The Chancellor’s Office Review Working Group held a telephonic meeting on June 2, 2004, at 5:00 p.m.

In attendance were:
**Working Group Members:** Don Blair, Henry Lorenzen, and Geri Richmond

**Other Board Members:** Bridget Burns and Howard Sohn

**Others:** Members of the Chancellor’s staff, the Governor’s staff, institution representatives, and the press.

Chair Richmond reminded the group that the purpose of the Working Group was to study the organizational structure of the Chancellor’s Office to find ways to achieve savings through re-organization and, where appropriate, through downsizing of the units within the Office. Progress to date has included the recommendation accepted by the Board of the restructuring of the System Academic Affairs unit that will result in approximately $1,100,000.

In the past weeks, Working Group members have been looking at the other units to determine if there are additional savings that can be realized immediately. The following chart was presented:

### Chancellor’s Office Budget
**Opportunities for Reduction**

<table>
<thead>
<tr>
<th>Unit</th>
<th>Annual Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Affairs</td>
<td>$1,100,000</td>
</tr>
<tr>
<td>Finance/Administration</td>
<td>400,000</td>
</tr>
<tr>
<td>Information Technology</td>
<td>500,000</td>
</tr>
<tr>
<td>OCATE</td>
<td>1,000,000</td>
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<tr>
<td></td>
<td><strong>$3,000,000</strong></td>
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</tbody>
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1. Reductions to Controllers Office, Budget and Management, and Human Resources.
2. 15 percent of ITS budget, based on increased efficiencies in merger with OSU. Chancellor’s Office will fund budget reduction from fund balances for FY 2005, permanent reduction FY 2006.
3. Realigning OCATE operating budget and fund balances, shifting from System oversight to integration into PSU programming.
Senior Vice Chancellor Anderes explained that approximately 70 percent of the reductions in the Finance/Administration area have been determined. The remaining 30 percent will be realized after further examination.

In the Information Technology (IT) area, Chair Richmond and others have been working with Curt Pederson, Vice Provost for Information Services, and others at Oregon State University. The plan for IT is on a slower timeframe since a full external review has not been completed. There have been conversations with external expert consultants who project that between 10–15 percent savings can be realized by integrating the System operations with OSU. The initial costs of integrating the systems will come from fund balances and, it was explained, there may be additional costs for new technology. Mr. Pederson explained that one of the reasons for his anxiety is that the initial costs may be higher than expected. He expressed confidence that through standardization and economy-of-scale of operation the eventual outcome will be savings.

Director Lorenzen indicated that one-time charges may be necessary to achieve long-term savings and that the Board should be prepared to step up if need be.

Director Blair asked if his assumption that these reductions were being made was a result of the failure of Measure 30. “How would you envision this playing out vies à vie the campuses? It is my understanding that the target as a System is $7.5 million for the biennium. These figures suggest savings would be $6 million over the biennium.”

Chief Operations Officer Yunker explained that these savings result from reorganization. “Out of this $3 million figure, you have already decided to spend $1 million; you have decided to put aside $500,000 for the faculty fighting fund. That leaves $1.5 million as a resource for the Board to decide on its priorities and how it wants to spend it.”

Chair Richmond explained that the plan was to realign OCATE and shift it from System oversight to integration with Portland State. It is anticipated that the savings would be in the area of $1 million. It was explained that there were details to be worked out, but that it appeared that these savings could, over time, be realized.

It was underscored again that the agreement regarding IT is tentative in terms of the magnitude of savings—and that it will require good faith efforts on all to make it work. Director Lorenzen underscored that it might be necessary to spend some of the resources up front to assist the smaller campuses in making the transition to a different system.

Chair Richmond asked if there was agreement on the proposed areas of savings and if the Working Group was prepared to present it to the Board for full approval to proceed. Director Blair moved and Director Lorenzen seconded a motion to forward the recommendation to the Board.

The Working Group adjourned at approximately 5:35 p.m.