonds is estimated at $15,000 per year. The acquisition is subject to satisfaction of several standard terms and conditions.

**Staff Report to the Board:**

**Background**
The property is a 948 square foot, two bedroom, one bath home currently operated as a rental unit. It is in good shape and is located near the southern edge of the campus.

The University began purchasing lands east of Agate and South of 15th (commonly referred to as the east campus area) over 40 years ago for institutional expansion, and the established campus boundaries have not changed since that time. To date, the University has purchased all but nine of the properties within this area.

Roughly half of the property consists of single-family dwellings and half is institutional development. The area is bounded on one side by the University campus, on another side by a commercial district, and on two sides by a mature residential neighborhood.

During the past 20 years, much development has occurred in the area including construction of the Museum of Natural History, removal of the WW II surplus structures dating to the 1950s, and construction of the Bean Hall parking lot, the Knight Law
Center and its open spaces, the Olum Child Care Center, and the East Campus Graduate Village.

**Statement of Need:**
The limited amount of land remaining within the central academic core must be reserved for future academic instructional functions. That leaves future student housing and support services (such as administrative offices and other non-instruction functions) without viable development sites. Most recent estimates predict a need for approximately 500,000–600,000 additional gross square feet over the next 20 years. Enough land appears to be available in the east campus area to accommodate these needs without sacrificing an appropriately beautiful transition between University uses and the surrounding residential neighborhood.

Recognizing the University's future development needs could not be met without altering the current land use policies that define allowed uses and development densities for University-owned lands in the east campus area, the University has recently completed a plan for the area that will allow phased development of the land while at the same time preserving the character of the neighboring residential areas.

The University's president has adopted the new policy, which is an extension of the University's master plan. Appropriate changes to the metro area and city land use regulations needed to enable the plan are currently being reviewed by the City of Eugene, with adoption expected in early March 2004.

Following the adoption of the land use regulations, the University will apply for rezoning of the land.

The purchase of this property within the east campus area will allow the University to rezone it with the other University-owned land, thereby saving a later effort and maximizing the work accomplished to date. It will also allow for more efficient development of the area in the future, as this parcel will be a part of the campus proper. Finally, the Eugene market will continue to escalate with time, making a purchase at this time most cost effective.

**Schedule:**
Closing to occur on or before April 30, 2004.

**Financial Considerations:**
The UO Foundation had been in negotiations with the owner of the property for about six months and purchased the property in mid-December. These negotiations took place in an especially inflationary Eugene real estate market. The University has had the property appraised by two separate appraisers and the average of these is $183,500. In view of the timeliness of acquiring the property to enable the rezone and eventual expansion of housing and other University uses, and the added value to the University of obtaining property surrounded by other University property, the purchase price can be justified.
Legal Considerations:
Several conditions remain open and must be satisfactorily resolved prior to settlement. These conditions include, but are not limited to, the following items:

Buyer - UO
i. Approval by the State Board of Higher Education.
ii. Receipt of a satisfactory Level I environmental report.
iii. Conveyance approved by the Assistant Attorney General and executed by the Board President and Secretary.

Staff Recommendation:
Staff recommends that the Board approve the University of Oregon’s request to purchase the private residence, located at 1801 Moss Street, Eugene, Oregon, from the University of Oregon Foundation, for $240,000 plus closing costs, assuming all conditions are met and that the final purchase details are agreed upon by all parties, subject to final approval by the Senior Vice Chancellor for Finance and Administration, or designee.

BOARD DISCUSSION AND ACTION:
Director Burns moved that the consent agenda be approved as presented. Those voting in favor of the motion: Directors Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, Schuette, Sohn, and Goldschmidt. Those voting no: None.

5. DISCUSSION ITEMS

a. Oregon Values—Focus Groups

(NOTE: A copy of the PowerPoint presentation is available on the OUS Web site.)

President Goldschmidt introduced Adam Davis of Davis, Hibbitts & Midghall, Inc. He indicated that Mr. Davis is a graduate of Oregon higher education, both of Portland State University and the UO Law School. “The reason for us taking a lot of time today to look at these studies is that the foundation for us of reconnecting the Governor’s agenda has to run as a road through this work. We have to understand what is happening to the citizenry in Oregon, what they think, and what they care about,” President Goldschmidt pointed out.

“The original Oregon Values Study was done almost a decade ago and a series of subparts of it were done in even more detail because there were folks in some regions who were quite eager for a more detailed and thorough look at themselves done on the subjects that the Values Study took under consideration. The fact that it (the study) was done originally is quite extraordinary. The fact that it has been done again is very important for us because we have an opportunity to see what’s happened in the intervening period of time on the subjects that were covered in the first document.”
Mr. Davis began with some background on the study indicating that it included some large groups as well. “We did the quantitative work that involved interviewing 1200 Oregonians with an in-depth instrument. We followed up that quantitative research with nine group discussions across the state of Oregon and it allowed us to put some flesh on the bones. In these groups, we had anywhere from 15-25 people,” Mr. Davis explained.

When participants were asked what they valued most about living in their community, the largest majority responded, “small town feel/community involvement. Good education and public schools showed up at four percent.” The weather was another important factor.

When asked what makes the community a better place to live, small businesses and colleges and universities were at the top of the list. Mr. Davis pointed out that there is a real distinction in how people feel about big business and large corporations. “I wanted to share with you what a dramatic role, especially in the more rural communities in this state, the perception, the important contribution colleges and universities make to the fabric of the community. In these areas, they are really appreciated and recognized.”

The building blocks that Oregonians see to a better future and to a healthier state economy are improved K-12 education, more affordable and accessible higher education, reduction in health care costs, expansion of engineering and technical education, and increased workforce training. “You count them,” Mr. Davis said. “Four out of five in the top five relate to education.”

The answer to the question, “does the public make a connection between having a quality environment, making this state attractive for businesses to want to come here, and for their workforce to enjoy that quality environment,” is yes. That is the strategy they support. On the question of tax reform, the state is clearly divided. One philosophy, Mr. Davis reported, is that to stimulate the economy relative to public services, funding increases in business and corporate taxes are necessary. The other philosophy is that increase in business and corporate taxes will diminish business investments, limit job creation, and ultimately reduce the amount of taxes generated to fund public services.

When people were asked which area is more important to the quality of life where they live, high value was placed on accessible hospitals/health care and a community committed to quality education. When asked what government service is important regardless of cost, primary/secondary education was at the top and higher education was number four. Mr. Davis shared his top ten findings:

10. The cost of higher education and tuition;
9. The perception is very different regarding colleges and universities and community colleges in rural areas than it is in urban areas – there is a stronger connectedness on the part of the people living in rural areas with a local institution than there is in the bigger urban areas;
8. There is a lot of questioning regarding priorities – how can they build the big buildings and I can’t afford to send my child to college;

7. The question of tenure is important to many people who view it as something about which they don’t agree because it interferes with having a tight, accountable system;

6. Technology is seen as a panacea – you don’t need more money, you just need to use technology more wisely;

5. Economic development is seen as important and is accompanied by a sense that big business is not paying its fair share and more support needs to go to small businesses;

4. Cost of higher education and tuition issues are very important;

3. K-12 is one of the primary issues for Oregonians;

2. There is a difference between the input of a focus group with registered voters and a focus group with the general population – and where there should be about 25-40 percent of 18-34 year olds voting, it is now below 10 percent;

1. Finally, the question needs to be asked, “who do you need the support of in the ballot booth or at the kitchen table?”

Former State Senator Neil Bryant commented that there is a pervasive attitude that tax dollars in Oregon are misspent. “If that’s the attitude of most Oregonians, anyone in government has a problem with credibility and somehow that has to be changed,” he observed.

Director Blair expressed concern about finding a way, “that we can link the cost of these things that people say are important to the things they say are important. It is a little bit of a free lunch syndrome,” he observed. “People don’t tend to link things that they are going to have to pay for to their value system.” Mr. Adams observed that too many people feel that government has enough money and that it is simply a matter of spending it better.

Continuing, Director Blair asked if “there is anywhere in your experience in Oregon or outside Oregon where the voters have expressed the opposite? The level of confidence that the money is spent effectively or is this something that is just endemic to the process?” Mr. Davis indicated that there are certain services that are a priority. One, for example, is the 9/11 phenomena and what it has meant for fire and emergency and police. “There was a lot of education that took place – you could question the validity of that – but you look at what is going on across the nation relative to those kinds of services and you see people being very supportive of maintaining those services.”

President Goldschmidt reflected that Mr. Davis’ presentation was a precursor to a discussion the Board would want to have with the presidents once Neil Bryant is farther along in his work. “Where do we go, given the fact that we know we are dumbing down our state if we don’t grow the supply of the excellence of what we do in community colleges and universities. The answer is that I don’t think we know but the proposal that
you are hearing from those of us who have spent a fair amount of time with the Governor on this is get this access/affordability issue to an agreement—fast.

“The Governor has given us permission, he has certainly encouraged the community colleges to do the same, to produce a capital list. We have a lot of deferred maintenance and some serious issues about if we’re going to have more students on the campuses, exactly where do they sit and do they have classes. But you saw from this polling work what the risk is – we might be very clever and be able to get something out of the legislature and get something done with no vote of Oregonians and ultimately have them saying what they apparently said to Mr. Davis, which is, ‘I don’t understand. If they’re starving, why can they afford these new buildings?’” President Goldschmidt mused.

President Goldschmidt indicated that little progress would be made without an enormous effort from Oregon students. “I think then, by implication, we don’t get the students where we would like them to go and their leadership would like to get them in terms of voter registration without an unprecedented partnership with the faculty and leadership on the campuses. I don’t like the feel of this election process in which the people who stand to benefit the most and have the greatest need that would be met by the proposals that are going to be made are not going to be registered and will not show up at the polls.

President Ray asked if there were a very clear proposition for how to provide access to affordable education, would it pass or if “people were simply frustrated by the affordability/access issue because of the high cost of tuition, but they believed that the value was there in terms of higher education?” Mr. Adams indicated he really wanted to emphasize that Oregonians greatly value higher education as a service different from other services. “I think you are perceived with a much greater degree of credibility. You do start with some pluses, but I don’t want that to cloud it for you to not say that you don’t have a hard road ahead as it relates to some of these other issues related to efficiency and perception,” he concluded.

b. Preliminary Report on Advocacy and Legislative Campaign (Neil Bryant)

Former Senator Bryant recalled for the Board his early involvement in higher education through the Board’s 2010 initiative of 1993 when he was a legislator. “The hot issue dealt with technology and where it was going and distance learning and whether it would be practicable and would it reduce costs. Access was an issue because tuition had increased as higher education was starting to go down as a priority,” Mr. Bryant reflected.

“There is an acknowledgement by the universities and by the Chancellor’s Office that, for whatever reason, the message that was given in the 2003 legislative session, especially in the appropriation process, was not understood or well received and it got worse as the session went on,” he said. “If we can craft a budget message and explain
the RAM and maybe have two different models, one of the revenue model and one of the allocation model, that’s a huge step forward.”

President Goldschmidt indicated that he had started scheduling conversations with legislators to begin dialogue with them in previewing the things that the Board is focusing on so that no one is surprised by the proposals coming from the Working Groups. He indicated that it was not in the Board’s best interest to work on things that legislators don’t like and which may cause consternation. It was indicated that Mr. Bryant would, in the longer term, be proposing to the Board how to organize these legislative functions in the Chancellor’s Office.


DOCKET ITEM:

Staff Report to the Board
The OUS Budget and Management Office develops the Agency Request and Capital Construction budgets, based on the requirements of the Oregon Department of Administrative Services instructions.

The presentation focused on the information contained in the 2005-2007 OUS Budget Process document and the Budget Development Schedule, both attached. The Agency Request Budget, comprised principally of Current Service Level and Policy Package components, and the Capital Construction Budget, including information on project requests by campus by building category and by program goals, are both scheduled for discussion at the May and June Board meetings and for adoption at the July 16, 2004, Board meeting.

2005-2007 OUS Budget Process
The Oregon University System (OUS) Budget and Management Office develops the Agency Request and Capital Construction budgets according to Department of Administrative Services (DAS) instructions.

The Agency Request Budget process is comprised principally of the following elements:

- Current Service Level (CSL): DAS requires a biennial budget for OUS in aggregate based on CSL. CSL represents the amounts necessary to continue authorized programs adjusted to reflect 1) the 24-month cost of salary and benefit increases awarded during the current biennium; 2) the 24-month cost of programs implemented during the 2003-2005 biennium; 3) the incorporation of inflation factors (DAS approved); and 4) adjustments for one-time funding.

- From March through May 2004, the Budget Office will develop the 2005-2007 CSL in conjunction with the campuses. Results of CSL development will be presented to the Board as part of the Agency Request Budget at the July 16, 2004, meeting.
• Policy Package Development: Program changes and policy initiatives requiring an increase in budget are submitted to DAS as Policy Packages. Most of these requests will be generated through the Board Committees this spring. The Budget Office will provide instructions and assistance in developing the requests.

Policy Package drafts will be one to two page concept papers that include a description of the request, how it supports the Governor’s and Board’s initiatives, expected outcomes, performance indicators, and a budget outline. The Board will review these drafts at the May 7th and June 4th, 2004, meetings. Final Packages will be submitted as part of the Agency Request Budget for Board approval at the July 16, 2004, meeting.

• Budget Reduction Proposal: All state agencies are required by statute to submit 10 percent budget reduction proposals with agency request budgets. The OUS proposal will be submitted as part of the Agency Request Budget for Board approval at the July 16, 2004, meeting.

• The CSL plus Policy Package requests and the Reduction Proposal constitute the Agency Request Budget, which must be submitted to DAS and the Governor by September 1, 2004.

The Capital Construction Budget process is made up primarily of the following parts:

• Scope: DAS requires an OUS Capital Construction Budget that covers the ensuing three biennia.

• The Budget Office will develop the 2005-11 Capital Construction Budget document based on campus requests during March and April 2004. The budget will be reviewed by the Board at the June 4, 2004, meeting and submitted for Board approval at the July 16, 2004, meeting.

• Categories: The budget request is compiled from a standard database that presents projects by campus by building category, as follows: Education and General, Auxiliary, Student Building Fee, and Systemwide projects.

• Goals: The request is defined by three capital program goals: Quality Facilities, Enrollment Growth, and Program Needs.

The Agency Request and Capital Construction budgets are subsequently modified through discussions with DAS and the Governor’s Office and incorporated into the Governor’s Recommended Budget, which the Budget Office must submit to DAS in December 2004 for presentation to the 2005 legislative session.

Legislative Concepts are policy changes and initiatives that require changes in legislation. These concepts support the Governor’s policy initiatives and must receive
DAS approval. Drafts are due to DAS by April 15, 2004. Concepts with a fiscal impact must be linked to a Policy Package in the Agency Request Budget.

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## Budget Development Schedule

### 2005-2007 Biennial Budget

**March 3, 2004**
Campus Budget Officers Meeting

**March 4, 2004**
Board Committee background discussion on tuition and fees

**March 22, 2004**
Campus Tuition and fee proposals due to OUS Budget Office

**April 8, 2004**
Board discussion of tuition and fee issues

**April 15, 2004**
Campus budget information due to OUS Budget Office
Capital Project proposals due to OUS Budget Office
Legislative Concepts due to DAS

**April 30, 2004**
Campuses submit COP Finance Request forms to OUS

**May 7, 2004**
Board review of draft Policy Packages

**May 14, 2004**
OUS submits COPS Requests to DAS

**May 27, 2004**
OUS Budget and Management to determine Systemwide 2005-2007 Current Service Level

**June 4, 2004**
Board approval of 2004-05 tuition and fees
Board review of capital project proposals
Continuing Board discussion of Policy Packages

**July 5, 2004**
Deadline for a July 9th docket mail out to Board members for the July 16, 2004 meeting.

**July 16, 2004**
Presentation of 2005-2007 OUS Request Budget document to Board for approval and adoption.

**September 1, 2004**
Last date for OUS Budget and Management to submit 2005-2007 OUS Agency Request Budget document to DAS.

**December 2004**
Last date for OUS Budget and Management to submit 2005-2007 Governor’s Recommended Budget document to DAS.

**January 2005**
Legislative Session begins

**March 2005**
Presentation of Governor’s Recommended Budget to Ways and Means

**June 2005**
Legislature adopts a final 2005-2007 budget for OUS.

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BOARD DISCUSSION:
Building on the presentation in the Finance Committee, Senior Vice Chancellor Anderes walked the Board through the budget process, highlighting the requirements and the timeline for final submission of the budget. He indicated that the Policy Package is the key vehicle by which the products of the Working Groups are translated into specific initiatives. “In the end,” Dr. Anderes pointed out, “we are going to need some fairly good descriptions, expected outcomes, performance indicators, and a budget outline.”

Continuing, Senior Vice Chancellor Anderes reminded the Board that the capital construction budget is a very different kind of review process. A six-year plan is developed to give a better sense of, given the nature of capital and so forth, where campuses want to go. “This is all an outcome of the master planning process that each of the campuses go through. You are going to be seeing projects that extend well beyond the two year time frame that you will be seeing in the operating budget.”

President Goldschmidt asked that Director Blair and Dr. Anderes plan for a time when there could be an extended discussion of the types of bonds involved and the process for preparing capital construction budgets. “Don Blair will bring the Board a proposal for how we will organize our relationship to this effort. I think one or more of our Board members needs to be sitting through this process at a very high level of understanding of what these projects are. The Governor, I think, is prepared to have both the community colleges and us do something. That doesn’t mean that he’ll agree that is what he finally wants to submit, but we need to do a terrific job with this.

“I don’t think we’re going to get anybody to say yes without really having ourselves pretty tightly wound and, in the case of the community colleges, I think, frankly, they would like to push back from this as a partnership with us. If they do, they do. But I think, actually, both of us will reduce our chances of doing well if we do it,” he concluded.

In referring to a comment made by President Ray, President Goldschmidt indicated a desire to get some feedback from the institution presidents on regulatory issues. He asked the Chancellor to work with the presidents to identify the top three or so flexibility strategies the institutions would like to have to determine if there needs to be some Policy Packages to effect some changes. “What I want to know is whether or not any of these require legislative action to statutorily fix them or whether the Board has the power to address them by itself. If we can do it, then the schedule to get to the legislature becomes less critical and if we need their involvement, then it ought to go.”

Director Blair wondered, “Is there more work we need to do in that respect around ways for us to explicitly seek productivity as well as demonstrate our efficiency? I think, certainly looking at it in the budget environment we’re in, if we don’t actually go in and look at how we execute the fundamentals that we are doing today, I don’t think we’re going to have the credibility necessarily to go forward with a set of Policy Packages.
“Maybe what we can do is have this conversation at our next meeting as to how we can tailor our process a little bit to get a little more focus against the base activities,” Mr. Blair indicated. He went on to suggest that the Board’s focus on capital projects has to be very tight with a carefully prioritized list of what the Board feels needs to be done. The items need to explain very explicitly the capital budget and the priorities as the Board sees them.

Director Blair asked for clarification about the “budget simplification group” that Neil Bryant mentioned in his remarks. Senior Vice Chancellor Anderes indicated it was an outgrowth of the last legislative session to determine how the Board members can look at the issues and problems that have been identified and then find ways to resolve them. “The word ‘simplification’ came about because of the sense that what was presented was too complex, not understood, and just not getting through. A lot of this has to do with the RAM and what it is and what are peers.”

President Goldschmidt added that this had to do with the fact that legislators believe OUS is hiding revenue and that it’s showing up later and the System likes to keep some aspects of the budget out of the conversation while at the same time we’re doing fees and fee remissions.” He underscored the importance of providing timely, honest answers regarding tuition, fees, and scholarships.

6. REPORT ITEMS

Election of Executive Committee Member
President Goldschmidt indicated he had asked Director Schuette to be a member of the Executive Committee.

Director Lorenzen moved that President Schuette be elected to serve on the Executive Committee. Those voting in favor: Directors Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, Schuette, Sohn, and Goldschmidt. Those voting no: None.

a. Standing Committees

i. Academic Programs – No report.

ii. Finance/Budget/Audit/Personnel/Real Estate (Don Blair)

Director Blair reported on the first meeting of the Finance Committee. There was a presentation about the Optional Retirement Plan (ORP), which is becoming uncompetitive in the market place. The answer will probably require some legislative changes and I think the proposal is that we would have some preliminary thoughts in April,” Chair Blair explained.

Director Nesbitt asked if there had been a lawsuit filed about the defined contribution retirement plan. Mr. Ben Rawlins, General Counsel for the System, explained “when the
rates were changed as a result of the contribution on behalf of the state to PERS, concerns were expressed by several employee groups because the rates were changed at that time. Those concerns have been formalized in terms of a complaint, and lawsuit, that has now been filed. This is my understanding, although we are awaiting the official served copy of it.” Mr. Rawlins explained that it is filed under wage theory relating to the retirement benefits.

Mr. McGee from the Department of Administrative Services made a presentation concerning the budget process. The third report was on tuition and fees for the 2004-05 academic school year. Finally, there was a presentation on a preliminary plan for building a new Oregon State University energy plant, which is scheduled to come to the Board in June.

The third topic was a discussion of preliminary thinking around tuition and fees for the 2004-05 academic year. Chair Blair explained that the Board will further discuss this topic in April and Board approval will be required in June. “I think the sensibility was that we would be able to stay within the guidance given to us by the legislature, so that seems to be on track.”

b. Working Groups

   i. Academic Excellence/Economic Development (Kirby Dyess)

Director Dyess reported that the Working Group had confirmed their charge and the depth of the work in which they would be engaged. The Group agreed to the idea that they needed to look at both short and long term results. Staff have worked on a concept to look at the opportunities before the Working Group. Exploring partnerships will be a large part of the work of the group. One of the focuses is developing and commercializing research that will result eventually in business.

There are many partners involved in the Working Group, including OCKED. Most of the community groups that are working on economic development are tied into the whole process.

Director Dyess reported that there are seven members of the Working Group and one more yet to be identified. “Each person on the Working Group will champion one to three areas of opportunity. The champion is essentially going to be responsible for making sure that we have the right subcommittee in place; in other words, we have the experts in the field working with us.” It was pointed out that some of the concepts will take longer to develop, but there is a hope that a few of them may be ready for a more in-depth discussion by June.

   ii. Access/Affordability (Tim Nesbitt)

Director Nesbitt indicated that the agenda of his Working Group revolved around the Governor’s priority of access. From that, the Group has developed more refined goals
and objectives. “We want to make postsecondary education more affordable and we want to do that by putting more money in the pockets of students to secure the postsecondary education of their choice, but we also want more students to be able to secure that education,” Director Nesbitt pointed out.

He reported that the Working Group wants all schools, all systems (public and private), to join in the effort. “We recognize that not all the objectives for access can be accomplished through increasing need-based financial aid. We will also be looking to Director Schuette’s group for other ideas.” The plan for the Working Group is to have a proposal to the Board by the June meeting. He went on to explain that he reassured potential coalition partners that the Board of Higher Education is not going to seek to divert existing state General Fund revenue to fund this access proposal. “That doesn’t mean we don’t compete for General Funds—all programs and ideas do—but we don’t want to go forward thinking we’re going to carve out a slice of funding from an already shrunken revenue budget.”

A final point was that the Working Group will be looking at all the resources available to enroll, persist, and complete a degree or certificate program in the postsecondary education world and that includes contributions by the student, family, federal government (in the form of grants and loans), state government, postsecondary institutions themselves, and philanthropy.”

Director Pilliod asked what considerations the Group was giving to the Oregon Opportunity Grant. Director Nesbitt indicated that the Opportunity Grant represents the framework within which they will be working.

   iii. Chancellor’s Office Review (Neil Goldschmidt)

Vice President Richmond reported that the Chancellor’s Office Review Working Group had met for the first time the day before. The task of the Working Group is, in the next 30-60 days, to review the function of the Chancellor’s Office and make recommendations for reductions in the range of $3.5 million. “Because of these cuts, it means that some of the Chancellor’s Office employees will not be renewed after the first of July. Given today’s date and the need to make this a careful and thorough review, we agreed that we have no plans to terminate any employee in the Chancellor’s Office prior to June 30.” Working Group members were given assignments to look at various areas of the Chancellor’s Office and report their findings by the April meeting.

Vice Chair Richmond indicated that the first step is to propose a Chancellor’s Office structure that is significantly reduced in size but with the capacity to carry out the functions that the Board believes are the highest priority “Given the immediate need to have the structure to assist in carrying out the Governor’s initiatives, the initial structure that we come up with and recommend will likely, but not necessarily, need to be a transition structure that is a hybrid of what we need now and what we need long term,” she highlighted.
iv. Excellence in Delivery & Productivity (Gretchen Schuette)

Director Schuette reported that the Working Group had developed a broad set of stakeholders who respond by e-mail between meetings. "We have accumulated support for five, six, or seven areas of potential action items and will be working over the next two weeks to get clearer about them, how we would approach the action, and what, if any, would be the associated costs. We’re hoping to have the highest priority possible legislative packages and also some policy actions that would be recommended from the Group." Director Schuette indicated that the Working Group needs to move quickly but for the success of any legislative packages, she agreed with Director Blair that there needs to be a clear context about the overall budget request, good information concerning efficiency, and cost savings, to name a few.

7. REPORTS

- Interinstitutional Faculty Senate President (Dr. Peter Gilkey)

NOTE: the full text of Dr. Gilkey’s comments is on line at http://darkwing.uoregon.edu/~ifs/dir04/Remarks05Mar04.html.

Dr. Gilkey reminded the Board that although every effort is made to protect the instructional core, the incremental damage that is done to the service and support functions is measurable and does degrade the quality offered. In terms of faculty salaries, OUS is almost at the bottom of the list. “All state employees of Oregon have a salary freeze. This universality leads to a strong commonality of sacrifice. However, the OUS faculty do wish the very real sacrifice that we are making for the common good be recognized and acknowledged,” Dr. Gilkey pleaded.

Another area causing morale problems is the Optional Retirement Program. For those faculty caught in this, their total compensation has been reduced by 7.6 percent.

On a positive note, Dr. Gilkey pointed out that student enrollments are up to historical highs and, among the students, there are many who are very talented and hard working who seek the transformation in their lives that higher education can offer.

- Oregon Student Association President (Andy Saultz)

NOTE: A copy of the complete OSA report may be obtained from the Board’s Office.

President Saultz publicly thanked President Zinser for her efforts on the new voter registration project. OSA has set a goal of registering 25,000 new voters by November and the support of the institution presidents is appreciated by OSA.

In addition, President Saultz thanked Director Nesbitt for inviting OSA to the table to participate in the Access Working Group. “The short term solution to financial aid is the Oregon Opportunity Grant,” he emphasized. “The program should be a flat grant as we
discussed specifically in the Access Working Group. High school graduates, transfer students, and non-traditional students should all be eligible for the grant."

Mr. Saultz indicated that the other important facet of access is tuition. "We need to make sure that legislators understand the cause and effect if they slash funding for community colleges and OUS. They will be pricing students out of an education." Finally, OSA urges that the tuition plateau policy be revisited to determine how it specifically affects the Board's goals of more, better, faster.

8. **Chancellor and University Presidents' Report**

Chancellor Jarvis reminded the Board and participants that the OUS website was relaunched. "It's an extraordinary amount of work and I would like to acknowledge Ms. Di Saunders' work in that area and a lot of other people who did a great job."

President Conn reported on the launch of the Salem Repertory Theater and the involvement of WOU in that effort. He pointed out that WOU had been instrumental in the development of the Theater along with the theater programs at Chemeketa Community College and Willamette University. "It's just another example of where a theater program within a university can develop a program that will not only give our students internships, acting opportunities, but we are talking now about theater camps and workshops. All of this brings together the creative arts ability of our region to help in something that benefits the entire community." President Conn highlighted the 17th annual Criminal Justice Careers day that drew approximately 200 high school students to the campus along with 25 different organizations that came as exhibitors and presenters.

EOU will be experiencing the tangible results of a collaboration involving the local foundation, the EOU booster club, private donations, and the La Grande Downtown Merchants in the form of very colorful school banners that will be decorating main street and access roads to the campus. President Lund indicated that EOU is celebrating International Women's Week and the choir has been raising about $80,000 in private funds to return to Ecuador during spring break. They have received a financial gift from the American Embassy in Ecuador to help them meet their goal. The indoor track and field contestants are performing at the nationals in Tennessee and the women's basketball team will be in national competition in Sioux City, Iowa.

President Frohnmayer shared the story of an undergraduate student, Tahirih Motezedian, who recently reviewed thousands of pictures of Mars in an effort to identify areas in which potentially water had been or might be discovered. The rover, Discovery has, in fact, validated Ms. Motezedian’s theory. Upon graduation, she will be interning at NASA for a year and then go to MIT. "This is one case where the research of an undergraduate already has made enormous contributions to our understanding."

Dr. Robert Viera, Vice Provost for Student and Academic Affairs, represented OHSU at the Board meeting. He indicated that OHSU is facing reductions as a result of the failure
of Measure 30. “Provost Hallick has been meeting with our deans and that’s producing some incredible new ideas as to how we might adjust our curriculum across the different professional schools and how we might cooperate across the schools.” He expressed his appreciation to the Board on the approval of the biomedical engineering program. This is brain awareness week and it will culminate in a Brain Fair at OMSI. Finally, Dr. Viera applauded the work of the Board on accessibility and affordability and quality and productivity. He indicated he was a product of Oregon higher education and understood what it meant to have access to public higher education.

President Goldschmidt indicated that Director Dyess had agreed to serve as the Board of Higher Education’s representative to the OHSU Board. Her name will be forwarded to Governor Kulongoski who will, if he agrees, recommend her for confirmation.

President Ray reported on a meeting of the alumni of Oregon State University, the University of Oregon, and Portland State University in Washington, D.C. There were over 200 people in attendance and Governor Kulongoski was the keynote speaker. Ms. Gale Hazel was introduced as the individual responsible for the majority of the arrangements for the Board meeting. The Board added its thanks to her, President Ray, and many others for their efforts.

OIT’s men’s basketball team was number two in the Cascade Conference and the women’s Basketball team will be traveling to Branson for the national tournament. OIT dental hygiene students are returning during spring break to Costa Rica and various other locations. The community of Klamath Falls funded them with support from Rotary and several other institutions. They focus their work on with orphaned children and others who never see a dentist.

President Bernstine was in Dubai during the time of the Board meeting and was represented by Provost Mary Kay Tetreault. President Bernstine was on a fund raising/development initiative to raise funds for an endowed chair for Nohad Toulan who is retiring. In this regard, he hosted the first ever reception for over 50 alums. PSU hosted a visiting scholar, Robert Putnam, who has written a second book, “Better Together.” The book shows how Portland is an exception to the national trend and how PSU is engaged in community efforts. “He labeled us as a ‘Detroit of civic engagement’ and called us the industry leader.”

President Zinser commented that Congressman Greg Walden and Deputy Eugene Hickock, U.S. Department of Education, had been in the southern part of the state discussing the No Child Left Behind act and issues related to K-12 and higher education.

9. Public Input

Robert Wagner, Director of Government Relations for the American Federation of Teachers Oregon, indicated that their membership includes the faculty at Western Oregon University, the adjunct faculty at PSU, the graduate teaching fellows at the
University of Oregon, and graduate employees at Oregon State. With him was Rosemary Powers, president of the newest union of faculty and librarians at Eastern Oregon University, who shared a letter and some brief comments about bargaining a first contract at EOU and some perspectives on the challenges faculty and librarians face at EOU.

Dr. Powers began by, on behalf of the members, the faculty, and librarians of Eastern Oregon University, congratulating President Goldschmidt on his appointment as chair of the Board and to all the new members as well. “We want you to know of our confidence in the Board and that we at Eastern look forward to working together to help you achieve your goals. I want to thank you for the opportunity to address you today and to talk about the difficulties we face in our actions at Eastern Oregon University.

“We’ve recently formed a union and formed other groups in our Oregon System and to this end we are working with the representatives of President Lund, who is here today, and Provost John Miller, who is in the audience, and others in the Chancellor’s Office on our first collective bargaining agreement and we are making important progress. The main stumbling block to our moving forward on this agreement is the strategy adopted by Governor Kulongoski and the legislature that advocated for a freeze on the salary of each individual public employee. This Systemwide freeze, if successful, will compound the preexisting crisis in faculty compensation, particularly in relation to higher salaries at private and out-of-state universities. This situation, combined with the escalating cost of in-state public education for our students, disproportionately affects Eastern Oregon University. While the defeat of Measure 28 and the decisions of the Oregon legislature resulted in student tuition increases at all our universities, Eastern Oregon University’s 24 percent increase far exceeded those at its sister institutions. Eastern Oregon University serves the portion of Oregon that is least able to pay for and has the least local access to higher education in our state. Eastern Oregon University’s enrollment for the 2003-04 academic year declined by 3.8 percent making it the only OUS institution to have such a decline in enrollment.

“As Peter Gilkey said earlier, Eastern Oregon University faculty have the lowest salaries and compensation for our group of national comparator institutions for the 2002-03 year and further, our salaries and compensation are approximately 88 percent of those of SOU and WOU. With Eastern ranked at the bottom, our salaries are an average of 81 percent of our peer institutions across the country and, if not corrected, this situation will become intensified over the current biennium.

“We need your help to address this impact of this crisis in faculty compensation, which has created both internal and external equity issues. These issues already pose difficult recruitment and retention problems for faculty search committees and campus administrators. The faculty salary crisis impacts directly on the crisis on student access to public education and we urge you, as members of the Board, to encourage and support the efforts of our administration in this direction.
“In addition, we ask your support for an industry standard agreement for Eastern Oregon University faculty and librarians that preserves the strengths of the existing institution and lays the foundation for our mutual goal of attracting and retaining excellent academic professionals. Our union believes this would be impossible unless we all work together to solve the enrollment and faculty salary crisis during this biennium.

“In conclusion, we’re committed to working with our administrators, with Dr. Lund and Dr. Miller, who are here today, and with our peers in sister Oregon University System campuses, the legislature, the Governor, and this Board of Higher Education to advocate for faculty and librarians and to speak up for our students and for the future of quality public education. We thank each of you in advance for your consideration of these matters and look forward to working with you to maintain and strengthen the commitment to public education in our state. Thank you very much.”

Chair Goldschmidt asked President Lund if she had any remarks.

President Lund reiterated what Professor Powers said, “that Eastern leadership, assisted by collective bargaining individuals from the Chancellor’s Office, is engaged in very deliberate discussions at the bargaining table to begin moving salary levels forward after the Governor’s freeze is lifted. We have not reached agreement with the union on the administration’s plan to do so but we continue to bargain in good faith with the hope of reaching agreement soon.”

10. DELEGATION OF AUTHORITY TO BOARD’S EXECUTIVE COMMITTEE

Bridget Burns moved approval of the following Delegation of Authority:

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. 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.

Those voting in favor: Directors Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, Schuette, Sohn, and Goldschmidt. Those voting no: None.

11. ADJOURNMENT

The meeting adjourned at 2:00 p.m.

Virginia L. Thompson
Secretary to the Board

Neil Goldschmidt
Board President
Oregon State Board of Higher Education

Working Group Notes

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April 2, 2004

Oregon State Board of Higher Education
1. **CALL TO ORDER/ROLL CALL**

Chair Dyess called to order the meeting of the Academic Excellence/Economic Development (AEED) Working Group at 3:10 p.m.

On roll call, the following AEED members answered present:
- Dr. Phil Creighton
- Dr. Edward Ray
- Dr. Greg Hamann
- Director John Von Schlegell
- Mr. Jack Isselmann
- Chair Kirby Dyess

**Absent:** Director Neil Goldschmidt

**Other Board members present:** Director Geri Richmond (telephonically at 3:25 p.m.)

**Chancellor’s Office staff present:** Susan Weeks, Charles Triplett, and Bruce Schafer.

**Others:** President Martha Anne Dow (OIT), Rich Linton (UO), John Miller (EOU), John Minahan (WOU), Rem Nivens (OCCA), Jay Kenton (PSU), Cam Preus-Braly (CCWD), Earl Potter (SOU), MardiLyn Saathoff (Governor’s Office), and Bill McGee (DAS).

2. **APPROVAL OF NOTES**

- February 9, 2004, AEED meeting notes.

Work group participants received copies of the February 9, 2004, minutes in their material packets. The committee chair dispensed with the reading of the minutes.

3. **REPORT ITEMS**

   a. **Mission/charge/goals for the AEED Working Group**

Chair Dyess began the work session by reviewing the agenda and highlighting the materials distributed to committee members. The draft mission/goals of the work group were discussed, emphasizing the need for each initiative brought forward to be “exciting” and “easy to conceptualize.” The scope of this group’s work is both broad and deep. Challenges regarding the necessary long-term returns vs. the short-term goals/objectives were identified as discussion objectives for the work session. Chair Dyess announced that she would be assigning group members 2-3 opportunity areas to “champion” during the formation of sub-committees. The division of responsibility will allow members to focus their efforts onto select areas.
Susan Weeks introduced the initial list of opportunity areas, identified through conversations with Board President Goldschmidt and other public and private leaders in Oregon. The current list includes:

- Science and technology
- Neuroscience and the Brain
- Agriculture/forestry/fisheries/food
- Sustainability
- Renewable energy
- Adequate supply and placement of medical personnel
- Preparation of K-12 administrators
- Student success: college participation and completion
- Contribution of arts and creative services
- Accident-free workplace
- Leisure/sports products

The first draft of a strategy development matrix was unveiled as a tool to organize the initial work of the AEED. The matrix provides a way to capture the economic investment focus of potential initiatives, the planning horizon (short-, medium-, and long-term), geographic diversity, and connections to other economic development efforts as well as to broad state goals. The matrix should help sub-committees as they begin to research and create recommendations regarding each opportunity area. The matrix is a result of input from various interested parties and committee members (Jack Isselmann, Duncan Wyse, Chair Dyess, President Goldschmidt, and President Ray).

Jack Isselmann distributed copies of a presentation given at the Oregon Council for Knowledge and Economic Development (OCKED) meeting on Friday, February 27, 2004 in Corvallis. The presentation highlighted Phase 1 of an Oregon technology roadmap recently published by Alta Biomedical Group LLC. Mr. Isselmann suggested the AEED work group look for ways to capitalize on research like the technology roadmap to cut down on the volume of research required by this group.

Mr. Isselmann also spoke briefly about a major success resulting from the efforts of the OCKED council. The Oregon Nanoscience and Microtechnologies Institute (ONAMI) on OSU’s campus is the result of recommendations made by OCKED to the legislature. Currently, ONAMI has approximately $21 million allocated to it. The Governor is looking for ways to have federal sources match up to $20 million. Dr. Rich Linton (UO) noted that the money is divided up among three campuses: UO, OSU, and PSU. He added that the charge of ONAMI extends beyond basic research and into research commercialization as well.

Chair Dyess suggested that committee members look for opportunities to pull research resources from existing groups as they align with AEED goals. She cautioned against relying too heavily on any particular organization for fear of shortchanging new ideas.
Susan Weeks introduced a list of questions created as a guide for future sub-committees to use while evaluating opportunity areas. The list of questions was accompanied by three one-page examples of contextual information in selected opportunity areas. The challenge of each sub-committee is to collect data and build a case for the opportunity area. The goal is to offer an educated recommendation to the work group regarding possible initiatives that will help develop the target area. Chair Dyess summarized the charge: “identify what’s here” and “what’s the opportunity.”

Earl Potter, Provost of Southern Oregon University, added that the impact of these opportunity areas is different in each county of Oregon. He suggested that the sub-committees be mindful of the 9 economic regions of Oregon and their impact on each other.

Chair Dyess acknowledged that creating equal benefits for all counties will be difficult but benefits are measured in different ways. Investing in improved technology can often mean reducing jobs in one field while creating additional jobs in another. While Oregon is often viewed as a forestry/agriculture state, wine/food/tourism are developing areas within those traditional industries. Jack Isselmann noted that the Oregon Economic and Community Development Department often looks for opportunities to use Oregon “branding” as it promotes economic development, drawing on commonalities around the state.

As an example of these commonalities, Chair Dyess touched on another opportunity area: sustainability. Not too long ago, Oregon was considered #1 in sustainability. More recently, other states have jumped on the bandwagon and Oregon has lost its competitive advantage. If a statewide investment could be instrumental in making Oregon the national champion in sustainability, would that be a good investment?

MardiLyn Saathoff, the Governor’s Higher Education advisor, complimented the strategy development matrix that was introduced earlier as a resource to help prioritize investments. Using the matrix to focus investments into short, medium, and long-term returns, there may be things that reveal themselves as “low-hanging fruit” that require minimal effort. Regarding the earlier discussion on sustainability, Ms. Saathoff announced that the Governor has recently appointed a sustainability advisor, a great contact for the appropriate sub-committee.

Dr. Phil Creighton noted that there are challenges in each of the identified opportunity areas that may currently be off the radar. Sustainability, for instance, is a challenge because of laws regulating the use of sustainable products. Healthcare worker shortages – another identified area – aren’t only a problem because of a lack of RNs but also because there is a lack of healthcare educators. It is important to focus initiatives on the actual bottleneck and not be pulled into a “quick fix.”

Dr. Ed Ray questioned the “driver for this group.” If the group is charged with pulling together a budget request then it must include a mixed strategy of short, medium, and long-term returns. Academics are notorious for asking for money now and promising
results later, he noted. Each opportunity area should be evaluated for 1-5, 5-10, and 10-20 year investments and returns. Dr. Greg Hamann added that each opportunity should be viewed in multiple stages.

Mr. Isselmann suggested that the group think beyond the OUS budget. Although OUS may not be able to invest in certain areas, if a strong enough case is built then perhaps other agencies will respond. Completing the strategy development matrix will reveal the range of investments and returns that we can expect. Ms. Saathoff added that delivering on identified incremental steps would build credibility with the Governor, Legislature, and industry.

Chair Dyess reminded the group that some issues might reveal themselves to be easily influenced by removing just a few barriers. Things that are obvious to people working in the field are often out of line with policies created by people not familiar with all the ins and outs of an industry.

Director Von Schlegell noted that group members should be mindful of what Oregon can afford for investing. Some areas may prove too challenging for our state to reasonably compete. Director Geri Richmond suggested looking for ways to utilize collaboration among our universities and to invest in areas that represent opportunities for us to be competitive. She advised that Oregon should resist the temptation to jump on a bandwagon like nanotechnology and should be clever with our long-term investments.

Chair Dyess wrapped up the discussion on opportunity area strategies by reviewing the project timeline provided in the meeting materials. She asked that each group member email her a prioritized list of opportunity areas they are interested in “championing.” She will assign sub-committee areas to each member.

Chair Dyess encouraged members and other participants to continue thinking about additional opportunity areas that may not be on the current list.

a. Community college connections: Discussion with Cam Preus-Braly and Greg Hamann

Dr. Greg Hamann began the discussion by highlighting a fundamental difference between community college and university missions. Community colleges typically define academic excellence as raising the bar for everyone, not only the “best and brightest” students. Where universities typically focus on long-term education and economic development, community colleges represent the short-term (1-3 year) impact. Working with various industries throughout the state, community colleges are able to quickly respond to industry needs with specialized training.

Ms. Saathoff added that community colleges do “now” problems well.
Dr. Creighton noted that his experience in both public and private universities in the state has offered him a unique insight into the higher education system. The lack of cooperation among K-12, community colleges, and OUS is atrocious, he said, adding that the entire system fails to promote collaboration. Funding structures force competition between agencies that should be working together. Ironically, transfers between community colleges and private universities are easier than transferring to a public institution, he observed.

Ms. Preus-Braly noted that the "More Better Faster” Board Working Group is already doing work to remove this barrier.

Ms. Preus-Braly distributed a handout illustrating current industry/community college partnerships. An example of these types of partnerships is a semiconductor group that formed several years ago. The group has regular meeting to insure that industry educational needs are in sync with college course offerings. Ms. Preus-Braly stressed that this collaborative work is only scratching the surface. Often in today’s economic climate, new business attraction isn’t about land donations or tax incentives, but about workforce training. Community colleges don’t create jobs but they do foster an environment that facilitates job growth.

Chair Dyess wrapped up the discussion by reminding group members to email her their preferred opportunity area assignments.

4. ADJOURNMENT

The meeting adjourned at 4:55 p.m.

*Notes prepared by Charles Triplett, OUS Office of Planning*
Members present: Mr. Tim Nesbitt (OSBHE), Co-Chair  
Dr. Nan Poppe (PCC), Co-Chair  
Mr. Sam Brooks (Oregon Association of Minority Entrepreneurs)  
Ms. Bridget Burns (OSBHE)  
Mr. Randy Choy (Oregon Community Foundation)  
Ms. Vanessa Gaston (Urban League of Portland)  
Governor Neil Goldschmidt (President, OSBHE)  
Ms. Kate Peterson (OSU) 

Members absent: Dr. Paul Bragdon (Lewis & Clark College), Mr. Roman Hernandez (Schwabe, Williamson & Wyatt, P.C.), and Dr. Howard Sohn (OSBHE).

Others present: Dr. Nancy Goldschmidt (OHSU and OUS), Mr. Mark Ellsworth (Governor's Office), Ms. Julie Suchanek (OCCA), and Mr. John Wykoff (Oregon Student Association).

Also present: DD Bixby (Daily Barometer); Vice President [for Administration and Finance] Ronald Bolstad (SOU), Senior Vice Chancellor Shirley Clark (OUS), Brian Clem (OSAC), Ms. Casey Collett, WOU; President Phillip Conn (WOU), President Martha Anne Dow (OIT), Professor Peter Gillkey (UO), Theresa Hogue (Corvallis Gazette Times), Chancellor Richard Jarvis, Vice President [for Student Affairs] Anne Leavitt (UO), President Dixie Lund (EOU), Provost Dr. John Minahan (WOU), Shelby Oppel (Oregonian), Vice Provost Larry Roper (OSU), Andy Saultz (OSA), Director of Communications Diane Saunders (OUS), Ms. Jay Searle (OUS), Karen Smith (OCCA), Ms. Marcia Stuart (OUS), Jeff Svejcar (OSAC), Provost Mary Kay Tetreault (PSU), Professor Turner (IFS), Melissa Unger (OSA), Deputy for Planning Susan Weeks (OUS).

Co-Chair Nan Poppe called the meeting to order at 2:05 p.m.

The Working Group reviewed Governor Kulongoski’s priorities for higher education and a draft charge. To answer the question about how the state’s system for providing access to college is working, four experts testified: David McDonald, Director, OUS Enrollment Services; Kate Peterson, OSU Director of Student Financial Services; Julie Suchanek, Director OCCA Communications; and Andy Saultz, president, OSA.

Neil Goldschmidt noted: When the Governor selected a new board, he gave them four things to do—access and affordability is at the top of this list. Those in this room need to come to agreement quickly. There needs to be a new source of revenue. Funding can't
come out of K-12 schools. There needs to be a way to get money from the populace. To do this, we must have good packages to show to people who have to say "yes" to them. We've got to get to an agreement of what we're asking the people to pay for. There's a problem of complexity—we have to convert our meetings into a conversation with average people of this state like those who have never been to a four-year institution. They must conclude that it's in their self-interest that we fix this problem. We'll be counting on students and faculty to go door to door and pass it. We need to start a conversation about what higher education represents to state of Oregon.

The Working Group discussed the concept of an endowment in terms of (1) the importance of increasing financial aid that is need-based (2) the need to focus on the student, meaning the grant should follow the student to the institution of choice, (3) the different possibilities for structuring need-based grants; (4) design of a concept that voters can get behind, and (5) the need to focus on the future, but not at the expense of affordability for the present generation. After this discussion, the Working Group revised the goals and objectives for presentation to the full OUS Board on March 5, 2004.

The Working Group also discussed determining the statewide capacity of postsecondary institutions in Oregon to support the State's goals.

Proposed Timeline
Director Nesbitt suggested having a policy concept package completed by the May OUS Board meeting. The next priority will be to determine the cost of the package and possible revenue sources.

Assignment for AAWG
Compile list of key stakeholders that should be kept informed of our ongoing work.

Next Meeting:
March 17, 2004, 9-Noon in Portland at PSU's Urban Affairs Building, 7th Floor Conference Room.

Adjournment:
The meeting adjourned at 5:00 p.m.
PSU, Naming of the College of Engineering and Computer Science

Portland State University seeks Board approval of the naming of the College of Engineering and Computer Science at Portland State University to the **Fariborz Maseeh College of Engineering and Computer Science**. Additionally, PSU seeks Board approval of the naming of the auditorium in the Northwest Center for Engineering, Science and Technology, when completed, as the **Maseeh Auditorium**. The Board’s Internal Management Directive 1.305(2) specifies “Institution presidents shall have authority to name schools and colleges, provided that the Board shall approve the naming of a school or college after a living person.”

**Background**
At a public ceremony on Thursday, March 18, 2004, it was announced that Dr. Fariborz Maseeh, founder and president of The Massiah Foundation, was making the largest gift in Portland State University’s history—$8 million from the Foundation to the College of Engineering and Computer Science—and that the College would, upon Board of Higher Education approval, become the Fariborz Maseeh College of Engineering and Computer Science.

Dr. Maseeh, a first-generation immigrant born in Iran, received both his B.S. in Structural Engineering and M.S. in Mathematics from PSU before earning a doctorate of science from the Massachusetts Institute of Technology in 1990. Maseeh is an internationally known expert in the field of micro-technology (also known as MEMS) and is the founder and former president and chief executive officer of IntelliSense Corporation, based in Wilmington, Massachusetts.

IntelliSense was founded by Maseeh in 1991 with the vision of reducing the time and expense of creating next-generation micro-electro-mechanical systems (MEMS) devices. Under his leadership, IntelliSense successfully began the first custom design, development, and manufacturing MEMS operation and became the world’s fastest-growing MEMS corporation, twice named to both The New England Technology Fast 50 and The Forbes Fast 50. In 2000, IntelliSense was acquired by Corning, Inc., after which Maseeh founded an investment management firm located in Southern California.

Maseeh has published numerous scientific articles on topics such as business strategy, fabrication technologies and design, and software for MEMS, in addition to securing a number of patents and trademarks. He currently serves on the boards of several technology firms, engineering schools—including the University of California at Irvine and the University of Southern California—and non-profit organizations such as the Boys & Girls Club of Boston and the Children’s Hospital of Orange County Foundation for Children.

The $8 million gift includes funding for the following:
- $6 million to support the construction of a new 130,000 square-foot tower and the continued refurbishment of the Fourth Avenue Building (1900 S.W. Fourth
Avenue) that together will be known as the Northwest Center for Engineering, Science and Technology;

- $1 million to establish two professorships, one to be known as the Maseeh Professor of Electrical and Computer Engineering and the other Maseeh professorship will be in an unnamed area of emerging technology within the College;
- $500,000, along with matching funding from Portland State, to establish five student fellowships; and
- $500,000 to endow a fund for the dean of the College. The endowment of the deanship will be known as the H. Chik M. Erzurumlu Dean of the College of Engineering and Computer Science. Dr. Erzurumlu is the founding dean of the College, established in 1982 at Portland State as the School of Engineering and Applied Science.

The Massiah Foundation was established and funded by Fariborz Maseeh as a platform for charitable contributions. The Foundation’s mission is to make significant improvements in education, health, arts, literature, and science.

Staff Recommendation to the Board
Staff recommends Board approval of the naming of the College of Engineering and Computer Science at Portland State University to the Fariborz Maseeh College of Engineering and Computer Science. In addition, staff recommends naming of the auditorium in the Northwest Center for Engineering, Science and Technology, when completed, as the Maseeh Auditorium.

(Board action required.)