OREGON STATE BOARD OF HIGHER EDUCATION
AGENDA FOR MEETINGS OF THE BOARD
PORTLAND STATE UNIVERSITY

FINANCE/BUDGET/AUDIT/PERSO NNEL/REAL ESTATE COMMITTEE
WILLAMETTE FALLS BALLROOM
PSU UNIVERSITY PLACE (FORMERLY THE DOUBLETREE INN)
310 SW LINCOLN STREET (CORNER OF 4TH AVE)
PORTLAND, OREGON

THURSDAY, JULY 8, 2004

1. CALL TO ORDER/ROLL CALL

2. ACTION ITEMS

   a. 2005-2007 Biennial Operating Budget Request .............................................................. 1
      Review and approval of biennial operating request, including essential budget, policy packages,
      and 10 percent reduction options.

   b. 2005-2007 Biennial Capital Budget Request ............................................................. 41
      Review and approval of biennial capital request, six-year plan, and deferred maintenance
      proposal.

3. ADJOURNMENT

OREGON STATE BOARD OF HIGHER EDUCATION
AGENDA FOR MEETINGS OF THE BOARD
ROOM 327/8/9, SMITH MEMORIAL STUDENT UNION
PORTLAND STATE UNIVERSITY
JULY 15-16, 2004

THURSDAY, JULY 15, 2004

- 8:00-9:45 a.m. Excellence in Delivery and Productivity Working Group
- 10:00-11:45 a.m. Access/Affordability Working Group
- 12:00-1:15 p.m. Interinstitutional Faculty Senate meeting (Kirby Dyess—chair) (brown bag lunch)
- 1:30-5:00 p.m. Board Retreat
  ▶ Budget
  ▶ Governance / Campus Oversight
FRIDAY, JULY 16, 2004

FINANCE/BUDGET/AUDIT/PERSONNEL/REAL ESTATE COMMITTEE
SMITH MEMORIAL STUDENT UNION, ROOM 327/8/9
PORTLAND STATE UNIVERSITY
8:00 – 9:00 A.M.

1. CALL TO ORDER/ROLL CALL

2. APPROVAL OF MINUTES
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3. ACTION ITEMS
   a. 2005-2007 Biennial Operating Budget Request ......................................................... 1
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   b. 2005-2007 Biennial Capital Budget Request ........................................................... 41
      Review and approval of biennial capital request, six-year plan, and deferred maintenance proposal.
   c. Quarterly Managerial Report .................................................................................... 43
      To request Board acceptance of quarterly management reports dated March 31, 2004, that monitor the financial activity of the OUS current unrestricted and auxiliary enterprise funds.
   d. Tuition Mitigation Plan .............................................................................................. 53
   e. OHSU Resolution—Request to Consent to Easement to City of Portland ............... 55

4. ADJOURNMENT

FRIDAY, JULY 16, 2004

REGULAR MEETING OF THE BOARD OF HIGHER EDUCATION
SMITH MEMORIAL STUDENT UNION, ROOM 327/8/9
PORTLAND STATE UNIVERSITY
9:00 A.M. – 2:00 P.M.

AGENDA

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        packages, and 10 percent reduction options.
     b. 2005-2007 Biennial Capital Budget Request .................................................... 41
        Review and approval of biennial capital request, six-year plan, and deferred maintenance
        proposal.
     c. Quarterly Managerial Report .......................................................................... 43
        To request Board acceptance of quarterly management reports dated March 31, 2004, that
        monitor the financial activity of the OUS current unrestricted and auxiliary enterprise funds.
     d. Tuition Mitigation Plan .................................................................................. 53
     e. OHSU Resolution—Request to Consent to Easement to City of Portland .......... 55

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        Revised rule making minor edits to ORS 580-040-0100 through OAR 580-040-0295
        regarding “Board’s Financial Powers”. These edits change references from OSSHE to
        OUS and add “information technology” to the goods and services procurement section of
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      The proposed Bachelor of Music program will focus on performance and pedagogy, with an
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      Through the proposed Master of Clinical Research program, OHSU will offer advanced training in
      patient-oriented research methodology to doctoral-level clinicians.
   c. OIT, M.S. Manufacturing Engineering Technology ............................................... 91
      OIT proposes to support economic revival in the manufacturing industry by launching a graduate
      program in Klamath Falls, Portland (OIT Metro Center), and Seattle (Boeing).
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   UO proposes to offer its existing Medieval Studies option within the Humanities Program as an
   independent academic major.

e. **Report of Grievances Filed Under OAR 580-021-0050(12)** ......................... 97

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   a. **Annual Report on Student, Faculty, and Staff Racial/Ethnic Diversity** ........ 103

   b. **Academic Excellence/Economic Development Working Group Status Report** (to be
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   c. **Excellence in Delivery and Productivity Working Group Status Report** .......... 147

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

   e. **Working Groups**
      i. Access/Affordability (Tim Nesbitt)
      ii. Chancellor’s Office Review (Geri Richmond)

6. **REPORTS**

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

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

8. **PUBLIC INPUT**

9. **BOARD COMMENTS**

10. **DELEGATION OF AUTHORITY TO BOARD’S EXECUTIVE COMMITTEE**

11. **ADJOURNMENT**

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*Note: All docket materials are available on the OUS website at: [http://www.ous.edu/board/meetingmaterials.htm](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.*
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   Review and approval of biennial operating request, including essential budget, policy packages, and 10 percent reduction options.

2005-2007 Biennial Capital Budget Request ................................................................. 41
   Review and approval of biennial capital request, six-year plan, and deferred maintenance proposal.

Quarterly Managerial Report ........................................................................................... 43
   Quarterly review of System Education and General and Auxiliary fund budgets.

Tuition Mitigation Plan ..................................................................................................... 53

OHSU Resolution—Request to Consent to Easement to City of Portland .................... 55
(This page intentionally left blank.)
2005-2007 Biennial Operating Budget Agency Request

Summary:
The 2005-2007 operating budget request is built on the Board’s goal of providing access for Oregonians to high quality, affordable postsecondary education opportunities. The budget and policy package requests reflect the Board’s major long-term initiatives:

Access and Affordability
ASET—The cornerstone of the Board’s efforts to create access to an affordable education is the ASET proposal to provide financial aid to all qualified Oregonians, which will go forward to the Legislature in combination with the budget request.

Funding Enrollment Growth—The budget includes a package to provide state support for projected growth in student enrollment over the next biennium to begin to halt the decline in state support for resident students that has resulted in increasing class size and decreasing access.

Excellence in Delivery and Productivity
Connecting Higher Education to a Statewide Student-Service System—This project would facilitate the electronic transfer of K-12 student transcripts to OUS institutions and community colleges admissions offices, and the creation of a statewide web-based course articulation service that would enable students to determine how courses taken at one college or university could be transferred to another. The projects will create greater efficiency in admissions processing and student course placement while also leading to improved secondary school performance by providing meaningful student-performance feedback to high schools.

Removing Institutional Transfer Barriers to Students—This package would increase the successful transfer of community college students to OUS campuses through: 1) creation of an Oregon Dual Enrollment Framework; 2) creation of a fully transferable lower division common core of lower-division courses; and 3) creation of a fully transferable lower-division set of common student educational outcomes leading into an academic major.

Strategic Investment to Support Increased Student Access to College—These policy initiatives include: 1) increasing the availability of the highest demand courses; 2) strategically expanding the availability of on-line courses to meet high student demand; 3) expanding accelerated high school course opportunities to create a statewide menu; 4) creating the foundation for a statewide framework for post-secondary access for every community; and 5) increasing the retention and graduation rates of current college students.

Academic Excellence
Faculty Recruitment and Retention – Compensation Increase—Faculty recruitment and retention is critical to enhancing academic excellence in the University System. Oregon competes nationally for talented teaching and research faculty, and
OUS average faculty compensation ranks at or near the bottom of peer group averages. Oregon must commit to a long-term plan to narrow the gap in faculty compensation with other states and achieve parity with peer institutions.

**Economic Development**

**Healthcare Workforce Initiative**—The purpose of this policy package is to promote the strategic and sustainable expansion in the healthcare workforce. The project includes both nursing and allied health program development in collaborations between OIT, SOU, EOU, OHSU, and fourteen community colleges.

**Retaining Top Students in Oregon**—The principal goal of this proposal is to retain top students in Oregon by expanding the Honors College Programs at OUS institutions, supporting the policy initiatives of Academic Excellence and Economic Development. Honors opportunities leverage intellectual capital by appealing to the most competent and motivated students graduating from Oregon’s high schools. Applications currently exceed capacity by several-fold.

**Engineering and Technology Investment Proposal**—This policy package supports the Governor’s initiatives by creating economic opportunity in Oregon, building quality academic programs, providing access to college education, and managing for cost effectiveness.

The amounts requested in the policy package proposals are listed below. Additional detail on each of the proposals is provided in the docket.

<table>
<thead>
<tr>
<th>Policy Package Proposals</th>
<th>General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Removing Transfer Barriers</td>
<td>409,000</td>
</tr>
<tr>
<td>Strategic Investments for Student Access</td>
<td>1,118,250</td>
</tr>
<tr>
<td>Healthcare Workforce Initiative</td>
<td>3,850,000</td>
</tr>
<tr>
<td>Faculty Recruitment and Retention</td>
<td>32,800,000</td>
</tr>
<tr>
<td>Student Enrollment Growth</td>
<td>14,700,000</td>
</tr>
<tr>
<td>Retaining Top Students in Oregon</td>
<td>2,549,178</td>
</tr>
<tr>
<td>Student Data System</td>
<td>2,786,000</td>
</tr>
<tr>
<td>Engineering and Technology Investment*</td>
<td>22,100,000</td>
</tr>
<tr>
<td><strong>Total General Fund Policy Packages</strong></td>
<td><strong>$80,312,428</strong></td>
</tr>
</tbody>
</table>

*The ETIC proposal also contains a capital request of $13.85 million not included above.*

**THE BUDGET REQUEST**

The Essential Budget Level (EBL) for 2005-2007 represents the amounts necessary to continue 2003-2005 program levels forward through the next biennium. Once the Essential Budget Level is calculated, then policy package requests may be submitted for budget increases above the EBL to support high priority initiatives. For 2005-2007, agencies are
also required to submit reduction scenarios equal to 10 percent of the EBL due to the state revenue shortfall.

The OUS budget request acknowledges the revenue constraints that the state faces during the short-term in the 2005-2007 biennium. Policy package requests have been developed to maximize the use of resources through strategic investments and education partnerships.

The budget also includes funding requests and tuition increases needed to cover projected cost increases at the Essential Budget Level. Required reduction options at 10 percent of the Essential Budget Level are outlined in the docket materials.

<table>
<thead>
<tr>
<th>Oregon University System</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-2007 Biennial Operating Budget Request</td>
</tr>
</tbody>
</table>

(in millions)

<table>
<thead>
<tr>
<th>(State) General Fund</th>
<th>Lottery Limited</th>
<th>Other Funds Non-Limited</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Essential Budget Level</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003-2005 Legislately Adopted Budget</td>
<td>667.4</td>
<td>8.1</td>
<td>1044.0</td>
</tr>
<tr>
<td>Measure 30 Reductions</td>
<td>-7.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003-2005 Adjustments</td>
<td>28.5</td>
<td>2.2</td>
<td>4.5</td>
</tr>
<tr>
<td>Base Budget Adjustments</td>
<td>21.5</td>
<td>0.1</td>
<td>-11.5</td>
</tr>
<tr>
<td>Total 2005-2007 Essential Budget Level</td>
<td>709.9</td>
<td>10.4</td>
<td>1,037.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Policy Packages</th>
</tr>
</thead>
<tbody>
<tr>
<td>80.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2005-2007 OPERATING BUDGET REQUEST</th>
</tr>
</thead>
<tbody>
<tr>
<td>$790.2</td>
</tr>
</tbody>
</table>

Percent Change from Approved Budget

| 19.7% | 28.4% | 1.0% | 15.4% | 14.2% |

Excludes Capital Construction

The state provides funding to OUS through State General Funds and Lottery Funds. Other Funds Limited Revenues are comprised largely of tuition and resource fees and include a small amount of other revenues, including indirect charges to grants, investment earnings, and miscellaneous fees.

More than 50 percent of OUS funding comes from non-limited funding sources, which are not subject to expenditure limitation by the legislature. A portion of these funds are from unrestricted sources dedicated to self-support programs, including revenues from sales, designated operations such as non-credit courses, and auxiliary services such as dormitories, food services, student centers, book stores, and parking. Incidental Fees, Health Fees, Building Fees, and housing charges provide partial support for these programs.
The remaining Non-Limited Funds are from restricted sources that are identified for specific purposes, including gifts, federal, and private grants and contracts, student financial aid and student loan programs.

State lottery revenues support debt service on capital construction projects and Sports Action Lottery funds support athletic programs and scholarships for graduate students.

**Staff Recommendation to the Board:**

Staff recommends that the Board approve the 2005-2007 OUS Biennial Operating Budget request, including Policy Packages reflecting the Board’s budget priorities, Essential Budget Level funding requirements, and 10 percent reduction options. The Senior Vice Chancellor for Finance and Administration is given authority to make funding adjustments if revisions in the estimates for the Essential Budget Level, revenue projections, or student enrollment information are necessary.

*(Board action required.)*
BACKGROUND

An excellent university system is essential to Oregon’s quality of life and to the well-being and prosperity of its citizens. Oregon’s ongoing disinvestment in higher education threatens to limit access to educational opportunities to a generation of Oregonians and to damage the long-term economic vitality of the state.

Over the past two biennia, the OUS financial situation has been dominated by severe reductions in state funding and large increases in tuition revenues to compensate for the losses. The table below shows the decreases in state General Fund appropriations and the increase in Other Funds Limited, comprised mainly of tuition and fee revenues.

<table>
<thead>
<tr>
<th>Comparison of Total Limited Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education and General Program</td>
</tr>
<tr>
<td>1999 - 2007</td>
</tr>
<tr>
<td>General Fund*</td>
</tr>
<tr>
<td>Other Funds*</td>
</tr>
<tr>
<td>Total Funds*</td>
</tr>
<tr>
<td>Fund Splits</td>
</tr>
<tr>
<td>Gen Fd</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1999-01</td>
</tr>
<tr>
<td>2001-03 Final</td>
</tr>
<tr>
<td>2003-05 LAB</td>
</tr>
<tr>
<td>2005-07 Request</td>
</tr>
</tbody>
</table>

* in millions of dollars

Although the reductions in the past three years have been the most significant, the OUS share of the State General Fund budget has decreased almost continually since the 1987-1989 biennium as shown in the following table.

<table>
<thead>
<tr>
<th>OUS Share of State General Fund Appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biennium</td>
</tr>
<tr>
<td>Percent of General Fund</td>
</tr>
</tbody>
</table>

Oregon State Board of Higher Education
FBAPRE Committee
Page 5
ACTION ITEMS
As state funding has declined, student enrollment has increased across the OUS, resulting in dramatic decreases in state funding per student since 1991 (when adjusted for inflation). Tuition increases have only partially offset the loss of state funding. The following table shows the shift in funding from the state to tuition revenues over time.

### OUS Revenue per Student FTE

<table>
<thead>
<tr>
<th>Campus Limited Revenues</th>
<th>Inflation-Adjusted 2002 Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>$12,000</td>
<td>$4,000</td>
</tr>
<tr>
<td>$8,000</td>
<td>$4,000</td>
</tr>
<tr>
<td>$4,000</td>
<td>$4,000</td>
</tr>
<tr>
<td>$-</td>
<td>$-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Tuition &amp; Fees</th>
<th>Other Revenue</th>
<th>State Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>91-93</td>
<td>$4,257</td>
<td>$587</td>
<td>$6,886</td>
</tr>
<tr>
<td>99-01</td>
<td>$5,288</td>
<td>$849</td>
<td>$6,001</td>
</tr>
<tr>
<td>01-03</td>
<td>$5,488</td>
<td>$764</td>
<td>$5,169</td>
</tr>
<tr>
<td>03-05</td>
<td>$5,858</td>
<td>$734</td>
<td>$3,274</td>
</tr>
</tbody>
</table>

Annual tuition and fees increased rapidly in the early 1990s in response to state funding reductions as a result of the Measure 5 property tax limitation. Tuition rates were relatively flat in the mid to late 1990s as state funding increased and the Legislature imposed a cap on tuition increases. Tuition has risen again sharply since 2002 in response to the state revenue crisis and drop state funding.
Enrollment Projections:
Since 1994, fall enrollment in OUS institutions has increased by 30 percent, from 61,278 to 79,558 students. This increase of 18,280 students is roughly equivalent to adding an institution the size of Oregon State University during the decade. Resident enrollment grew even more quickly over this period, increasing by 45 percent from 43,650 to 63,191.

Increased enrollment has been due to 1) demographic and economic changes, 2) efforts to recruit more of Oregon’s high school graduates, and 3) concentration on improving student retention. The number of high school graduates in Oregon has increased steadily, but more importantly, opportunities for personal growth and prosperity and the health of Oregon’s economy have become dependent on the education level and skills of our citizens. The dramatic enrollment increase in recent years has created problems for campuses in a time of decreasing state resources.
Beyond 2005, enrollment projections show a steady but less dramatic increase. Enrollment growth appears to be moderating, likely due to barriers to access—for example, reductions in state funding, additional tuition increases without corresponding increases in student financial aid, and facilities capacity. Overall, enrollment demand is not expected to decline within the next twelve years.

Although Fall 2004 enrollment grew as expected, student FTE for the 2003-2005 biennium is now projected to be 2,617 less than the 147,390 FTE projected in July 2003 and used to build the current budget. The following table shows FTE enrollment by campus from 2001-02 projected through 2006-07.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EOU</td>
<td>2,495</td>
<td>2,640</td>
<td>2,691</td>
<td>2,639</td>
<td>2,707</td>
<td>2,766</td>
</tr>
<tr>
<td>OIT</td>
<td>2,427</td>
<td>2,463</td>
<td>2,502</td>
<td>2,547</td>
<td>2,593</td>
<td>2,648</td>
</tr>
<tr>
<td>OSU</td>
<td>17,572</td>
<td>18,435</td>
<td>18,674</td>
<td>18,822</td>
<td>19,076</td>
<td>19,447</td>
</tr>
<tr>
<td>OSU-CC</td>
<td>133</td>
<td>172</td>
<td>244</td>
<td>219</td>
<td>234</td>
<td>242</td>
</tr>
<tr>
<td>PSU</td>
<td>15,972</td>
<td>17,491</td>
<td>18,297</td>
<td>18,936</td>
<td>19,465</td>
<td>20,022</td>
</tr>
<tr>
<td>SOU</td>
<td>4,647</td>
<td>4,648</td>
<td>4,671</td>
<td>4,701</td>
<td>4,745</td>
<td>4,845</td>
</tr>
<tr>
<td>UO</td>
<td>19,284</td>
<td>20,334</td>
<td>20,243</td>
<td>20,586</td>
<td>20,489</td>
<td>20,481</td>
</tr>
<tr>
<td>WOU</td>
<td>4,526</td>
<td>4,497</td>
<td>4,550</td>
<td>4,449</td>
<td>4,440</td>
<td>4,507</td>
</tr>
<tr>
<td>TOTAL</td>
<td>67,056</td>
<td>70,680</td>
<td>71,872</td>
<td>72,899</td>
<td>73,749</td>
<td>74,960</td>
</tr>
<tr>
<td>Annual Increase</td>
<td>3,624</td>
<td>1,192</td>
<td>1,027</td>
<td>850</td>
<td>1,211</td>
<td></td>
</tr>
</tbody>
</table>

**ESSENTIAL BUDGET LEVEL**

The Essential Budget Level (EBL) is defined by DAS as an estimate of the cost to continue current legislatively approved programs into the next biennium. Briefly stated, it is 2003-2005 expenditures adjusted to provide the amount necessary to continue authorized programs and activities in 2005-2007. Technically, it is built on a base budget plus essential packages.

The Essential Budget Level does not include 2005-2007 cost increases for employee salaries and health benefits, which are budgeted separately by the Governor’s Office. The Emergency Board normally distributes these funds to agencies after the end of the Legislative Session when labor cost increases have been determined. At that time, the Emergency Board also allocates additional Other Fund Revenue expenditure limitation to the OUS for the portion of the labor cost increases covered by tuition dollars.
Also excluded from EBL are funding for enrollment growth and for any additional faculty salary increases, which are included in this budget request as policy packages.

Campuses are projecting that tuition revenue increases ranging from 4 percent to 6 percent in 2005-06 and from 3 percent to 6 percent in 2006-07 will be required to maintain current programs, cover increases in salary, benefits, and student enrollment, and avoid budget reductions. These increases, which will generate an estimated $1.046 million in Other Funds Limited Revenues in the Education and General Program, are based on the assumption that the state General Fund will cover the $50 million in cost increases identified in the following table, as well as the state-funded portion of salary and benefit increases. Campus revenue projections will be updated in August 2004 prior to submission of the Agency Request Budget.

The 2005-2007 EBL includes adjustments above the 2003-2005 Legislatively Approved Budget for projected cost increases as follows:

<table>
<thead>
<tr>
<th>Essential Budget Detail</th>
<th>General Fund</th>
<th>Other Funds Limited</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In millions of dollars)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003-2005 Legislatively Adopted Budget</td>
<td>667.4</td>
<td>1,044.0</td>
<td>1,711.4</td>
</tr>
<tr>
<td>Measure 30 Reduction</td>
<td>(7.5)</td>
<td>-</td>
<td>(7.5)</td>
</tr>
<tr>
<td>Adjusted 2003-2005 LAB</td>
<td>659.9</td>
<td>1,044.0</td>
<td>1,703.9</td>
</tr>
<tr>
<td>PERS Increase</td>
<td>17.1</td>
<td>24.7</td>
<td>41.8</td>
</tr>
<tr>
<td>PEBB Health Insurance Roll up</td>
<td>4.4</td>
<td>6.4</td>
<td>10.8</td>
</tr>
<tr>
<td>Other Salary Adjustments*</td>
<td>2.4</td>
<td>(58.8)</td>
<td>(56.4)</td>
</tr>
<tr>
<td>New Building O &amp; M</td>
<td>3.0</td>
<td>4.8</td>
<td>7.8</td>
</tr>
<tr>
<td>Inflation</td>
<td>3.3</td>
<td>7.6</td>
<td>10.9</td>
</tr>
<tr>
<td>State Government Svc Charges</td>
<td>9.5</td>
<td>8.3</td>
<td>17.8</td>
</tr>
<tr>
<td>Restore one-time cut (COPs)</td>
<td>5.1</td>
<td>-</td>
<td>5.1</td>
</tr>
<tr>
<td>Debt Service</td>
<td>5.2</td>
<td>-</td>
<td>5.2</td>
</tr>
<tr>
<td>Total Adjustments</td>
<td>50.0</td>
<td>(7.0)</td>
<td>43.0</td>
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</tbody>
</table>

**Essential Budget Total**

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>Other Funds Limited</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>709.9</td>
<td>1,037.0</td>
<td>1,746.9</td>
</tr>
</tbody>
</table>

*Reflects lower salary base than budgeted in 2003-2005

**Note:** Includes Education and General, Statewide Public Service Programs, and Debt Service. Excludes Capital Construction and Lottery Funds.
POLICY PACKAGES

The policy package requests were submitted by the Board Working Groups on Excellence in Education Delivery and Productivity, Academic Excellence and Economic Development, and by the Engineering and Technology Industry Council. In addition, staff submitted packages for student enrollment growth and faculty compensation.

Policy Package

Title: Removing Institutional Transfer Barriers to Students–$ 409,000

Policy Initiative: Excellence in Delivery and Productivity (More, Better, Faster)

Description: Increasing the successful transfer of community college students to OUS campuses through: 1) creation of an Oregon Dual Enrollment Framework; 2) creation of a fully transferable lower division common core of lower-division courses; and 3) creation of a fully transferable lower-division set of common student educational outcomes leading into an academic major.

Expected Outcomes:
- Increased number of Bachelor Degree recipients
- Increase the number of students who receive college credits from an Oregon community college
- Increased transfer student activity between OUS and community colleges
- Decreased student debt as a result of more efficient enrollment in courses at community colleges that are lower in cost to the student.

Performance Indicators:
- Graduation Rate
- Student Debt Ratio

Budget Outline:
New staffing: 1 limited duration professional staff position for 24 months
1 FTE @ $159,000

Services and Supplies: $ 500,000
Funding Request: $250,000 with OUS contribution of $250,000

Travel and meeting expenses for 200 community college and OUS faculty, academic administrators, and key staff (such as registrars and transfer specialists) to attend week-long summer work session to achieve the following:
- 1. Statewide fully transferable common core of undergraduate general education courses;
2. Statewide fully transferable common core of undergraduate general education courses that lead into specific academic majors; and
3. Statewide framework for dual enrollment agreements between community colleges and OUS institutions.

A meeting will occur in July 2005 and be based upon initial work accomplished through meetings held at all OUS campuses and regionally for community college for faculty input and initial design work. Cost = $300,000

Follow up publications for students and resource materials for community college advisors, faculty department chairs, OUS student academic advisors, campus registrars, and high school advisors. Cost = $200,000

To create a statewide framework for successful OUS and community college dual enrollment agreements that lead to increased student success. For faculty-driven meetings leading to the development of a statewide common core of lower-division general education courses that can be transferred between all public colleges and universities leading to the elimination of repeated general education courses and greater efficiency of courses offered and taken.

Capital Outlay: No capital expenses requested.
Total Request: $409,000 (Half of full budget and 1.0 FTE)

---

**Policy Package**

**Title:** Strategic Investment to Support Increased Student Access to College—$1.18 mil.

**Policy Initiative:** Excellence in Delivery and Productivity (More, Better, Faster)

**Description:** Investments to support expansion of services and offerings that increase capacity and educational opportunities for high school and post-secondary students. These initiatives include: 1) Increase the availability of highest demand courses; 2) Strategically expand the availability of on-line courses to meet high student demand; 3) Expand accelerated high school course opportunities to create a statewide menu; 4) Create the foundation for a statewide framework for post-secondary access for every community; and 5) Increase the retention and graduation rates of current college students.

**Expected Outcomes:**
- Increased number of Bachelor Degree recipients
- Increased number of high school students taking advanced courses leading to increased college enrollments
- Shortened time to degree resulting in lower average student debt (or in presence of continued tuition increases a slowing in the rate or student debt growth).
Performance Indicators:
- Freshmen to Sophomore Persistence
- Graduation Rate
- Student Debt Ratio

Budget Outline:
New staffing: 1 limited duration professional staff position for eighteen months
1 FTE @ $118,250

Services and Supplies: $ 2,000,000

For new courses to address courses with current excess student demand such as Writing. New courses will be offered both on-line and in traditional lecture format. Accelerated high school courses include offering additional Advanced Placement and College Credit Now in areas of unmet need and to pilot the development and implementation of a limited number of middle colleges (grades 10-14) and create a statewide K-16 task force to address the early development and implementation of an options-type opportunity for students. The final category of expense will be to expand or implement proven best practices in the area of student retention to increase the number of OUS undergraduates who successfully complete their undergraduate degree with an emphasis placed upon student groups with the highest non-completion rates.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Cost</th>
<th>OUS Portion</th>
<th>Remaining Request</th>
</tr>
</thead>
<tbody>
<tr>
<td>Campus retention efforts</td>
<td>500,000</td>
<td>250,000</td>
<td>250,000</td>
</tr>
<tr>
<td>Course availability</td>
<td>1,000,000</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Advanced high school courses</td>
<td>500,000</td>
<td>250,000</td>
<td>250,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,000,000</strong></td>
<td><strong>1,000,000</strong></td>
<td><strong>1,000,000</strong></td>
</tr>
</tbody>
</table>

Campus retention efforts will be distributed in the form of challenge grants aimed at increasing the college graduation rates of students who represent the Oregon of 2004: older students (24 and above), students from diverse backgrounds, or first generation to attend college.

A committee comprised of OUS campus provosts, OUS Chancellor’s Office staff, and community college instructional deans will distribute the awards.

Course availability funding will be used to reduce the number of courses that have excess student demand. Priority of courses to be funded will be based upon the number of students that can be served, type of course (general education or within major), and evidence of collaboration between institutions (OUS and community colleges) to offer most effective and efficient delivery. A committee comprised of OUS campus provosts, OUS Chancellor’s Office staff, and community college instructional deans will allocate the funds. Evidence of excess student demand must be demonstrated in order to
receive funds. Priority will be given to general education courses with highly demonstrated unmet student demand.

**Advanced high school course funding** is to support increased academic preparation of receipt of college credit by high school students. The funds will be used to support two concurrent activities. The first is to increase current opportunities for all students, with an emphasis placed upon increasing the number of students from diverse backgrounds who take AP (Advanced Placement) or IB (International Baccalaureate) courses. The second is to create a working group of stakeholders to investigate and develop a statewide effort that increases student opportunity to take accelerated courses while in high school.

Capital Outlay: No capital expenses requested.

Total Request: $1,118,250

---

**Policy Package**

**Title:** Healthcare Workforce Initiative: Productivity in Nursing Education and the Allied Health Professions—$3.85 million

**Policy Initiative:** Enhancement and expansion of the healthcare workforce to meet the critical shortage of healthcare workers in Oregon. This policy package complements the Governor’s Healthcare Workforce Initiative and the Oregon Consortium for Nursing Education.

**Background and Problem Statement:** The state is facing a critical shortage of nurses and allied health professionals. According to the Oregon Department of Employment Survey of September 2002, there were 1,700 unfilled R.N. positions and 117 open radiology positions. In 2010, the estimated demand for registered nurses will exceed supply by 22 percent. The demand for allied health professionals will exceed supply by 55 percent for clinical lab techs, 51 percent for radiologists, and 42 percent for dental hygienists. The healthcare workforce shortage threatens Oregon’s ability to provide quality healthcare services and attract and retain companies for economic recovery in the state.

The health services industry in the state employs over 100,000 people, generating $4 billion annually. The average salaries are $48,000 plus $13,000 in benefits. The current unfilled positions in healthcare mean a loss of $52 million annually to the Oregon economy. Health occupations will reach 11 percent of the job growth by 2012. The Oregon Healthcare Sector Employment Initiative identified education and training capacity as the most important reason for worker shortages. Solving the healthcare workforce problem is a top priority for Governor Kulongoski and affects every
county in the state. Filling some of the highest paying positions is a significant pay back in tax dollars for increasing graduates.

**Current Initiatives:** General statewide collaborations are underway including: 1) Oregon Consortium for Nursing Education (OCNE) involving OHSU with EOU, OIT, SOU, and several community college partners; 2) the Oregon Community College Healthcare Action Plan (CCHAP) involving all community colleges in the state; 3) the Governor’s Healthcare Workforce Initiative; and 4) the Statewide Simulation Initiative. The six key elements of the Healthcare Workforce Initiative are:

1. Create a statewide network of simulation centers;
2. Ensure that existing telecommunications capacity around the state is operational;
3. Increase the number of healthcare faculty;
4. Encourage regulatory flexibility;
5. Encourage shared use of facilities and equipment;
6. Ensure the articulation of prerequisite courses among public and private colleges and universities.

This policy package addresses several of these key elements.

Meeting Oregon’s critical need for healthcare professionals throughout Oregon requires partnerships among universities, community colleges, and the private sector. This policy package directs immediate efforts to assure capacity development for faculty, facilities, and students to enhance accessibility, quality, and output.

EOU, OIT, and SOU, are working with OCNE/OHSU and community colleges to enhance and develop core curriculum for nursing and ensure articulation, as well as serving as centers for simulation equipment and training. Capacity building for addressing the nursing shortage is a major goal.

To increase the capacity of the allied health workforce, OIT is working with OHSU and the CCHAP members to develop core curriculum for transferability and develop networks for recruiting students. In addition, curriculum for distance delivery in the allied health programs will be shared to provide comprehensive geographic accessibility.

Therefore, this policy package meets the initiatives advocated by the Governor for economic development and academic excellence with significant opportunities for public/private partnerships. It also integrates with the following Committees of the State Board of Higher Education:

- Academic Excellence/Economic Development
- Excellence in Delivery and Productivity *(More, Better, Faster)*
- Access/Affordability

**Description:** The enhancement and expansion of the healthcare workforce project includes five major objectives:
1. To participate fully in activities to double the output of nursing and allied health professionals by 2010.

2. To assure a timely impact on the healthcare workforce needs and the economy through placement of graduates in the high paying unfilled positions (rural and urban) in the state.

3. To enhance the capacity in the core basic sciences in the rural/regional universities to assure meeting the goal of doubling the output of nurses and allied health professionals by 2010.

4. To cooperatively develop educational programs and applications to meet the need for professionals in healthcare information systems and the digitization initiatives in hospitals for patient management and diagnostics.

5. To enhance the OHSU/OCNE nursing curriculum through the integration of liberal arts and sciences and the development of minors and specializations.

The project includes both nursing and allied health program development in collaboration with Oregon Health & Science University and community colleges.

**Nursing Initiative:**

EOU, OIT, and SOU are partners in the OHSU School of Nursing consortium. A critical need to expand the capacity in the core courses in sciences such as chemistry and anatomy and physiology exists. Additional FTE and equipment are requested to meet this need. In addition, appropriate minors for students in the nursing major will be developed in areas such as Spanish, chemistry, business, computer science, music, and selected social sciences. SOU is especially qualified to take the lead in the development of these minors. With an updated cooperative agreement between OHSU and SOU and joint agreements with Rogue, Umpqua, and Southwestern Oregon Community Colleges, this initiative will provide the graduates in nursing with deeper knowledge in basic science, humanities, and the social sciences, and allow them to contribute more fully to the demands of the healthcare industry.

OIT will develop specialization areas (minors) for the nursing curriculum in the allied health areas such as medical imaging, clinical lab sciences, and medical information systems. EOU will also collaborate to develop minors, especially in Spanish to enhance the language skills of nurses in eastern Oregon. EOU has an alliance with Blue Mountain Community College to facilitate the expansion of clinical sites. Pre-nursing courses will be adapted for distance delivery to rural sites such as Burns.

OHSU has increased the number of faculty at SOU and OIT with the support of the local hospitals. Additional faculty resources for program design and implementation are requested. OHSU proposes to double the enrollment of nursing students at SOU and continue to develop expansion capacity at OIT. This is a major objective to serve the nursing needs of rural Oregon.

SOU currently has an enrollment of 96 students in nursing and graduated 50 in 2004. EOU has a capacity of 72 with 69 enrolled and a 2004 graduating class of 26. OIT is
increasing the current enrollment of 18 to 27 for fall 2004. Additional FTE for teaching, program design, and curriculum development are requested.

**Allied Health Workforce/Center for Health Professions Initiative:**

OIT is a center for the health professions. Baccalaureate programs in radiologic science, nuclear medicine, diagnostic medical sonography, vascular technology, dental hygiene, and health sciences are offered at the Klamath Falls campus. In addition, dental hygiene, medical imaging, and vascular technology are also offered as degree-completion programs on-line. Programs in clinical laboratory science and emergency medical technology are offered as joint degrees with OHSU in Portland. Beginning in the fall of 2005, dental hygiene will be offered in collaboration with Oregon Dental Services and Eastern Oregon University in La Grande and a degree in Respiratory Care Therapy will be offered at Rogue Community College. OIT has a strong track record of providing quality graduates in the health professions. Current enrollment is at 750 and approximately 329 students could not be admitted due to capacity limitations. The OIT Center for Health Professions will target the allied health workforce demands through the following initiatives:

1. Double the graduates in allied health professions in five years.
2. Create a regional nucleus for undergraduate and allied health education in Oregon through the development of a consortium of community colleges with health professions programs.
3. Expand recruitment, enrollment, and distance delivery modes.
4. Develop an electronic database for tracking workforce needs, cooperating with community colleges and others to efficiently articulate students.
5. Develop healthcare information systems to assist hospital digitization, which includes PACS (Picture Archiving Computer Systems) and patient management systems.

**Expected Outcomes – Nursing Initiative:**

**Southern Oregon University:** The SOU-based program will graduate twice the current number of nurses possessing the BSN degree, and the output of nursing graduates across the three community colleges participating in nursing education with SOU and OHSU will at least double. Graduates will take their places in the nursing profession with deeper knowledge and skills drawn from basic science, the humanities and arts, and the social and cultural context within which they will be practicing. They will thereby contribute more fully to the increasingly complex demands upon the health care system. Nursing graduates will be more versatile in their readiness to assume a broader range of roles in which nurses will be needed in the future.

**Oregon Institute of Technology:** Output of nursing graduates from the OIT campus will double in five years. Nursing graduates will have certificates in a specialization option from the allied health area.
Eastern Oregon University: The number of clinical sites available in eastern Oregon will expand from one to ten. BSN students will graduate with specialties or minors in liberal arts, business, or Spanish.

All: The expansion of the basic sciences curriculum will augment the output of nursing graduates.

Expected Outcomes – Allied Healthcare Initiative:
- The number of graduates in the allied health professions will double by 2010 (2,700).
- The OIT/community college alliance will develop a curriculum (sciences/general education courses) that allows students a seamless articulation into a four-year program. Distance education courses will be developed and shared.
- An electronic database for sharing student information and workforce needs assessment will be completed.
- Two medical information systems educational programs will be developed for enhancing the information technology education in the healthcare field (PACS and Healthcare Information Systems Management) that includes the use of technology for patient care records and dissemination of information. SOU and OIT will collaborate on this.

OUS Performance Indicators for Nursing:
- EOU, OIT, and SOU in collaboration with OHSU would be responsible for reporting performance data that would include (a) the increased number of graduates, (b) the degree of satisfaction of graduates and employers, (c) the sustainability of graduates in the nursing profession at selected intervals following graduation, and (d) indicators of national attention for the success of the new innovative curricula pioneered in Oregon. Research on outcomes of the nursing curricula and its positioning for quality integration between the liberal arts and sciences and the professional practice of nursing will be disseminated nationally.

OUS Performance Indicators for Allied Health Initiative:
- The following list of performance indicators may be used to monitor progress:
  1. Double graduates by 2010 – OIT target is 600.
  2. Time to graduation.
  3. Employer satisfaction – Target: 90 percent.
  4. Number of students with associate degrees enrolled in four-year degree completion programs – Target: 20 percent.
  5. Retention of students in the allied health professions programs at community colleges and at the baccalaureate level – Target: 70 percent.
## Budget Outline for Productivity in Nursing Education

### Southern Oregon University

<table>
<thead>
<tr>
<th>Position</th>
<th>2005-07</th>
<th>2007-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.0 FTE Assistant Professor (Sciences) w/OPE</td>
<td>$360,000</td>
<td>* $244,000</td>
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<tr>
<td>1.0 FTE Lab Assistant w/OPE</td>
<td>80,000</td>
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</tr>
<tr>
<td>1.0 FTE Program Coordinator</td>
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<td>90,000</td>
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<tr>
<td>Capital outlay</td>
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<td>10,000</td>
</tr>
<tr>
<td>Services and supplies</td>
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<tr>
<td>Lab equipment updates</td>
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<tr>
<td>Expansion of library periodicals</td>
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<td>6,000</td>
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<tr>
<td>One-time start-up costs for equipment, computers, software, library books, curriculum development</td>
<td></td>
<td>50,000</td>
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</table>

**Total biennium for SOU**

<table>
<thead>
<tr>
<th></th>
<th>2005-07</th>
<th>2007-09</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$548,000</td>
<td>$349,000</td>
</tr>
</tbody>
</table>

### Oregon Institute of Technology

<table>
<thead>
<tr>
<th>Position</th>
<th>2005-07</th>
<th>2007-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.0 FTE (Sciences and Allied Health courses) w/OPE</td>
<td>$180,000</td>
<td>$180,000</td>
</tr>
<tr>
<td>Phase-in costs:</td>
<td></td>
<td></td>
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<tr>
<td>Capital outlay/equipment</td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td>Services and supplies</td>
<td>20,000</td>
<td>15,000</td>
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**Total biennium for OIT**

<table>
<thead>
<tr>
<th></th>
<th>2005-07</th>
<th>2007-09</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$250,000</td>
<td>$195,000</td>
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</tbody>
</table>

* 2.0 FTE during 2007-09

### Eastern Oregon University

<table>
<thead>
<tr>
<th>Position</th>
<th>2005-07</th>
<th>2007-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.0 FTE Assistant Professor (Sciences) w/OPE</td>
<td>$180,000</td>
<td>$180,000</td>
</tr>
<tr>
<td>1.0 FTE Lab Assistant w/OPE</td>
<td>80,000</td>
<td>80,000</td>
</tr>
<tr>
<td>1.0 FTE Program Coordinator</td>
<td>80,000</td>
<td>80,000</td>
</tr>
<tr>
<td>1.0 FTE Curriculum Designer</td>
<td>60,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Capital outlay</td>
<td></td>
<td>10,000</td>
</tr>
<tr>
<td>Services and supplies</td>
<td>7,000</td>
<td>5,000</td>
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<tr>
<td>One-time start-up costs for equipment, computers, software, library books, curriculum development</td>
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**Total biennium for EOU**

<table>
<thead>
<tr>
<th></th>
<th>2005-07</th>
<th>2007-09</th>
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<tbody>
<tr>
<td></td>
<td>$437,000</td>
<td>$415,000</td>
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**Total biennium for SOU/OIT/EOU**

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<tr>
<th></th>
<th>2005-07</th>
<th>2007-09</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,235,000</td>
<td>$979,000</td>
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</table>
Budget Outline for OIT Center for Health Professions

<table>
<thead>
<tr>
<th>Item</th>
<th>2005-07</th>
<th>2007-09 (on-going)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program coordinator w/OPE</td>
<td>$ 95,000</td>
<td>$ 95,000</td>
</tr>
<tr>
<td>FTE for OIT and participating community colleges:</td>
<td>$ 720,000</td>
<td>$ 720,000</td>
</tr>
<tr>
<td>Assistant professors/outreach faculty (6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical assistants w/OPE (3)</td>
<td>$ 240,000</td>
<td>$ 240,000</td>
</tr>
<tr>
<td>Supplies, services and travel</td>
<td>$ 100,000</td>
<td>$ 100,000</td>
</tr>
<tr>
<td>One-time capital outlay: computers, software, picture archiving systems, database software, medical equipment including simulations, distance delivery</td>
<td>$ 1,400,000</td>
<td></td>
</tr>
<tr>
<td>Start-up costs (travel, curriculum development)</td>
<td>$ 60,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$ 2,615,000</td>
<td>$ 1,155,000</td>
</tr>
</tbody>
</table>

Grand Total for Productivity in Nursing Education and OIT Center for Health Professions $ 3,850,000 $ 2,134,000

Policy Package

Title: Faculty Recruitment and Retention - Compensation Increases – $32.8 million

Policy Initiatives: Academic Excellence and Economic Development

Faculty recruitment and retention is critical to supporting two of the Governor’s highest priorities: 1) preserving and enhancing Academic Excellence in the University System and, 2) promoting Economic Development through research. Oregon competes nationally for talented teaching and research faculty, and OUS average faculty compensation ranks at or near the bottom of peer group averages. Oregon must commit to a long-term plan to narrow the gap in faculty compensation with other states and achieve parity with peer institutions.

The following table, compiled by the Department of Administrative Services, compares average faculty salaries in Oregon with salaries at comparable universities nationwide. Oregon salaries range from 5 percent to 24 percent below the national averages.
### Oregon Faculty Salaries Compared with National Averages, 2003-04

<table>
<thead>
<tr>
<th>Institution</th>
<th>Professors*</th>
<th>Associate Professors*</th>
<th>Assistant Professors*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Oregon University</td>
<td>-24%</td>
<td>-20%</td>
<td>-18%</td>
</tr>
<tr>
<td>Oregon Institute of Technology</td>
<td>-15%</td>
<td>-11%</td>
<td>-7%</td>
</tr>
<tr>
<td>Oregon State University</td>
<td>-16%</td>
<td>-6%</td>
<td>-5%</td>
</tr>
<tr>
<td>Portland State University</td>
<td>-21%</td>
<td>-11%</td>
<td>-13%</td>
</tr>
<tr>
<td>Southern Oregon University</td>
<td>-23%</td>
<td>-20%</td>
<td>-10%</td>
</tr>
<tr>
<td>University of Oregon</td>
<td>-12%</td>
<td>-10%</td>
<td>-6%</td>
</tr>
<tr>
<td>Western Oregon University</td>
<td>-20%</td>
<td>-16%</td>
<td>-19%</td>
</tr>
</tbody>
</table>

* Average Oregon faculty salary compared with average salary of faculty at same rank in comparable universities.


This policy package request is based on comparisons of total compensation, including salary and benefits, for OUS faculty with peer institutions in 2003-04. The following table compiled by OUS staff shows total compensation at OUS institutions as a percentage of the peer group averages. It also shows the ranking of each institution within the peer groups. Additional detailed comparisons by faculty rank at each institution are attached.

#### 2003-04 OUS Faculty Total Compensation Compared with Peers

<table>
<thead>
<tr>
<th>Institution</th>
<th>Percent of Peer Average</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oregon State University</td>
<td>93.2%</td>
<td>15 of 19</td>
</tr>
<tr>
<td>Portland State University</td>
<td>87.5%</td>
<td>19 of 19</td>
</tr>
<tr>
<td>University of Oregon</td>
<td>92.6%</td>
<td>17 of 19</td>
</tr>
<tr>
<td>Eastern Oregon University</td>
<td>87.4%</td>
<td>13 of 13</td>
</tr>
<tr>
<td>Southern Oregon University</td>
<td>94.0%</td>
<td>10 of 13</td>
</tr>
<tr>
<td>Western Oregon University</td>
<td>96.2%</td>
<td>7 of 13</td>
</tr>
<tr>
<td>Oregon Institute of Technology</td>
<td>97.3%</td>
<td>5 of 12</td>
</tr>
</tbody>
</table>

**Description:**
The Faculty Recruitment and Retention package would bring OUS faculty to the average compensation levels of their peers over a six-year period, phasing in salary increases from 2005-07 through 2010-11. To meet the target, faculty compensation would have to increase by 2.2 percent annually in addition to normal cost of living increases.

The estimates for compensation increases were developed using the OUS Faculty Compensation Goal Setting Model, which analyzes the gap in compensation with peers.
at each institution and calculates the additional amounts needed to bring OUS faculty to the peer average. Staff also surveyed differences in cost of living among large OUS institutions and their peers and found that, in general, the cost of living was slightly higher in Portland, Corvallis, and Eugene than the average costs in the cities of peer institutions.

**Expected Outcomes:**
- Increased ability to attract and retain top faculty
- Increases in grants and research dollars generated by faculty

**Performance Indicators:**
- Quality – Excellent Faculty: Average faculty compensation as a proportion of average faculty compensation at benchmarking institutions.
- Quality – R & D: Average R & D spending per faculty compared with average salary per faculty at doctoral-granting institutions

**Budget Outline:** Faculty Salary and OPE Costs
2005-06  $10,800,000
2006-07  $22,000,000

2005-2007 Request  $32,800,000 General Fund

Future Increases:
2007-08  $33,200,000  2009-10  $55,500,000
2008-09  $44,400,000  2010-11  $66,700,000
## 2003-04 Average Faculty Total Compensation at Peer Universities

### Weighted Distribution of Faculty by Rank*

(Dollars in thousands)

<table>
<thead>
<tr>
<th>Institution</th>
<th>State</th>
<th>Prof</th>
<th>Assoc</th>
<th>Asst</th>
<th>Instr</th>
<th>All</th>
<th>Ranks</th>
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Weighted Average (without OUS universities)  

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<td>100.3%</td>
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* Faculty distribution for each university is standardized to 35% professors, 30% associate professors, 30% assistant professors, and 5% instructors.
## 2003-04 Average Faculty Total Compensation at Peer Universities
### Weighted Distribution of Faculty by Rank*
(Dollars in thousands)

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<tr>
<th>Institution</th>
<th>State</th>
<th>Prof</th>
<th>Assoc</th>
<th>Asst</th>
<th>Instr</th>
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<td>65.7</td>
<td>-</td>
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</table>

Weighted Average (without OUS universities) 87.0 70.8 59.3 47.5 71.9

Eastern Oregon University % of average 82.1% 90.1% 92.2% 94.4% 87.4%
Southern Oregon University % of average 91.3% 93.2% 98.6% 101.2% 94.0%
Western Oregon University % of average 93.2% 97.4% 98.6% 106.0% 96.2%

## 2003-04 Average Faculty Total Compensation at Peer Universities on OIT List
(Dollars in thousands)

<table>
<thead>
<tr>
<th>Institution</th>
<th>State</th>
<th>Prof</th>
<th>Assoc</th>
<th>Asst</th>
<th>Instr</th>
<th>All Ranks</th>
</tr>
</thead>
<tbody>
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</tr>
<tr>
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Weighted Average (without OIT) 86.7 71.2 61.0 48.0 72.4
Oregon Institute of Technology % of average 91.8% 98.4% 102.0% 121.3% 97.3%
Policy Package

Title: Student Enrollment Growth - $14.7 million GF; $17.7 million Other Funds

Policy Initiative: Access and Academic Excellence

Description:
The Oregon University System has experienced rapid enrollment growth over the past ten years due to 1) demographic and economic changes, 2) efforts to recruit more Oregon high school graduates, and 3) concentration on improving student retention. At the same time, state funding has declined dramatically, resulting in sharp increases in tuition, increasing class sizes, and fewer services for students.

This policy package is necessary to help to mitigate additional tuition increases and to preserve access to higher education for Oregon’s residents. This package would also help to diminish, but not end, the continuing erosion of state resources, course offerings, and infrastructure. The funding is important to maintaining a reasonable array of class offerings and student services and preventing further increases in student-faculty ratios. The ratio of students to full-time faculty at OUS institutions ranked among the highest of their peers in 2000-01 and has increased significantly since then, from 24.3 percent in fall 2000 to 27.9 percent in fall 2003.

An increase of 2,810 FTE fundable students is projected for 2005-2007 above the enrollment for the current biennium. The policy package request is based on the current state General Fund contribution per student, which is 54.9 percent of the peer median funding level as calculated by the Resource Allocation Model. If this request were based on 100 percent of the peer median funding level, the amount of the request for the enrollment growth would be $26.8 million. If the state were to provide 100 percent of the peer median funding for all fundable OUS students, the additional General Fund revenue required would be $370.9 million for the 2005-2007 biennium.

Expected Outcomes:
- Maintain access to the OUS for qualified Oregonians
- Maintain and improve graduate rates

Performance Indicators:
- Access - Percentage of first-time freshmen enrolling from Oregon high schools the fall following graduation
- Quality - Student Success: First-time full-time students completing a bachelor's degree

Budget Outline:
Funding for 2,810 additional fundable FTE: $14,700,000 General Fund

Limitation for 2,873 total additional FTE: $17,700,000 Other Funds Limited
**Policy Package**

**Title:** Retaining Top Students in Oregon – $ 2.5 million

**Policy Initiative:** Academic Excellence and Economic Development.

**Description:** The principal goal of this proposal is to retain top students in Oregon by expanding Honors programs throughout the Oregon University System. Honors opportunities leverage intellectual capital by appealing to the most competent and motivated students graduating from Oregon’s 268 high schools. These students characteristically seek out challenging intellectual experiences that provide active, participatory learning experiences. The fact that applications exceed capacity for all Honors programs by several-fold is ample testimony of the momentum and reputation of these Honors opportunities. UO’s Clark Honors College is already one of 38 named Honors colleges in the country and OSU’s University Honors College is one of only a dozen degree granting Honors colleges. EOU’s Honors program is among the newest in the System and functions as an effective retention tool for their most ambitious students. The best way to keep top-students in-state and contributing to the state’s economy is to attract them to an OUS institution in the first place; unfortunately, too many high ability high school students currently leave Oregon to pursue their educations.

Honors colleges/programs serve our state’s highest achieving undergraduates by offering challenging courses with limited enrollment, taught by outstanding professors. Current Honors enrollments are UO 600, OSU 500, PSU 200, and EOU 55. UO and OSU’s honors programs are well established and successful, routinely attracting applicants with credentials comparable to those enrolling at the top ten universities in the country. An increase at each institution of approximately 50 students in 2005-06, and an additional 50 in 2006-07, will enable Oregon to keep more of its brightest young people within the state, not only for college but also for their careers. The Honors programs at the regional campuses and at OIT also draw motivated students with impressive academic credentials.

Considerable demand and substantial opportunity for quality growth exists and has been documented. Honors education depends upon the maintenance of high standards, thus the proposal to grow is predicated on the availability of attractive student financial aid packages. This proposal focuses on recruitment personnel to encourage applications from the large pool of qualified students who do not now consider honors programs and to increase yield among admitted students. Recruitment specialists will also facilitate outreach strategies to middle schools, high schools, and underrepresented student groups and geographical locations. Additional funds are requested to provide instructional capacity and to maintain student-faculty ratios in the face of growth.

Affordability of an OUS honors education continues to be a major appeal for all Oregon families seeking access to quality educational opportunities. OSU Honors, for instance,
report applications/admissions from 30 of Oregon’s 36 counties over the past three years while 18 percent of the 2004 entering cohort is from underrepresented minorities.

Honors opportunities throughout the OUS offer greater investment returns than those of their institutions-at-large. Among the performance indicators of note are that persistence to second year attendance in Honors is far greater than for the host institutions (e.g., 93 percent of OSU’s first-year Honors students return for their second year vs. institution average of 81 percent; EOU’s Honors students return at a rate over 90 percent). Also, both five and six year graduation rates for OSU and UO students who initially enroll in Honors programs run 20 or more points higher than institutional averages (80 percent vs. 60 percent). According to information provided by EOU, small-college Honors programs typically have an institutional graduation rate of approximately 92 percent nationwide.

**Expected Outcomes:** The most immediate effect of increased capacity in OUS Honors colleges/programs is to magnify the impact of existing patterns. As pointed out above, Honors students are more likely to complete degree programs than other students and they do so more efficiently. More high-achieving young Oregonians will remain in state if Honors capacity is available and attractive, adding to our corps of leadership talent. At least half of our current in-state Oregon Honors students would have left the state for college had it not been for Honors programs.

It is important to note that Honors students do not derive only from privileged backgrounds. To illustrate: At OSU, 41 percent of Honors students are receiving $1,000 or more of need-based financial aid. Provision of competitive financial aid packages is an important prerequisite for quality-growth.

Honors education produces a substantial economic dividend for the state. This dividend is realized in the form of increased individual earnings by students who enter Honors programs. This dividend flows from three facts: first, honors students graduate at rates well above institutional averages; second, honors graduates are far more likely to seek advanced degrees (70 percent of UO Honors graduates seek advanced degrees vs. 16 percent of all UO graduates; EOU sends two-thirds of its Honors graduates for additional education); and third, education level is directly related to income.

Viewed over a lifetime of employment, an individual with some college has expected earnings exceeding those of a high school graduate by more than $180,000, in 1999 dollars. A Bachelor's degree confers an additional $440,000 in expected lifetime earnings and an advanced degree leads to a further increase of $400,000.

In addition to creating greater prosperity for Oregon, such alumni also make greater tax payments to the Oregon Treasury. For instance, UO Honors graduates will contribute 26 percent more in income tax payments during their working lives than their non-honors counterparts.
Honors expansion can also draw bright students from other states, who then are more likely to remain Oregon residents. Both UO and OSU report that 45 percent of out-of-state Honors students remained as Oregon residents after graduation, and studies of other states indicate that high-ability students are more likely than others to work in their home states after graduation if they attend a home-state university.

Many Honors students complete our programs to then attend graduate programs out of state, but many return to work; our ability to attract new Oregonians through Honors programs helps compensate for this aspect of the brain drain. Bear in mind that these are students who will attend the best graduate programs whether they graduate from OUS schools or from Stanford and Colorado—data indicate that top students are more likely to seek work in the states where they attended college.¹ So part of our job is to keep Oregon in their minds as undergraduates.

Expanding Honors addresses other key elements of concern to Oregon State Board of Higher Education. The presence of Honors-caliber students enhances the intellectual climate for students and faculty alike. Honors programs attract a diverse student body that has a tangible impact on Systemwide performance indicators. With expansion, Honors outreach can engage students earlier, enhancing contact with underrepresented student groups and geographic locations across the state. Honors opportunities create a close linkage between discovery and dissemination that engages students in the process of discovery, spurs faculty productivity and hones critical thinking skills. Removal of just half of the Honors cohort would erode retention and graduation rates of OUS institutions as Honors students have lower attrition, greater graduation rates, and leave campus prepared to assume positions of leadership in Oregon’s workforce.

OIT will create an Honors College for students who are involved in undergraduate research with the Oregon Renewable Energy Center. This will include participation in a required research seminar and preparation and presentation of research findings in an annual OREC Undergraduate Research Conference.

Southern Oregon University is presently engaged in a significant expansion of its distinguished Churchill Honors Program, directly addressing concerns about keeping more of Oregon’s top students in the state and strengthening their educational achievements. SOU’s new direction in Honors rests on considerable research about both innovation on other campuses nationwide and the specific characteristics of SOU students.

WOU will offer a set of writing intensive, low enrollment, discussion format courses, open only to Honors Program students, that completely satisfy the Honors student’s general education requirements. The second element of the program is a thesis requirement.

Performance Indicators:
Honors programs will increase the number of bright young Oregonians who seek their educations (and their futures) in Oregon.

- Expanded Honors programs will increase degrees awarded and graduation rates at OUS institutions;
- Expanded Honors recruiting will promote minority participation and campus diversity;
- Expanded Honors programs will improve freshman persistence to second year at OUS institutions;
- Over 50 percent of our students will work in Oregon at year 5 after graduation.
- 20 percent of students will be underrepresented minorities within 5 years.
- Over 80 percent of Oregon counties will be represented among Honors students within 5 years.
Budget Outline:

**Budget Proposal: University of Oregon Robert D. Clark Honors College Expansion**
(Based on 50 more students each year for the next four years, 05-6, 06-7, 07-8, 08-9)

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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building and office renovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Library expansion</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office equipment &amp; furniture</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td>$26,000</td>
<td>$5,000</td>
<td>$8,000</td>
</tr>
<tr>
<td><strong>Grand Total Each Fiscal Year</strong></td>
<td></td>
<td>$413,143</td>
<td>$380,643</td>
<td>$454,233</td>
</tr>
<tr>
<td><strong>Grand Total each Biennium</strong></td>
<td></td>
<td>$793,786</td>
<td>$979,465</td>
<td></td>
</tr>
</tbody>
</table>

**Budget Proposal: Oregon State University Honors College**
Expansion by 200 students over four year predicated on the availability of financial aid/tuition remissions to facilitate competitive recruitment.

<table>
<thead>
<tr>
<th>Direct Student Expenditures</th>
<th>FY 05-6</th>
<th>FY 06-7</th>
<th>FY 07-8</th>
<th>FY 08-9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate Teaching Assistantships (a)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thesis/Study Abroad Stipend (b)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Cost of Additional Coursework</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visiting Faculty</td>
<td>1.3</td>
<td>80,000</td>
<td>80,000</td>
<td>80,000</td>
</tr>
</tbody>
</table>

---

Oregon State Board of Higher Education
FBAPRE Committee
Page 29
ACTION ITEMS
### Total Direct Student Expenditures

<table>
<thead>
<tr>
<th></th>
<th>FY 04-05</th>
<th>FY 05-06</th>
<th>FY 06-07</th>
<th>FY 07-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPE</td>
<td>32,850</td>
<td>32,850</td>
<td>32,850</td>
<td>32,850</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>194,725</td>
<td>246,600</td>
<td>331,600</td>
<td>411,600</td>
</tr>
</tbody>
</table>

### Infrastructure Expenditures

<table>
<thead>
<tr>
<th>Position</th>
<th>FY 04-05</th>
<th>FY 05-06</th>
<th>FY 06-07</th>
<th>FY 07-08</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Salaries and OPE</strong></td>
<td>66,516</td>
<td>66,966</td>
<td>70,305</td>
<td>70,778</td>
</tr>
<tr>
<td><strong>Travel</strong></td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>Office Specialist 1</strong></td>
<td>41,236</td>
<td>41,486</td>
<td>43,341</td>
<td>43,604</td>
</tr>
<tr>
<td><strong>Fellowship Co-coordinator (f)</strong></td>
<td>66,516</td>
<td>66,966</td>
<td>70,305</td>
<td>70,778</td>
</tr>
<tr>
<td><strong>Office Space (g)</strong></td>
<td>56,250</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Infrastructure Expenditures**

<table>
<thead>
<tr>
<th></th>
<th>FY 04-05</th>
<th>FY 05-06</th>
<th>FY 06-07</th>
<th>FY 07-08</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>240,518</td>
<td>185,418</td>
<td>193,951</td>
<td>195,159</td>
</tr>
</tbody>
</table>

### TOTAL COSTS OF EXPANSION

<table>
<thead>
<tr>
<th></th>
<th>FY 04-05</th>
<th>FY 05-06</th>
<th>FY 06-07</th>
<th>FY 07-08</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>$435,243</td>
<td>$432,018</td>
<td>$525,551</td>
<td>$606,759</td>
</tr>
</tbody>
</table>

### Biennium Budget

<table>
<thead>
<tr>
<th></th>
<th>FY 05-07</th>
<th>FY 06-07</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>$867,261</td>
<td>$1,132,310</td>
</tr>
</tbody>
</table>

---

**Budget Proposal: Portland State University Honors Program Expansion**

(Based on 50 more students each year for the next four years, 05-7 to 08-9)

<table>
<thead>
<tr>
<th>Added Positions</th>
<th>FY 05-6</th>
<th>FY 06-7</th>
<th>FY 06-7</th>
<th>FY 06-7</th>
</tr>
</thead>
<tbody>
<tr>
<td>New faculty (one more each two years)</td>
<td>70,090</td>
<td>70,090</td>
<td>140,179</td>
<td>140,179</td>
</tr>
<tr>
<td>Internship Coordinator</td>
<td>40,886</td>
<td>40,886</td>
<td>40,886</td>
<td>40,886</td>
</tr>
<tr>
<td>Recruitment Specialist</td>
<td>70,090</td>
<td>70,090</td>
<td>70,090</td>
<td>70,090</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>181,066</td>
<td>181,066</td>
<td>251,155</td>
<td>251,155</td>
</tr>
</tbody>
</table>

**Services and Supplies (S&S)**

<table>
<thead>
<tr>
<th></th>
<th>FY 06-07</th>
<th>FY 06-7</th>
<th>FY 06-7</th>
<th>FY 06-7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty fellowships</td>
<td>5,000</td>
<td>5,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Travel cost for recruiting</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>10,000</td>
<td>15,000</td>
<td>20,000</td>
<td>20,000</td>
</tr>
</tbody>
</table>

**Grand Total Each Fiscal Year**

<table>
<thead>
<tr>
<th></th>
<th>FY 05-6</th>
<th>FY 06-7</th>
<th>FY 06-7</th>
<th>FY 06-7</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Grand Total</strong></td>
<td>191,066</td>
<td>196,066</td>
<td>271,155</td>
<td>271,155</td>
</tr>
</tbody>
</table>

**Grand Total each Biennium**

<table>
<thead>
<tr>
<th></th>
<th>FY 05-07</th>
<th>FY 06-07</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Grand Total</strong></td>
<td>387,131</td>
<td>542,310</td>
</tr>
</tbody>
</table>
Budget Proposal: OUS Regional Universities Honors Program Expansion
(Based on 50 more students each year for the next four years, 05-6, 06-7, 07-8, 08-9)

<table>
<thead>
<tr>
<th></th>
<th>FY 05-6</th>
<th>FY 06-7</th>
<th>FY 07-8</th>
<th>FY 08-9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Honors Program</td>
<td>$167,000</td>
<td>$334,000</td>
<td>$400,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>Grand Total each Biennium</td>
<td>$501,000</td>
<td>$900,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


TOTAL OUS POLICY PACKAGE REQUEST $2,549,178 $3,554,085

Policy Package

Title: Connecting Higher Education to a Statewide Student Service System – $2.8 mil.

Policy Initiative: Excellence in Delivery and Productivity (More, Better, Faster)

Description: A K-16 data system has been identified nationally (see NGA recommendation) as a critical component to a comprehensive student educational system. The K-12 system is under development and this concept would facilitate the electronic transfer of K-12 student transcripts to OUS institutions and community colleges admissions offices. The project would be pursued in two concurrent phases. Each would create a self-reliant benefit to students that could be easily linked to provide even greater statewide impact. One part is to create the data links that enable student data to be transferred between schools (K-12 and post-secondary). The second part is the creation of a statewide web-based course articulation service that would enable students to determine how courses taken at one college or university could be transferred to another. The projects will create greater efficiency in admissions processing and student course placement while also leading to improved secondary school performance by providing meaningful student-performance feedback to high schools. This will also empower students and their parents to become more informed about preparation for college.

Expected Outcomes:
- Increased number of Bachelor degree recipients;
- Increased number of high school students taking advanced courses leading to increased college enrollments;
- Shortened time to degree resulting in lower average student debt (or in presence of continued tuition increases, a slowing in the rate of student debt growth);
• Increased transfer student activity between OUS and community colleges; and
• Increased number of students enrolling in postsecondary education in Oregon.

**Performance Indicators:**
- Freshmen to Sophomore Persistence
- Graduation Rates
- Student Debt Ratio

**Budget Outline:**
New staffing: 1 limited duration professional staff position for 24 months
1 FTE @ $159,000 (included below in Project Planning and Management)

<table>
<thead>
<tr>
<th>K-16 Data System Budget</th>
<th>OUS Institutions</th>
<th>CO/ITS/IR</th>
<th>Total OUS</th>
<th>Community Colleges*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Planning and Management</td>
<td>69,400</td>
<td>337,000</td>
<td>406,400</td>
<td>82,200</td>
</tr>
<tr>
<td>Build Infrastructure for Transcript</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transmission</td>
<td>48,000</td>
<td>485,000</td>
<td>533,000</td>
<td>200,500</td>
</tr>
<tr>
<td>Upgrading Reports to CC and K-12</td>
<td>0</td>
<td>400,000</td>
<td>400,000</td>
<td>278,000</td>
</tr>
<tr>
<td>Creating Web Documentation</td>
<td>20,400</td>
<td>215,200</td>
<td>235,600</td>
<td>94,000</td>
</tr>
<tr>
<td>Evaluation</td>
<td>39,500</td>
<td>261,500</td>
<td>301,000</td>
<td>62,500</td>
</tr>
<tr>
<td>Total (Assumes continued OUS IT support)</td>
<td>177,300</td>
<td>1,698,700</td>
<td>1,876,000</td>
<td>717,200</td>
</tr>
</tbody>
</table>

* not requested as part of OUS Policy Option Package. However, CCWD will submit their own request to be linked with this and K-12’s student data linkage requests.

The purpose of this package is to create a standard student record format that can be used to move student information in an electronic format from one district system to another. This record set will be consistent with that being developed for the College Student Admission Profile (CSAP) to move student information electronically from K-12 entities to community colleges and universities.

This system will provide consistent, comparable, and timely information on individual students relative to demographics, courses taken, programs, assessment results, etc. This individual student information will inform instruction, address the needs of the mobile student population, and increase the movement towards a common operation or student information system between districts.

The budget developed is based upon the sustained technical and software license support from the OUS/OSU IT division. Without that level of support it is projected that the total cost of the project would increase by $3.0 million.

**Statewide Web-based Articulation Service**
The ARTSYS® program was developed in Maryland for statewide use and is scheduled for implementation in New Jersey and Pennsylvania. It offers more services to students than the CAS® system developed in Ohio by adding information on academic majors offered at all participating schools through the use of search engine. ARTSYS® is a
A database that is built upon current course articulation agreements between colleges and universities that are available locally and in many cases in paper form only. The cost of the system is a one-time purchase of $760,000 and an annual site license of $76,000. This would cover all community colleges and OUS campuses. More information on ARTSYS® can be found at www. http://www.umuc.edu/studserv/ugp_ss/artsys.html

Purchase software (including training by ARTSYS): $760,000
Annual site license (2006) 76,000
Student employees to enter articulation data 50,000
Meetings for campus trainings 24,000
Total: $910,000

Total Policy Package Request: $2,786,000

**Policy Package**

**Title:** Engineering & Technology Investment Proposal – Growing Opportunity in Oregon – $22.1 million G.F. ($13.85 million Capital Funding)

**Policy Initiative(s):** Creating Economic Opportunity in Oregon, Building Quality Academic Program, Providing Access to College Education, Managing for Cost Effectiveness (ED: R&D)

**Description:** This proposal builds on a partnership between the seven OUS campus and OHSU/OGI that goes back to July 1997 with the passage of SB 504. It continues the ETIC capacity and excellence strategy at the same time it focuses new investment on key economic opportunities that will provide quality jobs for Oregonians and help keep Oregon’s technical talent in Oregon. It requires no new legislation.

**Expected Outcomes:**

- Additional faculty and facilities need to give economic leverage, improve national rankings, and double the number of work-ready graduates in Oregon.
- Increased quality and diversity (ethnic, geographic, gender) of students while increasing community college collaboration and removing barriers.
- A new method to quickly form industry-academic partnerships to mold and adapt global markets for Oregon economic advantage.
- Investments in areas with maximum economic impact:
  - Analog and Mixed Signal
  - Biomedical Engineering & Digital Hospital
  - Computer Science & Information Technology
  - Infrastructure / Transportation
  - ONAMI / Nanoscience / Material Science
  - OREC, Environmental Systems
  - Pre-engineering / Community College
Performance Indicators:
• Degrees in Shortages Areas (#6)
• R&D (#10)
• Graduate Success (#8)
• Internships (#12)
• New Undergraduate Enrollment (#2)
• Total Credit Enrollment (#1)

Additional metrics:
• Student credit hours in target programs
• Undergraduate
• Graduate
• Average SAT/ACT percentile of freshmen
• Average GRE percentile of graduate students
• Women graduating
• Minorities graduating
• Licensing

Budget Outline:
This proposal would create 34.6 new faculty FTE including 4.0 at OHSU/OGI. The total operational outlay is $43.0 million – a $22.1 million increase over the current biennium. This increase allows Oregon to exploit the opportunities described above, dramatically enhancing its ability to provide high quality jobs for Oregonians. The proposed capital outlay is $13.85 million. In addition, we forecast $65.6 million in private support
associated with the operational outlays and $28.2 million associated with the capital outlays. Table 1 provides a breakdown by campus.
Table 1

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State Funds ($M)</td>
<td>Private Support ($M)</td>
<td>Support Ratio</td>
<td>State Funds ($M)</td>
<td>Private Support ($M)</td>
</tr>
<tr>
<td>4/21/2004</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EOU</td>
<td>0.25</td>
<td>0.08</td>
<td>0.30</td>
<td>0.35</td>
<td>0.13</td>
</tr>
<tr>
<td>OGI</td>
<td>2.60</td>
<td>4.00</td>
<td>1.54</td>
<td>2.60</td>
<td>4.23</td>
</tr>
<tr>
<td>OIT</td>
<td>1.08</td>
<td>0.97</td>
<td>0.90</td>
<td>1.04</td>
<td>0.44</td>
</tr>
<tr>
<td>OSU</td>
<td>9.92</td>
<td>19.15</td>
<td>1.93</td>
<td>9.87</td>
<td>19.74</td>
</tr>
<tr>
<td>PSU</td>
<td>4.96</td>
<td>5.83</td>
<td>1.18</td>
<td>5.13</td>
<td>7.69</td>
</tr>
<tr>
<td>SOU</td>
<td>0.54</td>
<td>0.54</td>
<td>0.99</td>
<td>0.53</td>
<td>0.27</td>
</tr>
<tr>
<td>UO</td>
<td>1.80</td>
<td>4.24</td>
<td>2.36</td>
<td>1.05</td>
<td>1.76</td>
</tr>
<tr>
<td>WOU</td>
<td>0.25</td>
<td>0.08</td>
<td>0.30</td>
<td>0.25</td>
<td>0.13</td>
</tr>
<tr>
<td>Subtotal / Average</td>
<td>21.40</td>
<td>34.88</td>
<td>1.63</td>
<td>20.82</td>
<td>34.38</td>
</tr>
<tr>
<td>Other investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planning</td>
<td>0.00</td>
<td></td>
<td></td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Research Fund</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Pre-college RFP</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total</td>
<td>21.40</td>
<td>34.88</td>
<td>1.63</td>
<td>20.90</td>
<td>34.38</td>
</tr>
</tbody>
</table>
# 10 Percent Reduction Proposals

State statute requires agencies to submit 10 percent reduction proposals to the Department of Administrative Services with the agency request budget. The potential reductions listed below must be viewed in the context of the severe reductions that the OUS has suffered over the past two biennia with state support for the Education and General Program dropping by $83 million since 1999-2001.

If tuition rates are increased to offset General Fund reductions, then a $12 million reduction would require a 2.8 percent increase in tuition above the tuition rate increases required to fund the Essential Budget Level.

<table>
<thead>
<tr>
<th>Instruction</th>
<th>Eliminate 88 course sections and 67 FTE. Close satellite instructional facilities serving students in rural areas and reduce distance ed course development - $1.45 million. Reduce temporary staffing of $1.2 million. Eliminate faculty recruitment funds by $250,000.</th>
<th>(in millions) $12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student and Administrative Support</td>
<td>Reduce Student Services and Administrative Support, cutting 87 FTE. Reduce career services; eliminate new campus based financial aid; close two buildings; reduce library acquisitions, supplies, and equipment. Reduce Community College Partnership funding, recruiting, mailings, and outreach services. Defer classroom upgrades.</td>
<td>$12</td>
</tr>
<tr>
<td>Instruction</td>
<td>Eliminate 110 course sections per term and 85 FTE.</td>
<td>(in millions) $12</td>
</tr>
<tr>
<td>Student and Administrative Support</td>
<td>Reduce student services and administrative support, cutting 90 FTE. Delay minor building renovations for research labs. Defer maintenance projects, only correcting major safety issues. Service reductions may jeopardize accreditation and faculty development.</td>
<td>$12</td>
</tr>
<tr>
<td>Instruction</td>
<td>Eliminate 96 course sections per term and 74 FTE.</td>
<td>(in millions) $10.1</td>
</tr>
<tr>
<td>Education &amp; General</td>
<td>Total General Fund</td>
<td>$58.1</td>
</tr>
<tr>
<td>Education &amp; General</td>
<td>OUS equates a 10 percent reduction in OFL to the loss of approximately 9,340 FTE students who would be denied access.</td>
<td>$101.5</td>
</tr>
<tr>
<td>Education &amp; General</td>
<td>Total Other Funds Limited Revenue</td>
<td>$101.5</td>
</tr>
<tr>
<td>Agricultural Experiment Station</td>
<td>Ongoing reliance on part-time faculty as available in Agricultural &amp; Resource Economics, Animal Sciences, Bioengineering, Botany and Plant Pathology, Chemistry, Crop &amp; Soil Science, Fisheries &amp; Wildlife, Horticulture, Microbiology, and Environmental &amp; Molecular Toxicology programs would result in a decline of an additional 15 FTE beyond the 28 FTE lost to recent budget cuts.</td>
<td>$1.5</td>
</tr>
<tr>
<td>Department</td>
<td>Action Item</td>
<td>Cost</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Agricultural Experiment Station</td>
<td>The consolidation of two on-campus departments and two off-campus branch experiment stations would potentially eliminate 20-25 scientist FTE positions along with their support personnel and operating expenditures, resulting in severe damage to all the programs and bringing a number of them to a level where they will no longer be effective either in terms of service to stakeholders or in competing for federal grants.</td>
<td>$2.625</td>
</tr>
<tr>
<td>Agricultural Experiment Station</td>
<td>Total AES General Fund</td>
<td>$5.325</td>
</tr>
</tbody>
</table>
| Extension Service                | - Reduction in statewide staffing level by 16 FTE in FY 05/06 (loss of a single FTE may affect two or more faculty positions so this may equate to a head count of 20-25 individuals) will:  
  - result in loss of faculty having joint appointments among research, teaching, and Extension  
  - jeopardize retention of some existing outside funding  
  - reduce ability to attract other outside funding  
  - Reductions in the Agriculture & Forestry programs will have a negative impact on state economy, especially in rural Oregon.  
  - Reductions in family and community development programming will reduce educational opportunities.  
  - Reductions in the 4-H program will impair educational opportunities for youth.  
  - Reduction in the Sea Grant program will impact environmental issues such as watershed restoration.                                                                                                                                                      | $3.7   |
<p>| Forest Research Laboratory       | Reduce the number of Graduate Research Assistants performing studies on forest health, wildlife habitat, productivity, wood use, watersheds, and protection issues, affecting the ability to research issues in Oregon’s forests and watersheds. Elimination of 5 FTE.                                                                                                               | $.180  |
| Forest Research Laboratory       | Eliminate Information Technology positions in system security, database development, and web production, effecting safeguards from hackers and delays in analysis of data. Elimination of 2 FTE.                                                                                                                  | $.140  |
| Forest Research Laboratory       | Eliminate PhD level faculty researchers performing studies on forest health, wildlife habitat, productivity, watersheds, wood use, and protection issues. Elimination of 2 FTE.                                                                                                                                                       | $.203  |
| Forest Research Laboratory       | Total FRL General Fund                                                                                                                                                                                                                                                                                                                     | $.523  |</p>
<table>
<thead>
<tr>
<th>Statewide Public Service Programs</th>
<th>Total SWPS General Fund</th>
<th>$ 9.548</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Funds Nonlimited</td>
<td>Reduce grants and contracts funded by the Federal government and other outside sources of revenue</td>
<td>$ 93.8</td>
</tr>
<tr>
<td>Other Funds Nonlimited</td>
<td>Reduce the amount of housing and other services available to students.</td>
<td>$144.0</td>
</tr>
<tr>
<td>Other Funds Nonlimited</td>
<td>Total Other Funds Nonlimited</td>
<td>$237.8</td>
</tr>
</tbody>
</table>
Capital Construction Budget Request, 2005-2011

Executive Summary:
Each biennium, prior to the legislative session, the State Board of Higher Education submits a capital construction program to the Governor covering the ensuing three biennia. For the 2005-2007 period, a formally approved Capital Budget request is made. For the 2007-2009 and 2009-2011 periods only a forecast of needs is shown. The 2005-2007 capital budget request recommended to the Board for approval totals $1,106,354,000 for the seven OUS campuses and University Centers. The capital construction program, covering the entire six-year period 2005-2011, totals over $2.7 billion.

The Finance committee will be reviewing the capital request prior to the Board meeting and will develop recommendations based on a variety of factors including funding availability, project priority by campus and Systemwide, adherence to Board priorities, etc. A summary of the committee findings and recommendations will be sent in advance of the Board meeting to give each member an opportunity to fully review the docket information and the committee findings.

Staff Report to the Board:
Each biennium, prior to the legislative session, the State Board of Higher Education submits a capital program summary to the Governor covering the ensuing three biennia. For 2005-2007, a formal capital budget request is presented; for the outlying period 2007-2011, a forecast of needs is identified.

The 2005-2007 capital budget recommended to the Board for approval totals $1,106,354,000 for the seven OUS campuses and University Centers. Approximately 21 percent of the request pertains to projects related to capital repair, code needs, and renovation. Fifty-four percent are related to Education and General projects that directly provide facilities for instruction, research, and service missions of the System. The remaining 25 percent is for projects carried out by Auxiliaries, including Student Facilities funded by the student building fee.

A supplement to the recommendation has been prepared under separate cover and provides details of the requests by biennium, including information on the major issues, a summary of the outstanding and forecasted Article XI-F(1) bonds and Article XI-G bonds, funding for deferred maintenance, and an enumeration of proposed Certificates of Participation. Lists of exhibits and tables provide further detail.

Staff Recommendation to the Board:
Staff recommends that the Board authorize the Senior Vice Chancellor for Finance and Administration to prepare and submit to the Department of Administrative Services a proposed 2005-2011 Capital Construction Program in accordance with this docket item and the supplemental materials included herein. Further, it is recommended that staff be authorized by the Board to apply for the necessary grants and seek the necessary bonding authority and Certificates of Participation authorizations to effect the projects.
and purchase the equipment and systems described in this docket item for the 2005-2007 biennium. In addition, staff recommends that the Senior Vice Chancellor for Finance and Administration be authorized to make any technical adjustments required to the program during the ensuing period prior to the legislative session.

(Board action required.)
Managerial Reporting – Quarterly Management Reports

The quarterly reports noted below focus on current unrestricted funds (including budgeted operations of the Education and General, and Statewide Public Service Programs; designated operations; service departments; clearing funds; and auxiliary enterprises).

- Comparison of Current Projections to Initial Budget
- Comparison of Year to Date Financial Activity to Prior Year
- Tracking of Monthly Cash Balances

The reports contain data from unaudited accounting records and include a review of OUS operations as of March 31, 2004.

OUS universities are responsible for monitoring their financial activity. The Controller’s Division requested university management 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 OUS-wide reports.

After reviewing the series of current unrestricted funds reports received from each university, we noted the following:

Comparison of Current Projections to Initial Budget:
This report compares the fiscal year-end projections, as of March 31, to the FY 2003-04 operating budget approved by the Board in October 2003. We noted the following:

Education and General (E&G)

The initial budget approved by the Board expected $815 million in revenues and $831 million in expenditures. The $16 million of excess expenditures over revenues was to be funded through $14 million of fund balances and $2 million in COP proceeds. As of March 31, projected revenues are $23 million less than expected, and projected expenditures are $54 million less than expected. If projections are accurate, the E&G fund balance at the end of the fiscal year will increase by $15 million, which is $31 million more than budgeted.

The reduction in expected revenues results primarily from revisions to the E&G “Other Revenue” forecast. Other revenue forecasts provided by each university were based on the information available at the beginning of the fiscal year. Revisions to other revenue forecasts include reducing OSU’s other revenue estimate by $15 million, and the effects of moving self-sustaining programs from the E&G funds to designated operation funds. An example includes the AHA International program that merged with UO on July 1, 2003. This program, with March 31 fiscal year to date revenues of $5.5 million, was
originally included in the E&G Other Revenues, but was subsequently moved to designated operations.

The reduced “other revenues” for the E&G program are partially offset by a $3 million increase in indirect cost recoveries as a result of higher than expected Federal grant and contract activity and slightly higher student tuition and fee revenues of $2 million.

Reduced expenditure projections are attributable to:

- The hesitancy of university departments to fully expend budgets in light of funding uncertainties that existed at the beginning of the fiscal year, especially the uncertainty of the passage or non-passage of ballot measure 30.
- The $15 million reduction in projected expenditures as a result of the $15 million reduction in the OSU other revenue estimate.
- Programs originally reported in E&G that are now part of designated operations.
- The timing of the debt repayment relating to the pension obligation bond funding of PERS costs.

Other variances in revenue and expenditure projections are attributable to information that was not known (e.g., actual enrollments) at the time that the initial budget was prepared for the Board.

**Designated Operations**

Designated operations are self-sustaining student activities ancillary to the budgeted operations for instruction. Common examples include monies received and spent for fieldtrips, non-credit conferences, workshops and seminars, and international education. The total initial budget approved by the Board for all designated operations expected $30 million in revenues and $30 million in expenditures.

Current projections are approximately $41 million in revenues and $40 million in expenditures. The increases result primarily from programs (such as AHA International) originally included in the E&G budget that were considered self-sustaining and therefore moved to designated operations. The designated operations are projected to have a $1 million operating surplus by June 30, 2004.

**Service Departments**

Service departments, such as printing and motor pool, are internal service centers that charge university departments for their service. Service departments are expected to be self-supporting. The initial budget projected total internal service revenues and expenditures to be approximately $46 million. Due to less than expected use of internal service departments by the universities, consistent with conservative spending seen in other types of expenditures, current projections are that service department revenues for the year will be $40 million and expenditures for the year will be $41 million with a $1 million operating deficit as of June 30, 2004.
Clearing Funds

Clearing funds are used to more efficiently process certain cash receipts and expenditures, and to distribute the revenues and expenditures to the appropriate funds at a later date. The net result by the end of the fiscal year is that all revenues and expenditures are “cleared” from the clearing funds by recording the transaction in the appropriate fund.

Auxiliary Enterprises

Auxiliary enterprises are self-funded and self-supporting activities that are not directly related to instruction. Examples include Housing, Intercollegiate Athletics, Parking, Health Service, Student Unions, etc. The budget approved by the Board contained revenue and expenditure forecasts of $253 million. Current information adjusts projected revenues to $248 million and projected expenditures to $246 million. This results in a $2 million projected operating surplus by June 30. The primary reasons for the reduction in forecasted revenues and expenditures, mainly attributed to UO, are (1) fewer than expected students utilizing student housing and (2) decreased revenue from post season activity in football.

Beginning Fund Balance Adjustments

The beginning fund balance adjustments reflect the recording in our accounting records of the cumulative effect of the change in accounting principle in the FY2003 audited financial statements; specifically, the capitalization and depreciation of capital assets of auxiliary enterprises.

The beginning fund balance of current unrestricted funds includes E&G, Designated Operations, Service Departments, Clearing Funds, and Auxiliary Enterprises. Reports from UO included the correction of an error in the classification and reporting of monies generated through administrative overhead charges against self-supporting units within the UO. These monies were recorded within a separate fund in the Auxiliary Enterprise fund group but should have been recorded within the Education and General fund group. The adjustment for the prior year effect was an increase to the beginning fund balance in the Education and General fund group and a reduction of the beginning fund balance in the Auxiliary Enterprise fund group of $8.7 million. Current year activity was also adjusted to reflect the proper classification within the Education and General funds. A detailed analysis of this activity from its inception through the current year is underway and is to be completed in early July. It is not expected that this analysis will have a material effect on the amounts adjusted. Because the fund balances from these two fund groups are combined in this report, the adjustment did not affect the amounts presented.
Comparison of Year to Date Financial Activity to Prior Year:
This report compares the actual revenues and expenditures through March 31 of this fiscal year to the same period in the prior fiscal year. Significant differences between the two years were attributable to:

1) The financial activity (e.g., revenue recognition or payment of expenditures) may be recorded at a different time this year compared to last year (timing differences).
2) The accounting for revenues and expenditures of a program may be different than the prior year (accounting changes).
3) The actual revenues and expenditures changed compared to last year.

Changes in the amount of revenues and expenditures from last year that appear significant include:

Education and General

Government appropriations received by universities through March 31, 2004, were 16 percent, or $48 million, less compared to the same period one year ago. This decrease relates to $20 million in permanent appropriation reductions and $28 million in allocation timing differences that will reverse in the last quarter of the fiscal year. Appropriation decreases were mostly offset by (1) the 12 percent, or $42 million, increase in student tuition and fee revenues, and (2) higher indirect cost recoveries of $4 million due to increased Federal grant and contract activity. Wages and benefits remained flat as temporary PERS savings were offset by increased benefit costs.

Designated Operations

Increases in both revenues and expenditures are due to the movement of self-sustaining activities from the E&G program to designated operations.

Service Departments

No significant increases or decreases

Clearing Funds

No significant increases or decreases

Auxiliary Enterprises

The increased revenues compared to the same period last year mainly reflect (1) a change in the accrual method of NCAA revenue for interim reporting of PAC-10 television revenues earned but not yet paid to OSU Athletics, and (2) the inclusion of
housing management revenue for PSU which had been managed by an external party in previous years.

*Tracking of Monthly Cash Balances*: This report is used to monitor the cash balances of the current unrestricted fund groups on a monthly basis. The cash balances at March 31, 2004, were comparable to prior months and to the same periods in prior years.

*Conclusions*: Based on our analysis of the reports provided by the universities, we conclude that the fiscal status of OUS current unrestricted funds at March 31, 2004, is stable.

*Staff Recommendation to the Board*: Staff recommends that the Board accept the above management reports for March 31, 2004. The next series of management reports will be prepared for the quarter ending June 30, 2004, and will be presented to the Board in September 2004.

(Board action required.)
Oregon University System
Comparison of Current Projections to Initial Budget
Current Unrestricted Funds
March 31, 2004
(in thousands, except percentages)

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Initial Budget</th>
<th>Current Projections</th>
<th>Variance ($)</th>
<th>Variance (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Approved by the Board</td>
<td>for 12 Months Ending June 30, 2004 as of March 31, 2004</td>
<td>Column 2 less Column 1</td>
<td>Column 3 divided By Column 1</td>
</tr>
<tr>
<td>Educational and General</td>
<td>815,087</td>
<td>791,987</td>
<td>(23,100)</td>
<td>-3%</td>
</tr>
<tr>
<td>Government Appropriations</td>
<td>322,285</td>
<td>321,213</td>
<td>(1,072)</td>
<td>0%</td>
</tr>
<tr>
<td>Student Tuition and Fees</td>
<td>389,460</td>
<td>391,630</td>
<td>2,170</td>
<td>1%</td>
</tr>
<tr>
<td>Indirect Cost Recovery</td>
<td>38,764</td>
<td>41,786</td>
<td>3,022</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>64,578</td>
<td>37,358</td>
<td>(27,220)</td>
<td>-42%</td>
</tr>
<tr>
<td>Designated Operations</td>
<td>29,577</td>
<td>41,250</td>
<td>11,673</td>
<td>39%</td>
</tr>
<tr>
<td>Service Departments</td>
<td>46,339</td>
<td>39,628</td>
<td>6,711</td>
<td>-14%</td>
</tr>
<tr>
<td>Clearing Funds</td>
<td>-</td>
<td>6</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>252,869</td>
<td>247,991</td>
<td>(4,878)</td>
<td>-2%</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>1,143,872</td>
<td>1,120,862</td>
<td>(23,010)</td>
<td>-2%</td>
</tr>
</tbody>
</table>

Less: Expenditures and Transfers Out, Net

<table>
<thead>
<tr>
<th>Expenditures and Transfers Out, Net</th>
<th>Initial Budget</th>
<th>Current Projections</th>
<th>Variance ($)</th>
<th>Variance (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational and General</td>
<td>(831,437)</td>
<td>(777,356)</td>
<td>54,081</td>
<td>7%</td>
</tr>
<tr>
<td>Designated Operations</td>
<td>(29,577)</td>
<td>(40,319)</td>
<td>(10,742)</td>
<td>-36%</td>
</tr>
<tr>
<td>Service Departments</td>
<td>(46,339)</td>
<td>(41,464)</td>
<td>4,875</td>
<td>11%</td>
</tr>
<tr>
<td>Clearing Funds</td>
<td>-</td>
<td>(11)</td>
<td>(11)</td>
<td></td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>(252,869)</td>
<td>(246,005)</td>
<td>6,864</td>
<td>3%</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>(1,160,222)</td>
<td>(1,105,155)</td>
<td>55,067</td>
<td>5%</td>
</tr>
</tbody>
</table>

Net Operating Surplus (Deficit)

<table>
<thead>
<tr>
<th>Net Operating Surplus (Deficit)</th>
<th>Initial Budget</th>
<th>Current Projections</th>
<th>Variance ($)</th>
<th>Variance (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Additions/(Deductions)</td>
<td>-</td>
<td>340</td>
<td>340</td>
<td></td>
</tr>
<tr>
<td>Beg. Fund Balance Adjustments</td>
<td>127,773</td>
<td>127,773</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>124,454</td>
<td>124,454</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>235,877</td>
<td>268,274</td>
<td>32,397</td>
<td>136%</td>
</tr>
</tbody>
</table>
Oregon University System
Comparison of Year to Date Financial Activity to Prior Year
Current Unrestricted Funds
March 31, 2004
(in thousands, except percentages)

<table>
<thead>
<tr>
<th></th>
<th>Column 1</th>
<th>Column 2</th>
<th>Variance ($)</th>
<th>Variance (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Actual</td>
<td>Column 1 less Column 2</td>
<td>Column 3 divided by Column 2</td>
</tr>
<tr>
<td>9 Months Ended</td>
<td>March 31, 2004</td>
<td>March 31, 2003</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational and General</td>
<td>674,769</td>
<td>676,508</td>
<td>(1,739)</td>
<td>0%</td>
</tr>
<tr>
<td>Government Appropriations</td>
<td>247,622</td>
<td>295,469</td>
<td>(47,847)</td>
<td>-16%</td>
</tr>
<tr>
<td>Student Tuition and Fees</td>
<td>383,219</td>
<td>341,193</td>
<td>42,026</td>
<td>12%</td>
</tr>
<tr>
<td>Indirect Cost Recovery</td>
<td>27,217</td>
<td>23,087</td>
<td>4,130</td>
<td>18%</td>
</tr>
<tr>
<td>Other</td>
<td>16,711</td>
<td>16,759</td>
<td>(48)</td>
<td>0%</td>
</tr>
<tr>
<td>Designated Operations</td>
<td>31,604</td>
<td>24,895</td>
<td>6,709</td>
<td>27%</td>
</tr>
<tr>
<td>Service Departments</td>
<td>29,071</td>
<td>27,065</td>
<td>2,006</td>
<td>7%</td>
</tr>
<tr>
<td>Clearing Funds</td>
<td>5,090</td>
<td>5,306</td>
<td>(216)</td>
<td>-4%</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>198,083</td>
<td>183,778</td>
<td>14,305</td>
<td>8%</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>938,617</td>
<td>917,552</td>
<td>21,065</td>
<td>2%</td>
</tr>
<tr>
<td>Less: Expenditures and Transfers Out, Net</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational and General</td>
<td>(546,683)</td>
<td>(554,411)</td>
<td>7,728</td>
<td>1%</td>
</tr>
<tr>
<td>Designated Operations</td>
<td>(31,790)</td>
<td>(25,675)</td>
<td>(6,115)</td>
<td>-24%</td>
</tr>
<tr>
<td>Service Departments</td>
<td>(30,708)</td>
<td>(29,587)</td>
<td>(1,121)</td>
<td>-4%</td>
</tr>
<tr>
<td>Clearing Funds</td>
<td>(3,705)</td>
<td>(3,121)</td>
<td>(584)</td>
<td>-19%</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>(173,148)</td>
<td>(160,033)</td>
<td>(13,115)</td>
<td>-8%</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>(786,034)</td>
<td>(772,827)</td>
<td>(13,207)</td>
<td>-2%</td>
</tr>
<tr>
<td>Net Operating Surplus (Deficit)</td>
<td>152,583</td>
<td>144,725</td>
<td>7,858</td>
<td>5%</td>
</tr>
<tr>
<td>Fund Additions/(Deductions)</td>
<td>440</td>
<td>(1,080)</td>
<td>1,520</td>
<td></td>
</tr>
<tr>
<td>Beg. Fund Balance Adjustments</td>
<td>127,773</td>
<td>(773)</td>
<td>128,546</td>
<td></td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>124,454</td>
<td>277,166</td>
<td>(152,712)</td>
<td></td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>405,250</td>
<td>420,038</td>
<td>(14,788)</td>
<td></td>
</tr>
</tbody>
</table>
Oregon University System
Tracking of Monthly Cash Balances
Current Unrestricted Funds
March 31, 2004
(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>147,357</td>
<td>102,502</td>
</tr>
<tr>
<td>September</td>
<td>199,071</td>
<td>194,860</td>
<td>182,415</td>
<td>158,730</td>
</tr>
<tr>
<td>October</td>
<td>205,715</td>
<td>203,024</td>
<td>184,170</td>
<td>158,309</td>
</tr>
<tr>
<td>November</td>
<td>178,043</td>
<td>179,047</td>
<td>162,563</td>
<td>140,221</td>
</tr>
<tr>
<td>December</td>
<td>177,366</td>
<td>173,508</td>
<td>156,844</td>
<td>116,563</td>
</tr>
<tr>
<td>January</td>
<td>223,184</td>
<td>216,405</td>
<td>191,177</td>
<td>166,245</td>
</tr>
<tr>
<td>February</td>
<td>203,508</td>
<td>190,345</td>
<td>165,717</td>
<td>139,005</td>
</tr>
<tr>
<td>March</td>
<td>248,659</td>
<td>219,675</td>
<td>181,989</td>
<td>147,548</td>
</tr>
<tr>
<td>April</td>
<td>211,652</td>
<td>188,776</td>
<td>153,033</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>182,764</td>
<td>163,172</td>
<td>127,685</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>188,971</td>
<td>154,283</td>
<td>129,065</td>
<td></td>
</tr>
</tbody>
</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>98,973</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>124,719</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>160,335</td>
<td>155,743</td>
<td>142,461</td>
<td>124,924</td>
</tr>
<tr>
<td>February</td>
<td>140,409</td>
<td>130,807</td>
<td>108,113</td>
<td>104,647</td>
</tr>
<tr>
<td>March</td>
<td>179,623</td>
<td>156,144</td>
<td>117,474</td>
<td>95,558</td>
</tr>
<tr>
<td>April</td>
<td>150,101</td>
<td>132,785</td>
<td>124,924</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>
</tbody>
</table>

### Designated Operations

<table>
<thead>
<tr>
<th>Month Ending</th>
<th>FY2003</th>
<th>FY2002</th>
<th>FY2001</th>
<th>FY2000</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>
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<td>14,229</td>
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## Oregon University System

### Tracking of Monthly Cash Balances

#### Current Unrestricted Funds

March 31, 2004

*(in thousands, except percentages)*

#### Service Departments

<table>
<thead>
<tr>
<th>Month Ending</th>
<th>FY2004</th>
<th>FY2003</th>
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<th>FY2001</th>
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#### Clearing Funds

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<td>March</td>
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<td>(622)</td>
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<td>April</td>
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<td>May</td>
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<td>June</td>
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#### Auxiliary Enterprises

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<td>41,727</td>
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<td>May</td>
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<td>June</td>
<td>57,065</td>
<td>39,726</td>
<td>30,494</td>
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2004-05 Tuition Mitigation Plan

Background:
At the June 2004 meeting, the Board approved the 2004-05 Academic Year Fee Book with the following modification: Western Oregon University’s tuition will remain the same as 2003-04. The Board also requested that staff develop a tuition mitigation plan to lessen the impact of structural changes and rate increases on resident undergraduate students.

2004-05 Tuition Mitigation Plan Proposal:
The following plan was developed in response to the Board’s request:

• Per term charges for resident undergraduate tuition at all levels of credit hour carrying load for 2004-05 will not exceed charges levied at comparable levels for spring term 2004 by more than 15 percent.

• The impact on campuses with planned increases for resident undergraduate students in excess of 15 percent will be mitigated by the allocation of $1.4 million in reductions resulting from the Chancellor’s Office review. Funds will be allocated by the Chancellor’s Office in such a manner as to minimize the relative impact of lost tuition revenue on the affected campuses. The balance of any revenue shortfall that remains following application of Chancellor’s Office funds will be covered out of campus fund balances.

• It is understood that this is a one-year plan and that all structural changes and tuition rates approved by the Board in the 2004-05 Academic Year Fee Book will take effect beginning fall term 2005, along with any additional changes resulting from adoption of the 2005-06 Academic Year Fee Book.

Staff Recommendation to the Board:
Staff recommends that the Board adopt the 2004-05 Tuition Mitigation Plan as proposed.

(Board action required.)
OHSU Resolution—Request to Consent to Easement to City of Portland

**Background:**
The Oregon Health and Science University was originally created as a part of the Oregon University System. When the Oregon Legislature authorized OHSU to become a private corporation, the OUS was authorized to execute leases of the land occupied by OHSU to OHSU for 99 years, with automatic 99-year renewals. These leases are terminable only on limited bases, to include a reversion to the OSBHE should OHSU cease to operate as a university.

As it expands, OHSU is desirous of granting a series of land easements to the City of Portland. Given the above description of the legal title to the land, the City of Portland desires assurances from the OSBHE that in the (unlikely) event of termination of the Ground Lease, and the resulting reversion to the State of Oregon and the OSBHE, the Board will accept, acknowledge, and allow the easements to continue.

There are four such easements and associated requests. They are:
1) A conservation easement over an approximately 45-acre tract located in the Marquam Hill area and depicted on Attachment A
2) A utility easement in the Marquam Hill area depicted in Attachment B
3) A sanitary and stormwater easement in the Marquam Hill area depicted in Attachment C
4) A right-of-way easement to accommodate the aerial tram terminus on the Marquam Hill campus depicted in Attachment D

OHSU offers, and staff recommends, the Board accept as consideration, the shared commitments of OUS and OHSU in the development of its Marquam Hill campus and the associated benefit to the citizens of Oregon.

A resolution expressing your authorization is attached. OUS General Counsel recommends your approval and authorization for counsel to convey your consent to the City of Portland.

**Resolution – Easements to the City of Portland**

RESOLUTION FOR GRANTING OF EASEMENTS INVOLVING LANDS HOUSING OHSU TO THE CITY OF PORTLAND

WHEREAS, the Oregon State Board of Higher Education (OSBHE) is the fee simple owner of lands housing the Oregon Health and Science University (OHSU); and

WHEREAS, the OSBHE has granted leases for said land to OHSU for a period of 99 years, with 99-year renewals; and
WHEREAS, these leases are conditional on OHSU’s continued use of the lands as a university, thus creating a reversionary interest in the State of Oregon and the OSBHE; and

WHEREAS, OHSU desires to grant a series of land easements to the City of Portland to include: (a) a conservation easement, (b) a utility easement, (c) a sanitary and storm water easement, and (d) a right-of-way easement for construction and operation of a TRAM (all as more specifically identified in the attachments hereto); and

WHEREAS, the City of Portland has expressed its desire to receive the assurances that in the event of lease termination the OSBHE will permit said easements to continue;

NOW THEREFORE, BE IT RESOLVED by the State Board of Higher Education of the State of Oregon as follows:

The State Board of Higher Education General Counsel is authorized to execute notice to the City of Portland expressing the OSBHE’s resolve that in the event of reversion the identified easements shall be permitted to continue.

*Staff Recommendation to the Board:*
Staff recommends the Board adopt the above resolution authorizing General Counsel to execute notice to the City of Portland expressing the OSBHE’s resolve that in the event of reversion the identified easements shall be permitted to continue.

*(Board action required.)*
Attachment A

MARQUAM HILL PARKS AND OPEN SPACE

Legend

- Marquam Hill Plan District
- Proposed Open Space
- Parks within One Mile
- Tax lots

Streets and Highways
- Freeways
- Arterials
- Minor Streets
- Willamette River

Attachment D (right-of-way easement)
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Proposed amendment to OAR 580-040-0100 to 580-040-0295 Board’s Financial Powers (Personal Services Contracts)

Summary:
The purpose of this revision is to change references from OSSHE to OUS and to add “information technology” to the established rules for procurement of goods and services.

Background
In 2003, Senate Bill 437 gave OUS the authority to acquire telecommunications and information technology independent of Department of Administrative Services oversight. Because the Chancellor’s Office is undergoing substantial restructuring, Legal Services determined that mention of information technology services should just be added to the current portion of the rules that address general goods and services acquisition with the understanding that a more thorough revision of the totality of the purchasing rules would be undertaken once the structure of the system office was known. The Chancellor’s Legal Affairs Office, therefore, created a rough draft for discussion purposes and review was solicited from campus attorneys, purchasing managers and directors of business affairs. Agreement was unanimous to follow the aforementioned approach and accept the revision as originally drafted.

On June 15, 2004, OUS held a public hearing. No testimony or further input was received.

Staff Recommendation to the Board:
Staff recommends that the Board revisions to OAR 580-040-0100 through OAR 580-040-0295 be adopted as printed below.

(Board action required: roll call vote.)

Personal Services Contracts

580-040-0100
Screening and Selection for Personal Services Contracts
(1) The Department of Higher Education periodically requires the services of an individual or firm to perform personal or professional services. These rules set forth the screening and selection process to be used for all such contracts, except where a University System institution has adopted its own screening and selection rules, and except for contracts covered by OAR 580-050-0020 (Architectural and Engineering Services).
(2) The Department of Higher Education will contract for personal or professional services when the specialized skills, knowledge and resources are not available within the Department; when the work cannot be done in a reasonable time with the Department's own workforce; when an independent and impartial evaluation of a situation is required by a contractor with recognized professional expertise and stature
in a field; when it will be less expensive to contract for the work; or when grants require subcontracting.

(3) For the purposes of this rule, the term:
(a) "Director" means the Director of Legal Services of the Department of Higher Education, or designee;
(b) "Department" means the Department of Higher Education on its own behalf or acting on behalf of a State University System institution;
(c) "State System Institution" or "University System Institution" means a college and university that is a part of the Oregon State System of Higher Education;
(d) "Contractor" means an individual or firm selected to perform personal or professional services for the Department of Higher Education and with whom the Department may contract;
(e) "Personal Services Contract" means a contract for personal or professional services performed by an independent contractor.
(f) "OUS" means the Chancellor's Office and the institutions of the Oregon University System.

(4) Formal Selection Procedure: This procedure will be used whenever the estimated payment to the contractor exceeds $25,000. Exceptions to this procedure are specified in sections (5), (6), (7) and (8). The amount of the contract may not be manipulated to avoid the need for informal or formal procedures.
(a) Announcement: The Department will give notice of intent to contract for personal services in a trade periodical or newspaper of general circulation. The notice shall include a description of the proposed project, the scope of the services required, project completion dates and a description of special requirements, if any. The notice will invite qualified prospective contractors to apply. The notice will specify when and where the application may be obtained, to whom it must be returned, and the closing date. The Department will provide notices to the Office of Minority, Women and Emerging Small Business.
(b) Application: The application will consist of a statement that describes the prospective contractor's credentials, performance data and other information sufficient to establish contractor's qualification for the project, as well as any other information requested in the announcement.
(c) Initial Screening: The Director will evaluate the qualifications of all applicants and select a prospective contractor whose application demonstrates that the contractor best fulfills the provisions of paragraph (d)(B) of this section.
(d) The Final Selection Procedure:
(A) Interviews: The Director will interview, through any appropriate medium, the finalists selected from the initial screening.
(B) Award of Contracts: The Director will make the final selection based on applicant capability, experience, project approach, compensation requirements, and references.

(5) Informal Selection Procedure: This procedure may be used when the estimated payment for the proposed services to be performed by the contractor does not exceed $25,000, or, at the Director's discretion, when the informal selection procedure will not interfere with competition among prospective contractors or reduce the quality of services or increase costs.
(a) Selection: The Department will contact a minimum of three prospective contractors known to the Department to be qualified to offer the sought-after services. An estimated fee will be requested, and the selection will be made by the Director based upon the factors described in paragraph (4)(d)(B) of this rule. If three quotes are not received, the Department will make a written record of its efforts to obtain quotes.

(6) Personal Services Contracts not exceeding $5,000: The Department may enter into Personal Services Contracts not exceeding $5,000 without following the procedures identified elsewhere in this rule. However, the Department will make reasonable effort to choose the most qualified contractor. The amount of the contract is not to be manipulated to avoid the need for informal or formal procedures.

(7) Department may negotiate with a single source if the services are available only from one contractor, or the prospective contractor has special skills uniquely required for the adequate performance of the services;

(8) Emergency Appointment Procedure: The Director may select a contractor without following any of the above procedures when conditions require prompt action to protect life or property. In such instance, the recommended appointment and a written description of the conditions requiring the use of this appointment procedure shall be submitted to the Director. The Director will determine if an emergency exists, declare the emergency and, when appropriate, approve the appointment.

(9) The Department will maintain a file with the office of the Director of Legal Services, on the selection process for all Personal Services Contracts entered on behalf of Department that will include:
(a) The method and copy of announcement;
(b) The names of firms/individuals and cost estimates considered;
(c) A justification of need for the contract;
(d) The basis for selection;
(e) Rationale by which rates were established;
(f) How reasonableness of price was determined;
(g) A copy of the resulting contract and any subsequent amendments.

(10) University System institutions using this rule will maintain a file on the selection process for all Personal Services Contracts entered on behalf of the institution and notify Director of location of the files required in this section. Such files will contain:
(a) The method and copy of announcement;
(b) The names of firms/individuals and cost estimates considered;
(c) A justification of need for the contract;
(d) The basis for selection;
(e) Rationale by which rates were established;
(f) How reasonableness of price was determined;
(g) A copy of the resulting contract and any subsequent amendments

Stat. Auth.: ORS 279.051 & 351
Stats. Implemented: ORS
Hist.: HEB 3-1993, f. & cert. ef. 3-5-93

Competitive Procedures for Purchasing, Procurement and Contracting of Goods and Services including Information Technology and Telecommunications
580-040-0200
Purpose
The purpose of the rules outlined in Oregon Administrative Rules Chapter 580, Division 040, Sections 0200 through 0295, is to:
(1) Establish competitive procedures that are flexible enough to allow campuses to purchase and contract in a way that most suits their institutional organization;
(2) Reduce prior approvals and ensure accountability through auditing;
(3) Generate and retain only necessary documentation;
(4) Develop procedures that will allow campuses to use the most appropriate procurement methods and encourage innovation;
(5) Allow campuses to work cooperatively with each other and other governmental units; and
(6) Allow institutions to do business more easily with local and regional vendors.
Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

580-040-0205
Code of Ethics
(1) The following Code of Ethics shall act as a guideline for employees to follow in contracting and purchasing.
(a) Give first consideration to the objectives and policies of OSSHE and the institution.
(b) Strive to obtain the maximum value for expenditures.
(c) Grant all competitive suppliers equal consideration insofar as state or federal statutes and institutional policies permit.
(d) Conduct business with potential and current suppliers in an atmosphere of good faith, devoid of intentional misrepresentation.
(e) Demand honesty in sales representation whether offered through the medium of an oral or written statement, an advertisement, or a sample of the product.
(f) Encourage all segments of society to participate by demonstrating support for emerging small, disadvantaged, and minority-owned and women-owned businesses and Qualified Rehabilitation Facilities.
(g) Consistent with the provisions of ORS 244, decline personal gifts or gratuities from any current or potential supplier of goods or services to OSSHE and its institutions.
(h) Refrain from knowingly engaging in any outside matters of financial interest incompatible with the impartial, objective and effective performance of duties. Activities that may create a conflict of interest must be addressed in accordance with the procedures outlined in OSSHE's Internal Management Directives.
(i) Receive written consent of originator of proprietary ideas and designs before using them for competitive purchasing purposes.
(j) Foster fair, ethical, and legal trade practices.
(2) The Code is for use only by OSSHE and its institutions and creates no enforceable obligations for contractors, proposers, bidders or other parties doing business with OSSHE nor may it be used by contractors, proposers, bidders or
other parties doing business with **OSSHE OUS** who are challenging actions taken by **OSSHE OUS**, its institutions, officers, employees, or agents.

Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

580-040-0210

**Delegation of Authority**

(1) Institutions of **OSSHE OUS** may follow the procedures in OAR 580-040-0223 to 580-040-0295 or may develop and promulgate their own procedures by Administrative Rule for purchasing and contracting provided that such procedures ensure competitive practices. Procedures developed by the campuses must be approved by the **OSSHE OUS** Vice Chancellor for Finance and Administration prior to adoption.

(2) Notwithstanding section (1) of this rule, institutions shall be subject to:

(a) OAR 580-040-0223;
(b) OAR 580-040-0228;
(c) OAR 580-040-0290;
(d) OAR 580-040-0292; and
(e) OAR 580-040-0295.

(3) For those institutions following OAR 580-040-0223 to 580-040-0295, the Oregon State Board of Higher Education delegates authority to each **OSSHE OUS** president to develop guidelines and oversee practices regarding the purchasing and procurement of, and contracting for, goods and services including information technology and telecommunications at each respective campus consistent with these rules.

(4) OAR 580-040-0223 to 580-040-0295 provide procedures to be used for purchasing and contracting except for:

(a) Contracts covered under the following Oregon Administrative Rules:
   (A) OAR 580-040-0100 -- Screening and Selection for Personal Services Contracts; or
   (B) OAR 580-050-0032 to 580-050-0042 -- Facilities contracting; or
(b) Where an **OSSHE OUS** institution has adopted its own rules, consistent with OAR 580-040-0223 to 580-040-0295, to cover purchasing and contracting.

Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

580-040-0215

**Definitions**

The following definitions shall apply to all Oregon Administrative Rules contained in this division unless the context requires otherwise:

(1) "Bid": A competitive offer, which is binding on the bidder, in which price, delivery (or project completion) and conformance with specifications and the requirements of the Invitation to Bid or other competitive bidding method will be the predominant award criteria.

(2) "Bidder": A person or entity offering to supply goods or services to **OSSHE OUS** or any of its institutions in response to an Invitation to Bid or other competitive bidding method.
(3) "Closing": The date and time announced in the solicitation (e.g., Invitation to Bid or Request for Proposals) as the deadline for submitting bids or proposals.

(4) "Competitive Process": The process of procuring goods and services by fair and open competition, under varying market conditions, with the intent of minimizing opportunities for favoritism and assuring that contracts are awarded equitably and economically using various factors in determining such equitability and economy.

(5) "Competitive Quotes": The solicitation of offers from competing bidders. The solicitation may be accomplished by advertisement and/or by OSSHE OUS or any of its institutions initiating a request to vendors to make an offer. The solicitation and the offer may be in writing or oral.

(6) "Contract": The written agreement, including OSSHE OUS's or any of its institution's solicitation document and the accepted portions of a bid or proposal, between OSSHE OUS or any of its institutions and the contractor describing the work to be done and the obligations of the parties. Depending upon the goods and services being procured, OSSHE OUS or any of its institutions may use "contract" as meaning a purchase order, price agreement, or other contract document in addition to OSSHE OUS's or any of its institution's solicitation document and the accepted portions of a bid or proposal.

(7) "Contract Price": The total of the awarded bid or proposal amount, including any approved alternates, and any fully executed change orders or amendments.

(8) "Contractor": The individual, firm, corporation or entity awarded the contract to furnish OSSHE OUS or any of its institutions the goods, services, or work procured through a competitive process.

(9) "Days": Calendar days, including weekdays, weekends and holidays, unless otherwise specified.

(10) "Electronic Data Interchange (EDI)": The movement of electronic information from computer to computer. The electronic transfer of standard business transaction information between organizations in a structured application.

(11) "Emergency": Not reasonably foreseeable circumstances that create a substantial risk of loss, damage, interruption of services or threat to the public health or safety that requires prompt execution of a contract to remedy the condition.

(12) "Emerging Small Business (ESB)": The meaning given in ORS 200.005(3) and (4).

(13) "Facsimile": Electronic equipment that communicates and reproduces both printed and handwritten material. If used in conjunction with a reference to a document (e.g., facsimile bid), the term refers to a document (in the example given, a bid) that has been transmitted to and received by OSSHE OUS or any of its institutions via facsimile.

(14) "Invitation to Bid": The solicitation of competitive, written, signed, and sealed bids in which specification, price and delivery (or project completion) are the predominant award criteria.

(15) "Minority Business Enterprise (MBE)": The meaning given in OAR 125-030-0000.

(16) "Opening": The date, time and place announced in a solicitation for the public opening of written, sealed bids or proposals.

(17) "OSSHE": Oregon State System of Higher Education. "OUS": Oregon University System - Based on context can refer to either the University System administrative offices, and/or the institutions of the Oregon University System.
(18) "Price Agreement": A nonexclusive agreement in which the contractor agrees to provide specific items or services to Oregon State Board of Higher Education (OSSHE OUS) or an institution at a set price during a specified period of time.

(19) "Proposal": A competitive offer, binding on the proposer and submitted in response to a Request for Proposals, where proposal evaluation and contract award are based on criteria such as proposer qualifications and experience, product features and characteristics, service quality and efficiency and conformance with the specifications and requirements of the solicitation. Price may be an evaluation criterion for proposals, but will not necessarily be the predominant basis for contract award.

(20) "Proposer": A person or entity who submits a proposal in response to a Request for Proposals.

(21) "Qualified Vendor Listing": A list of vendors identified from a Request for Qualifications or Request for Information who are able to provide specific goods or services. Vendors on the list are not, however, under contract to provide those goods or services.

(22) "Request for Information (RFI)": A written document soliciting information regarding products or services that OSSHE OUS or an institution is interested in procuring. An RFI should describe the purpose of the procurement and the method to be used in evaluating the responses received.

(23) "Request for Proposal (RFP)": The solicitation of written, competitive proposals or offers, to be used as a basis for making an acquisition, or entering into a contract when specification and price will not necessarily be the predominant award criteria.

(24) "Request for Qualifications (RFQ)": A written document soliciting information regarding the qualifications of providers of services OSSHE OUS or an institution is interested in procuring. An RFQ should describe the services that are needed and the method to be used in evaluating the responses received.

(25) "Requirements Contract": An agreement in which a single contractor agrees to supply all of OSSHE OUS's or any of its institution's requirements for specific goods, equipment, or services that arise during a specified time period.

(26) "Responsible Bidder or Proposer": Has the meaning given in OAR 580-040-0275.

(27) "Responsive Bid or Proposal": Has the meaning given in OAR 580-040-0277.

(28) "Retainer Agreement": An agreement by which, pursuant to a formal Request for Proposals or bid process, multiple contractors are authorized to provide specific supplies or equipment to or perform specific services for OSSHE OUS or its institutions in response to requests for price quotations.

(29) "Single Seller": The only vendor of a particular product or service reasonably available. If OSSHE OUS or one of its institutions chooses to procure a particular product or service that is only available from one vendor, documentation must be maintained to support the determination that the product or service is available only from that one seller.

(30) "Solicitation Document": An Invitation to Bid or Request for Proposals, which includes all documents, whether attached or incorporated by reference, utilized for soliciting bids or proposals.

(31) "Women Business Enterprise (WBE)": The meaning given in OAR 125-030-0000.
(32) "Work": The furnishing of all materials, equipment, labor, and incidentals necessary to successfully complete any individual item or the entire contract and the timely carrying out and completion of all duties and obligations imposed by a contract.
Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

580-040-0220
Designation of Purchasing Agents and Contract Officers
Each institution president shall designate staff authorized to enter into purchasing and contracting agreements for the institution. Such staff, referred to as authorized personnel, shall be the only individuals who may procure supplies, equipment, and services and enter into contracts.
(1) The chief administrative officer of each institution shall keep a list, either by name or by title, of those designated authorized personnel along with a description of the types and amounts of procurements and contracts they are authorized to enter into.
(2) Purchasing and contracting agreements issued by individuals not designated as authorized personnel shall be void.
(3) Authorized personnel shall be responsible for ensuring that the proper procedures, as detailed in OAR 580-040-0223 to 580-040-0295, are followed for all institutional procurements. Institutions may take appropriate action in response to expenditures authorized contrary to OAR 580-040-0223 to 580-040-0295. Such actions include, but are not limited to, providing educational guidance, imposing disciplinary measures, and holding individuals personally liable for such expenditures.
Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

580-040-0223
Applicable Model Public Contract Rules
The following provisions of the Attorney General's Model Public Contract Rules shall be applicable to the bidding, awarding, and administration of public contracts of OSSHE and any of its institutions:
(1) OAR 137-030-0010(5) -- Compliance and exceptions to terms and conditions of solicitation documents;
(2) OAR 137-030-0012 -- Bids or Proposals Are Offers;
(3) OAR 137-030-0030(2) and (3) -- Identification and Receipt of bids or proposals;
(4) OAR 137-030-0050 -- Request for Change or Protest of Solicitation Specifications or Contract Provisions;
(5) OAR 137-030-0055 -- Addenda to Solicitation Documents;
(6) OAR 137-030-0060 -- Pre-Opening Modification or Withdrawal of Bids or Proposals;
(7) OAR 137-030-0065 -- Receipt, Opening, and Recording of Bids and Proposals;
(8) OAR 137-030-0070 -- Late Bids and Proposals, Late Withdrawals, and Late Modifications;
(9) OAR 137-030-0075 -- Mistakes in Bids or Proposals;
(10) OAR 137-030-0080 -- Time for Acceptance;
(11) OAR 137-030-0085 -- Extension of Time for Acceptance of Bid or Proposal;
(12) OAR 137-030-0102 -- Rejection of all Bids or Proposals;
(13) OAR 137-030-0104 -- Protest of Contractor Selection, Contract Award;
(14) OAR 137-030-0115(1) -- Cancellation of invitations to bid or requests for proposals in the public interest;
(15) OAR 137-030-0120 -- Disposition of Bids or Proposals if Solicitation Cancelled;
(16) OAR 137-030-0130 -- Foreign Contractor, and;
(17) OAR 137-030-0150 -- Right to Inspect Plant.

Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

580-040-0225
Processes for Procurement of Goods and Services including Information Technology and Telecommunications Equipment and Services

(1) OSSHE OUS shall establish several basic processes for the procurement of goods and services:
   (a) Formal;
   (b) Informal;
   (c) Emergency;
   (d) Single Seller;
   (e) Intergovernmental;
   (f) Procurement Cards;
   (g) Price Agreements;
   (h) Retainer Agreements;
   (i) Requirements Contracts; and/or
   (j) Qualified Vendor Listings.

(2) For each of the processes used in the procurement of goods and services, authorized personnel shall retain documentation, either hard copy or electronic, supporting the process and the actions taken to fulfill the guidelines of that process consistent with the requirements of OAR 580-040-0295. Such documentation shall be subject to audit.

(3) The formal procurement process shall be used, unless other exemptions apply, for all purchases of supplies, equipment, and services where the estimated cost exceeds $50,000.
   (a) Multiple contracts, purchase orders, or purchasing requisitions shall not be issued separately with the intent to circumvent the formal purchasing process.
   (b) The formal process may be accomplished in either of two ways the institution selects:
      (A) Invitation to Bid -- The formal bid process will require that the invitation to bid be advertised in a manner that is likely to reach bidders. The advertisements shall include information regarding the goods or services to be purchased and the time schedule for the receipt of such goods or services. The contract under this process shall be awarded to the lowest responsive and responsible bidder who meets the specifications of the contract.
      (B) Request for Proposal (RFP) -- The formal Request for Proposal process shall follow the same guidelines as the formal bid process except that the specifications and price
will not necessarily be the predominant award criteria. Award criteria shall be detailed in the Request for Proposal.

(4) The informal procurement process may be used for all purchases of supplies, equipment, and services where the estimated cost exceeds $5,000 but does not exceed $50,000 and where OSSHE OUS or any of its institutions chooses not to follow the formal procurement process. The informal procurement process may also be used for any procurement regardless of the estimated cost if use of the informal procurement process will not interfere with competition among prospective contractors, reduce the quality of services, or increase costs.

(a) The informal process may be accomplished through the solicitation of competitive quotes from at least three vendors. Solicitation may be accomplished by advertisement and/or by OSSHE OUS or any of its institutions initiating a request to vendors to make an offer. Written, oral, or electronic quotes may be solicited.

(b) When procuring goods or services through the solicitation process, information regarding vendors contacted, basis for selection, prices of various vendors and other information pertinent to the solicitation must be clearly documented. If three vendors are not reasonably available, the justification for soliciting fewer vendors shall be documented.

(5) When procuring supplies, equipment and services through an emergency process, the designation of such emergency may only be authorized by an institution president or chief financial officer. The procurement process to be used will be at the discretion of authorized personnel, but must be documented. Such documentation must justify the use of such emergency process.

(6) When purchasing supplies, equipment and services from a single seller, institutions are not required to follow competitive procedures. Institutions shall, at the time of initial procurement, specify their intent, if any, to procure future upgrades or other compatible items through that vendor. Institutions shall document findings to support the determination that the product is available from only one seller.

(7) Regardless of dollar value, OSSHE OUS and its institutions may contract with, and purchase goods and services from, other State of Oregon agencies, local government units, federal government units, or any other governmental entity without the use of competitive procedures. However, contracts with other states and foreign governments must be approved by the Oregon Attorney General's office.

(8) Procurement cards, or other methods of direct purchasing, may be used for any purchase where the estimated cost does not exceed $5,000.

(9) Following appropriate competitive procedures, OSSHE OUS and its institutions may enter into price agreements with vendors to provide specific items at a set price during a specified period of time. OSSHE OUS and its institutions may also purchase using State of Oregon or other governmental unit price agreements as authorized personnel deem appropriate without the use of competitive procedures.

(10) OSSHE OUS and its institutions may enter into retainer agreements with vendors using appropriate competitive procedures that take into account, at a minimum, the qualifications and reputation of the vendors, price structure, ability and willingness to respond to requests from one or more colleges and universities, location, and such other factors as authorized personnel deem appropriate.
(a) A Request for Proposals (RFP) or bid process shall be used in selecting vendors for specific retainer agreements.

(b) Vendors may be selected to provide specific goods or services based on availability, responsiveness, quality, geographic location, track record, price, etc. Selection of vendors from the retainer agreement may be based on quotes or on the specific nature of the goods or services to be provided. The agent or officer should solicit prices from at least two vendors under the retainer agreement, or document the reason for not doing so.

(c) Authorized personnel shall maintain appropriate records of the competitive process used to select a vendor from the list of vendors with current retainer agreements in force at the time the selection is made.

(11) Consistent with these rules, OSSHE OUS and its institutions may enter into requirements contracts to supply all of OSSHE OUS's or an institution's requirements for specific goods, equipment, or services that arise during a specified time period.

(12) OSSHE OUS or its institutions may contract directly with a vendor listed on a qualified vendor list if only one vendor meets OSSHE OUS's or an institution's needs and if the RFI or RFQ informed potential vendors that direct contracting could occur. If more than one vendor meets OSSHE OUS's or an institution's needs, solicitations shall follow the appropriate procedures. However, solicitation may be limited to the qualified vendor listing.

(13)(a) Notwithstanding any of the procedures in this rule, OSSHE OUS and its institutions are authorized to develop alternative formal procurement methods that meet the following objectives:

(A) Respond to innovative business and market methods; or

(B) Contribute to institution productivity improvement and process redesign; or

(C) Result in comprehensive cost-effectiveness and productivity for the institution; and

(b) Provide open consideration to more than one vendor using evaluation criteria that may include, but are not limited to, cost, quality, service, compatibility, product reliability, operating efficiency, expansion potential, vendor experience and reliability, commitment to support regional business development and support for innovation.

Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

580-040-0228
Procurement of Telecommunications Equipment and Services

The procurement of telecommunications equipment and services shall be in accordance with the provisions of Oregon Laws 1995, Chapter 634, and any delegations or other agreements made between OSSHE OUS and the Department of Administrative Services. These delegations and agreements shall include, but not be limited to, the following:

(1) Implementation of Oregon Laws 1995, Chapter 634, will not impede cooperative efforts using local expertise and infrastructure to enhance local and regional economic development.

(2) With regard to OSSHE OUS, the following matters are exempt from the Department of Administrative Services' authority under Oregon Laws, Chapter 634:
(a) Broadcasting licensed by the Federal Communications Commission or its successor;
(b) Two-way radio systems operated as part of campus security;
(c) Local Area Networks except to the extent that they must be able to communicate with other networks outside OSSHE OUS and its institutions;
(d) On-campus networks except for the replacement and/or major enhancement of the telephone system;
(e) Contracts or grants for projects in which the contracting or granting entity requires use of a certain type of communication, equipment, or application;
(f) Research into telecommunications that expands or extends knowledge rather than the commercial application of that knowledge; and
(g) Development and offering of courses intended to be promulgated by electronic distance education technology, including the Internet.

Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

580-040-0230
Exemptions
(1) Institutions need not follow, regardless of value, competitive procedures for the following:
(a) Contracts for the provision of educational services.
(b) Single seller goods and services. When purchasing from a single seller, institutions shall document findings to support the determination that the product is available from only one seller.
(c) Brand-name goods and services or product prequalification. Institutions may specify brand name in the procurement of goods and services if that particular product or service has specific documentable attributes not found in other products. In addition, when specific design or performance specifications must be met for a product to be purchased, an institution may specify a list of qualified products by reference to the prequalified product(s) of particular manufacturers or sellers.
(d) Advertising and media services contracts.
(e) Price-regulated goods and services. Institutions may, regardless of dollar value, contract for the direct purchase of goods or services where the rate or price for the goods or services being purchased is established by federal, state or local regulatory authority.
(f) Purchases under federal contracts. When the price of goods and services has been established by an agency of the federal government pursuant to a federal contract award, OSSHE OUS and its institutions may purchase the goods and services in accordance with the federal contract without subsequent competitive bidding. In addition, specific equipment that is expressly required under the terms of the contract and that is only available from one source is exempt from competitive procedures.
(g) Copyrighted materials. Institutions may purchase copyrighted materials without competitive bid and regardless of dollar amount. Copyrighted materials covered by this exemption may include, but are not limited to, textbooks, workbooks, curriculum kits, reference materials and audio, visual, and electronic media.
(h) Investment contracts.
(i) Food contracts. This exemption shall apply exclusively to the procurement of food and food-related products.
(j) Periodicals, library books and library materials.
(k) Maintenance services for the useful life of goods. Institutions may purchase maintenance services for the useful life of goods directly from the vendor of those goods.
(l) Used personal property.
(m) Goods purchased for resale.
(n) Intercolligate athletic programs. OSSHE OUS and its respective institutions may specify a product by brand name or make or the products of particular manufacturers or sellers when procuring equipment and supplies used in intercollegiate or interscholastic athletic programs.
(o) Media for athletic programs.
(p) Athletic contest agreements.
(q) Cadaveric organs.
(r) Hotel sites for large conferences and workshops.
(s) Dues, registrations, and membership fees.
(t) Gasoline, diesel fuel, heating oil, lubricants, and asphalt.
(u) Purchases of supplies, maintenance, and services for ocean-going vessels when they are in other than home port.
(v) Equipment repair and overhaul.
(w) Goods and services purchased in foreign countries.
(2) Exemptions from competitive procedures may be granted for a particular contract or contracts not otherwise exempted under these rules by the president or chief financial officer of the institution. Sufficient documentation must be retained regarding the need for such exemptions.
Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

580-040-0235
Basis for Awarding of Contracts
OSSHE OUS and its respective institutions shall award contracts based on various factors that shall be identified in the notice of contract. Such factors may include, but not be limited to, price; quality; life cycle costing; vendor experience and reliability; support for regional business development; support for productivity innovation; performance specifications; and timeliness.
Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

580-040-0240
Determination of Contractual Terms and Conditions
Except to the extent OSSHE OUS has established mandatory contract provisions, OSSHE OUS and any of its institutions are authorized to determine the terms and
conditions of solicitations and contracts, provided such terms and conditions are not contrary to statutory or regulatory requirements applicable to OSSHE OUS.

Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

580-040-0245

Contract Amendments (including change orders and extra work)
A amendment for additional work or product that is reasonably related to the scope of work under the original contract, including change orders, extra work, field orders, or other change in the original specifications that increases the original contract price or length of time, may be made with the contractor without competitive bidding provided that the amendment does not materially alter such a contract or that the increase in the value of the contract does not change the required method of procurement.

Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

580-040-0255

Pre-Bid and Pre-Proposal Conferences
(1) Pre-bid or pre-proposal conferences may be scheduled. Each pre-bid and pre-proposal conference shall be described in the corresponding solicitation document as "voluntary" or "mandatory." If such a conference is designated as "mandatory," it shall be required for a bidder or proposer to attend in order to submit a bid or proposal for the corresponding contract.
(2) The bidder or proposer may authorize a representative other than himself/herself to attend the pre-bid or pre-proposal conference.

Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

580-040-0260

Acceptance of Bids and Proposals by Facsimile or Electronic Data Interchange
OSSHE OUS and any of its institutions may determine if it is appropriate for bids and proposals to be accepted by facsimile or Electronic Data Interchange. Institutions shall establish the conditions for solicitations, either individually or by type of solicitation. When OSSHE OUS or any of its institutions chooses to accept bids or proposals by facsimile, it shall follow the requirements outlined in OAR 137-030-0013(3). When OSSHE OUS or any of its institutions chooses to accept bids or proposals by Electronic Data Interchange, it shall follow the requirements outlined in OAR 137-030-0014(4).

Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

580-040-0275

Responsible Bidders; Responsibility Investigation
(1) A "responsible bidder or proposer" is an individual, firm, corporation or entity who has the capability in all respects to perform fully the contract requirements, the integrity and reliability that will assure good faith performance, and who has not been disqualified by OSSHE OUS or any of its institutions.
(2) OSSHE OUS or any of its institutions has the right, prior to awarding any public contract, to make such investigation as is necessary to determine whether a bidder is responsible.
Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

580-040-0277
Responsive and Nonresponsive Bids or Proposals; Acceptance and Rejection
(1) A "responsive bid or proposal" is one that complies in all material respects with an Invitation to Bid or Request for Proposals and with all prescribed bidding and proposal procedures and requirements. A "nonresponsive bid or proposal" is one that does not meet all material aspects of an Invitation to Bid or a Request for Proposal or that does not comply with all prescribed bidding and proposal procedures and requirements.
(2) OSSHE OUS or any of its institutions shall accept, and consider for award, only those bids or proposals that are responsive as defined in this rule. Nonresponsive bids or proposals shall be rejected.
(3) Nothing in this rule shall limit the ability of OSSHE OUS or any of its institutions to monitor contractor or vendor performance during the term of a contract.
Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

580-040-0280
Rejection of Individual Bids or Proposals
(1) This rule applies to rejections, in whole or in part, of individual bids or proposals. OSSHE OUS or any of its institutions may reject, in whole or in part, any bid or proposal not in compliance with all prescribed bidding procedures and requirements, and may reject for good cause any bid or proposal upon a written finding by OSSHE OUS or the institution that it is in the public interest to do so.
(2) Reasons for rejecting a bid or proposal include but are not limited to finding that:
(a) The bidder or proposer has not prequalified as required in the Invitation to Bid or Request for Proposal, or is disqualified under ORS 200.075, 279.037, or these rules; or
(b) The bidder or proposer has been declared ineligible by the Commissioner of the Bureau of Labor and Industries under ORS 279.361; or
(c) The bid or proposal is nonresponsive, that is, it does not conform in all material respects to solicitation document requirements, including all prescribed public procurement procedures and requirements; or
(d) The supply, service or construction item offered in the bid or proposal is unacceptable by reason of its failure to meet the requirements of the solicitation documents or permissible alternates or other acceptability criteria set forth in the solicitation documents; or
(e) The bidder or proposer is nonresponsible, i.e., is not capable of satisfying the terms and conditions of the public contract in a timely manner due to financial incapacity, inability to obtain bonding, loss of license, poor performance history or other objective cause; or

(f) The bidder or proposer within the last five years has been found, in a civil, criminal, or administrative proceeding, to have committed or engaged in fraud, misrepresentation, price-rigging, unlawful anti-competitive conduct or similar behavior; or

(g) The bidder or proposer has been determined responsible (i.e., adjudicated by a court, or as determined in writing by OSSHE OUS or any of its institutions in the case of a public contract) for more than one breach of a public or private contract or contracts in the last three calendar years before the scheduled date of the bid or proposal opening; or

(h) The bid or proposal security has not been submitted or properly executed as required by the solicitation documents; or

(i) The bidder or proposer has not met the emerging small business, disadvantaged business, minority business and women business enterprise requirement, if any, established by OSSHE OUS or any of its institutions, and has not made a good faith effort in accordance with ORS 200.075 to comply with the requirements prior to the time bids or proposals are opened; or

(j) The bidder or proposer has failed to certify in accordance with OAR 580-040-0292(3); or

(k) Other circumstances of the particular bid or proposal, or bidder or proposer, indicate that acceptance of the bid or proposal would impair the integrity of the selection process or result in an imprudent contract by OSSHE OUS or the institution.

(3) For purposes of this rule, the business registry of bidders or proposers shall be subject to scrutiny, i.e., confirmation of ownership or identification of officers and directors, in order to identify previously disqualified bidders or proposers, and thus prevent any subterfuge, change of apparent ownership or other adjustments in formal appearance, to avoid application of this rule or of the disqualification provisions of ORS 279.037 to 279.045 and these rules.

Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

580-040-0285
Bidder or Proposer Disqualification

(1) As used in this rule:

(a) "Disqualification" means the debarment, exclusion or suspension of a person from the right to submit bids or proposals in response to OSSHE OUS or institution solicitations for a reasonable, specified period of time named in the order of disqualification. A contractor or vendor so debarred, excluded or suspended is disqualified.

(b) "Person" means an individual, partnership or corporation. Disqualification attaches to and follows the individual, so that an individual who is a partner in a partnership or an
(2) The following are grounds for bidder or proposer disqualification:
(a) The person does not have sufficient financial ability to perform the contract. If a bond is required to ensure performance of a contract, evidence that the person can acquire a surety bond in the amount and type required shall be sufficient to establish financial ability;
(b) The person does not have equipment available to perform the contract;
(c) The person does not have key personnel available of sufficient experience to perform the contract; or
(d) The person has repeatedly breached contractual obligations to public and private contracting agencies.

(3) As provided in ORS 200.075, the following are grounds for suspension of a bidder's, proposer's, contractor's, or subcontractor's right to bid, propose or participate in a public contract:
(a) If the person has entered into any agreement representing that a disadvantaged, minority, women or emerging small business enterprise, certified pursuant to ORS 200.055, will be performing or supplying materials under a public improvement contract without the knowledge and consent of the certified enterprise;
(b) If a person exercises management and decision-making control over the internal operations, as defined by ORS 200.075(1)(b), of any subcontractor that is certified disadvantaged, minority, women, or emerging small business enterprise;
(c) If the person uses a disadvantaged, minority, women or emerging small business enterprise to perform contracting services or provide supplies under a public improvement contract to meet an established DBE/MBE/WBE/ESB goal, when the enterprise does not perform a commercially useful function, as defined by ORS 200.075(3), in performing its obligations under the contract.

(4) OSSHE OUS or any of its institutions may make such investigation as is necessary to determine whether there are grounds for disqualifying a person. If a bidder or proposer, or prospective bidder or proposer, fails to supply such information promptly as requested by OSSHE OUS or an institution, such failure is grounds for disqualification.

(5) Any information voluntarily submitted by a bidder or proposer, or prospective bidder or proposer, pursuant to an investigation under section (4) of this rule, or in a prequalification statement, or in a prequalification request submitted pursuant to these rules, shall be deemed a trade secret pursuant to ORS 192.501(2), if requested by the person submitting the information and verified to be a trade secret by OSSHE OUS or one of its institutions.

(6) The bidder or proposer, or prospective bidder or proposer, will be notified in writing by personal service or certified mail of OSSHE OUS's or one of its institution's decision to disqualify the person from bidding or proposing with OSSHE OUS or the institution. The notice shall contain:
(a) The effective date of the disqualification and the effective period of disqualification;
(b) The grounds for disqualification from bidding or proposing; and
(c) A statement of the person's appeal rights and applicable appeal deadlines.
(7) If a person wishes to appeal OSSHE OUS’s or any of its institution’s decision to disqualify, the person must notify OSSHE OUS or the institution, as appropriate, in writing within three business days after receipt of the notification.
Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

580-040-0290
Purchasing Policies Governing the Acquisition of Goods and Services from Qualified Rehabilitation Facilities
OSSHE OUS and its institutions shall purchase goods and services from Qualified Rehabilitation Facilities in accordance with the provisions of ORS 279.835 to 279.855 and applicable Administrative Rules.
Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

580-040-0292
Affirmative Action; General Policy
(1) The general policy of OSSHE OUS and its institutions shall be to expand economic opportunities for Minority Business Enterprises, Women Business Enterprises and Emerging Small Businesses by offering the contracting and subcontracting opportunities available through OSSHE OUS and institution contracts. Notice of all contract and bid request solicitations using the formal process outlined in OAR 580-040-0225 shall be provided to the Advocate for Minority, Women and Emerging Small Business and the Oregon Department of Administrative Services for the Oregon Opportunity Register and Clearinghouse when any other solicitation is sent.
(2) OSSHE OUS shall not knowingly contract with or procure goods or services from any organization, business entity or individual that discriminates on the basis of age, disability, national origin, race, marital status, religion, sex or sexual orientation.
(3) Bidders and proposers shall certify, as part of the bid or proposal documents accompanying the bid or proposal on a public contract, that such bidder or proposer has not discriminated against minority, women or emerging small business enterprises in obtaining any required subcontracts.
Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

580-040-0295
Record Keeping Requirements
(1) Documentation of all purchasing and contracting transactions will be made available for inspection by OSSHE OUS Internal Audit Division upon request.
(2) Authorized personnel shall maintain documentation, whether written or electronic, regarding all purchasing and contracting transactions.
(a) For purchases not exceeding $5,000, only a vendor invoice must be retained.
(b) For purchases where the cost exceeds $5,000 but does not exceed $50,000, the following must be retained:
(A) The method of procurement;
(B) The names of firms/individuals and cost estimates considered;
(C) The basis for selection or awarding of contract;
(D) Other information pertinent to the solicitation; and,
(E) Any other documentation required by these rules.
(c) For purchases where the estimated cost exceeds $50,000, the following must be retained:
(A) The method of procurement;
(B) A copy of the announcement requesting bids or proposals;
(C) The names of firms/individuals and cost estimates considered;
(D) The basis for selection or awarding of contract;
(E) A copy of the resulting contract and any subsequent amendments;
(F) Other information pertinent to the solicitation; and,
(G) Any other documentation required by this rule.
Stat. Auth.: ORS Ch. 351
Stat. Implemented: ORS 351.070
Hist.: HEB 6-1995, f. & cert. ef. 11-2-95
EOU, Bachelor of Music

Eastern Oregon University proposes to replace its existing B.A./B.S. in Music degree program with a Bachelor of Music degree program, effective 2004. Other Bachelor of Music programs in the Oregon University System are offered by PSU, UO, and WOU; related undergraduate music programs (B.A./B.S. in Music) are offered by OSU, PSU, SOU, UO, and WOU.

The focus of the new degree program will combine performance and pedagogy into one comprehensive four-year degree plan that EOU music faculty believe will enhance recruitment, increase course enrollments, and enhance retention to graduation. Students will be better prepared for the diversity of musical opportunities available to those who have studied performance, pedagogy, music history and literature, and music theory and composition. Upon completion, graduates will be qualified to enter post-baccalaureate teacher licensure programs at EOU or elsewhere in Oregon. Many EOU music students wish to become educators and intend to remain in Eastern Oregon (or live in other rural areas); this program, with its emphasis on multiple competencies, prepares students for smaller school settings where breadth and versatility are practical necessities. While the program has been deliberately designed to serve needs of students planning to teach in school settings, the Bachelor of Music's sequence of methods courses also provides pre-professional training for those students who decide to pursue a private studio teaching and/or performance career. EOU music faculty assert that the economic reality for most performing musicians is that they will be teaching in one setting or another, at some point in their careers.

Students in the proposed program will be required to complete 180 credit hours in the following areas: performance and performance practice, 38-40 credits; theory and musicianship, 33-36 credits; and general education, 60 credits. Ten courses related to both instrumental and choral music pedagogy are currently taught as humanities courses and will be re-designated as part of this curriculum.

In addition to meeting institutional undergraduate admission requirements, students interested in this major would meet with EOU faculty during their senior year in high school (if traditional age) to clarify intent, and would also need to audition on their musical instrument to determine acceptability of playing level for admission and subsequent placement decisions. No enrollment limitations will be imposed at this time. The Bachelor of Music will be primarily an on-campus program due to vocal and instrumental, individual and ensemble performance requirements, and the need for in-person instruction in voice and instruments. As is the case with currently graduating students in the B.A./B.S. in Music program, faculty will continue to track outcomes, including entry into graduate and professional programs and careers in performance.

Currently there are ten music faculty members at EOU; there is no anticipated need for additional regular faculty or support staff in the first four years of the proposed program’s implementation. Library resources, including music reference and media materials and access to scores, books, and materials through the Summit consortium,
are adequate for the program. Facilities: electronic equipment, classrooms, practice rooms, faculty studios, and rehearsal and performance spaces are available and in use. The curricular plan for the Bachelor of Music actually results in streamlining the inventory of music courses at EOU. Faculty in the department will continue to offer general education courses to EOU students; and serve students in the elementary education program, multimedia majors; and maintain a music minor.

All appropriate University committees and the OUS Academic Council have reviewed the program and resolved inter-campus concerns.

**Staff Recommendation to the Board:**
Staff recommends that the Board authorize Eastern Oregon University to establish a program leading to the Bachelor of Music and phase out the existing B.A./B.S. in Music.

*(Board action required.)*
OHSU, Master of Clinical Research

Oregon Health & Science University proposes to offer an instructional program leading to the Master of Clinical Research degree, effective immediately. No other university in Oregon offers a program in clinical research per se. Related programs that provide, as part of the curriculum, training in clinical research science are the Oregon Master of Public Health program (joint among OHSU, Oregon State University and Portland State University) and OHSU’s Master of Medical Informatics. However, the Master of Public Health focuses on public health (epidemiology and statistics) vs. patient-oriented or practice-oriented research. The Master of Medical Informatics is based on medical information storage and retrieval and related computer applications, but is not comprehensive enough to meet needs of most clinical scientists. OHSU’s recently established Certificate in Human Investigations relates integrally to the proposed program, but it stops short of the in-depth training promised in the new Master’s program. Thus, the proposed program fills a void in training programs for clinicians who seek comprehensive experiences in patient-based research. It also fulfills aims of the NIH-funded K-30 training program at OHSU and helps realize OHSU’s mission to be a nationally-recognized leader in clinical research.

Students completing the Master of Clinical Research degrees will be prepared to: (a) successfully compete for federal, foundation, and industry funding for research; (b) conduct clinical research, publish and disseminate their findings, thereby enhancing OHSU’s stature as a leader in biomedical research; and (c) conduct research that will enhance the health of Oregonians. These better-qualified clinical investigators will increase the likelihood of attracting new grants to Oregon and OHSU, and perhaps stimulate additional collaborations between medicine and industry.

The curriculum will build directly upon courses in the Human Investigations program equivalent to 21 credits. Additional elements are: 7-8 credits in two required core courses in either the public health biostatistics series or the medical informatics series; 10-12 elective credits from public health and preventive medicine and medical informatics curricula; and 6 credits in a capstone project; for a total of 45 program credits. The capstone project replaces a traditional thesis. Under the mentorship of an active senior clinical researcher, a student trainee will undertake a clinical research project resulting in a publishable manuscript, a NIH grant application, or other useable product. It is intended that the mentored experience be similar to an internship for the trainee. OHSU aims to produce a cadre of academic clinician faculty who will be well prepared to spend a significant portion of their time conducting funded clinical research.

To be eligible for the Master of Clinical Investigations program, students must have doctoral level attainment, e.g., M.D., M.D./Ph.D., Ph.D. Pharm.D, D.O., D.D.S., D.M.D., D.C., O.D., or N.D., and should be serving as faculty or staff at OHSU or another healthcare facility in Oregon or the region. A major source for the estimated cohort of seven to ten student trainees per year is the pool of graduates of the Certificate in Human Investigations program where maximum enrollment of new students is
27 students per year. (Currently, there are 86 students enrolled overall, the majority of whom are affiliated with OHSU or jointly affiliated with partner institutions and agencies.)

The need for the program is evidenced by a disturbing national and local trend; namely, over the past decade the number of clinicians who are choosing research careers in health and applying for federal grants has diminished dramatically. This trend runs directly counter to the need for investigators to conduct clinical trials, epidemiological studies, translational research, health services and outcomes research, studies using large databases, and other clinical studies. Advances emanating from the basic biomedical and laboratory sciences are increasing exponentially. Employment opportunities for fully-prepared clinical investigators are strong in academe, industry, and government.

Fourteen current faculty members representing a wide range of specializations at OHSU will apply portions of their time to create, conduct, and evaluate the clinical research curriculum. They will be led by two key clinical research faculty, one in public health and preventative medicine, and the other in medical informatics and clinical epidemiology. The program coordinator for the Certificate in Human Investigations will provide administrative oversight for the proposed program as well. State-of-the-art library and information services will be provided by the Biomedical Information Communication Center (BICC), one of four branches of the OHSU library. The BICC facility will also be used for course delivery using instructional and learning technologies that combine traditional approaches with distance learning modalities. Substantial budgetary support for faculty salary and tuition offsets for the proposed program will come from a five-year grant awarded by NIH to implement the training program in clinical investigation. It is expected that NIH will continue to support programs such as the Certificate in Human Investigations and the Master of Clinical Research because of national concern about the training gap and shortage of clinical researchers.

An external review team, composed of Stephen Hulley, Professor and Chair, Department of Epidemiology and Biostatistics, University of California-San Francisco; Lori Bakken, Administrator, Clinical Investigator Preparatory Program and Assistant Professor, Department of Medicine, University of Wisconsin-Madison; and Noel Weiss, Professor of Epidemiology and Senior Scientist, Fred Hutchison Cancer Research Center, University of Washington evaluated the program in May 2004 and produced a strongly supportive report. Major strengths of the program were noted as including: highly qualified faculty and inspired program leadership in companion graduate programs; curricular flexibility and breadth well suited to the competencies required of a clinical investigator; ample opportunity for student interaction and interdisciplinary networking; and institutional support characterized by financial resources infrastructure and "vision to grow the research enterprise." Reviewers also provided advice on how to structure faculty mentoring of students for successful career development and advancement of individual research interests. In response, OHSU plans to ensure that students have two mentors each: a “methods” mentor and a “topic” mentor, as well as access to a biostatistician as they learn the craft of research.
All appropriate OHSU committees and the OUS Academic Council have positively reviewed the proposed program.

Staff Recommendation to the Board:
Staff recommends that the Board authorize Oregon Health & Science University to establish a program leading to the Master of Clinical Research, effective immediately.

(Board action required.)
OIT, M.S., Manufacturing Engineering Technology

Oregon Institute of Technology proposes to offer an instructional program leading to the M.S. in Manufacturing Engineering Technology, to begin implementation immediately, with full ramp-up of two-year course cycles at all three sites: Klamath Falls (OIT campus), Portland (OIT Metro Center), and Seattle (Boeing) by June 2006. At present, OIT offers a B.S. in Manufacturing Engineering Technology degree program at these sites. The baccalaureate program has been accredited by the Accreditation Board for Engineering and Technology (ABET) since 1985; ABET has not yet established criteria for Master's programs in engineering technology.

Nationally, there are 63 master’s programs in Manufacturing Engineering, but only 12 master’s programs in Manufacturing Engineering Technology, none of which are offered on the West Coast (Arizona State University and Brigham Young University offer the closest programs). Related master’s programs are offered by OSU (Manufacturing Systems Engineering) and PSU (Mechanical Engineering) in the Northwest region.

The driving thrust for this program is job creation related to the revitalization of economy of Oregon and the Northwest that manufactures high-value products for export. Thus, the first objective of the program is to provide an advanced education in manufacturing engineering technology that includes an emphasis on agile manufacturing (quickly launching a product) and product life management through use of new computer-intensive tools for design, manufacturing, product and financial data management, and overall planning of the product’s life cycle. The second objective is to meet expressed needs of employers, recent graduates and adults with bachelor’s degrees working in globally competitive manufacturing industries for improved knowledge and skills that translate into higher earnings, career advancement, and job security. Boeing in Seattle has repeatedly asked OIT to offer this master’s specialization in Washington and has offered an initial three-year contract (extendable) to support provision of the program to its employees.

OIT’s curricular philosophy emphasizes the universality and global applicability of manufacturing principles, and, like the manufacturing discipline it represents, of design program content and delivery formats to meet needs of a changing industry by being lean and agile. The curriculum will consist of four content areas: (1) engineering science and design technology; (2) manufacturing software and computer integration; (3) advanced manufacturing materials and processes technology; and (4) business, financial, and management processes. Students will take 30 credits from the four areas while specializing in at least one area; for 12 credits they will also research an original thesis or project from problem definition to execution, testing and evaluation, to documentation. The required 45 credit total will include a three credit graduate seminar. To flesh out the curriculum, OIT is in the process of developing 18 new courses. Program delivery will be a hybrid mode of in-person, on-site, online and video formats, and weekend scheduling. The individual courses will be offered in two-year cycles so that students working full-time can complete the program while attending half-time.
The ideal preparation for the proposed program is completion of an ABET-accredited bachelor’s program in engineering technology. However, OIT is prepared to accept students with a B average or better in baccalaureate work and an academic record/evidence that indicates ability to succeed in this graduate specialization. OIT anticipates attracting its own bachelor’s graduates who are seeking advanced opportunities, as well as Boeing’s and other industry employees who seek continuing technical education. Numerous letters from industry representatives in Oregon and Washington and regional engineering societies attest to the need for greater access to programs that reflect the global changes in manufacturing (that is, the resurgence of manufacturing in the region will not be composed of the same jobs that have gone overseas). In spite of Oregon’s recent economic travails, the Oregon Employment Department’s ten-year forecast (2003) nevertheless projects slow but continued growth in engineering and managerial services at the fifth highest rate among employment sectors.

Currently, five ranked faculty members (including OIT President Emeritus Lawrence Wolf) form the core in place to offer the program. Each will teach at least one graduate course in the program annually at their home sites and an additional course at a second delivery site, typically as part of their regular loads. Graduate adjunct faculty (experts concurrently employed) and teaching assistants will augment the regular faculty as needed. Incremental costs of adjunct faculty, library material enhancements, and computer software and hardware will be met through institutional resource reallocation, tuition/fees revenues, and support from Boeing.

In accordance with Board policy, an external review of the program was conducted by Warren Hill, Dean, College of Applied Science and Technology, Weber State University; Albert McHenry, Dean, College of Technology and Applied Sciences, Arizona State University East; and Mark Stratton, Education Community Relations Manager, Society of Manufacturing Engineers. The team expressed strong support for the program, noting the close alignment of the proposal with OIT’s mission, the relative uniqueness of the program in the region, the outstanding group of faculty, and the strengths of OIT’s existing relationships with community colleges. The team identified greatest strengths as “the existing ties with industry, particularly Boeing, and the strong presence in the Portland area with the community colleges.” They noted the major challenge appears to be in marketing the program to a wide variety of students in multiple locations to achieve the needed critical mass to enable the program to thrive. In addition, reviewers brain-stormed many ideas for OIT’s consideration to enable the program to grow and succeed.

All appropriate OIT 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 M.S. in Manufacturing Engineering Technology, to be effective immediately.

(Board action required.)
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UO, B.A., Medieval Studies

The University of Oregon proposes to offer its existing Medieval Studies option (academic major), housed since 1992 within the B.A. in Humanities program, as an independent major. With independent status, the Medieval Studies major will incorporate both the major and the existing minor in the same coordinated program.

The Medieval Studies program benefits undergraduate and graduate students, the faculty, and the University’s distinctiveness in several ways. The “Humanities: Medieval Studies Option” is one of a limited number of majors that requires students to take courses in a variety of departments, from philosophy to music, and integrate that knowledge into a cross-disciplinary grounding in a subject. It ensures that students experience the depth of history and analyze problems with more than one culture and time period in view. A full Medieval Studies major lends distinctiveness to UO, since only approximately 20 undergraduate medieval studies major programs exist in the country and this is the only one in Oregon. The closest program on the West Coast was recently begun at the University of California, Berkeley. Graduate students, particularly some enrolled in interdisciplinary master’s and Ph.D. in English programs who take a medieval emphasis, also benefit from opportunities to teach in their special field and participate in the intellectual life of the Medieval Studies program. Finally, faculty with medieval expertise from disparate fields have the opportunity to teach specialized classes and create a community of interest around the major.

The course of study is intentionally broad. Students will fulfill UO requirements for the B.A., including selection of 12 Medieval Studies courses from at least three departments for a total of 48 credits in the major. Half of these courses must be upper-division. A senior seminar is encouraged but not required; Latin is advised for students who intend to pursue graduate study in the field. Graduates of the option program have gone on to graduate schools or taken employment in fields that require humanities knowledge and/or good analytic and integrative skills.

At this time there are 21 majors and eight minors in the Medieval Studies option. This represents rapid growth in recent years. The goal is to build to a total of 30 to 35 majors in the near future. Based on recent enrollment patterns and inquiries, this seems attainable. Faculty and international program staff are establishing a medieval studies summer program at the University of Cambridge with their partner, the Arizona Center for Medieval and Renaissance Studies at Arizona State University. Faculty from all three universities will teach in the program.

Since students select courses for the major from an available inventory (approximately 34 courses), there are no additional faculty costs to the separate major beyond nominal off-sets for the director’s salary and support staff. A special allotment for medieval studies library resources has been in place since the early 1990s.
All appropriate UO committees and the OUS Academic Council have positively reviewed the proposed transformation of the Medieval Studies option into an independent Medieval Studies major.

Staff Recommendation to the Board:
Staff recommends that the Board authorize UO to change the status of the Medieval Studies option to the B.A. in Medieval Studies, effective immediately.

(Board action required.)
Report Of Grievances Filed Under Oar 580-021-0050(12)

MEMORANDUM

TO: Oregon State Board of Higher Education

FROM: Jon Yunker, Acting Chancellor

DATE: July 1, 2004

RE: REPORT OF GRIEVANCES FILED UNDER OAR 580-021-0050(12)

The Board’s grievance procedure for unclassified employees with faculty rank, Oregon Administrative Rule 580-021-0050(12), requires each institution to report annually the number, basis, and outcome of all formal grievances filed under the institutional procedures adopted pursuant to the rule. This report does not include grievances filed under procedures contained in collective bargaining contracts. The institutions reported, as follows, for the 2002-2003 academic year:

EOU: No grievances were filed.

OIT: No grievances were filed.

OSU: Seven grievances were filed by one faculty member.

In the first grievance, the faculty member claimed he was entitled to an annual review for the most recent year because he alleged his third year review was inadequate. The Faculty Grievance Committee recommended the faculty member be given the review and the president concurred. In the second grievance, the faculty member claimed he was denied promotion and tenure. The president concurred with the recommendation of the Faculty Grievance Committee to uphold the denial of promotion and tenure. The third grievance was denied by the dean and was not appealed by the faculty member. The Faculty Grievance Committee recommended denial of the fifth grievance, relating to a performance review, and the president concurred. OSU determined the fourth, sixth, and seventh grievances were moot: two because of the faculty member’s resignation.

PSU: One grievance was filed.

A faculty member alleged unfair treatment and irregularities in the 2002 promotion process. The grievance was withdrawn after completion of the 2003 promotion process.

SOU: No grievances were filed.
UO: One grievance was filed.

A faculty member contested the denial of a promotion and tenure. The president and Promotion-Tenure-Retention Appeal Committee reviewed the grievance. Both the committee and the president concurred with the provost’s decision to deny promotion and tenure.

WOU: One grievance was filed.

A faculty member alleged the University had wrongfully terminated him. The Western Oregon University American Federation of Teachers, Local 2278, assisted the faculty member. In an arbitration decision, the grievance was denied. The University was found to have just cause and to have acted properly in terminating the faculty member’s employment.

(Board acceptance required.)
MEMORANDUM

TO: Jon Yunker, Acting Chancellor

FROM: Benjamin E. Rawlins, General Counsel

DATE: July 1, 2004

Re: Annual Institution Reports to the Chancellor

A) OAR 580-46-040(2)(A) Foundations
B) IMD 4.010(9) Outside Activities; Related Compensation

Foundations: Copies of the Foundation Audit Reports for the Foundations at Oregon Institute of Technology, Oregon State University, Portland State University, Southern Oregon University, University of Oregon, and Western Oregon University for the fiscal year ending June 30, 2003, are on file in the Office of General Counsel. A copy of Eastern Oregon University’s Foundation Audit Report for the year ending December 31, 2002, is also on file in the Office of General Counsel.

Outside Activities and Related Compensation: All campuses within Oregon University System reported they had no outside activities and related compensation pursuant to IMD 4.010(9), and no changes in policy with the exception of Portland State University that added a required signature block for the School/College Dean to review applications for external employment. Investigators applying for outside funds are required to indicate that they are aware of and in compliance with University policy on conflict of interest and outside employment.

(Board acceptance required.)
OUS Diversity Report 2004
Addressing the Needs of an Increasingly Diverse Society

Office of Academic Affairs
P.O. Box 3175
Eugene, OR 97403

Prepared for the
Oregon State Board of Higher Education
June 3-4, 2004

For more information:

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Executive Summary

For several years, the Oregon University System (OUS) has worked to enlighten State Board of Higher Education members, university populations, and the general public about the importance, appropriateness, and dynamics of higher education diversity efforts. Annually, the Board receives an update of initiatives, relevant state and national trends, and progress made toward enhanced OUS racial/ethnic diversity. The purposes of the 2004 OUS Diversity Report are:

1 – to inform the newly configured State Board of Higher Education about the broad scope of diversity issues within OUS
2 – to provide an overview of current university initiatives that support diversity considerations within the missions of public higher education
3 – to monitor the progress made in enhancing the diversity of students, faculty, and staff within OUS (Note: A comprehensive data review of OUS progress was conducted for the 2003 OUS Diversity Report Student, Faculty, and Staff Racial/Ethnic Diversity: A Retrospective of Five- and Ten-Year Progress. The current report includes an update of the related data.)

The report includes an overview of the relevance of diverse educational environments and descriptions of the current initiatives within OUS to enhance the representation, inclusion, and engagement of diverse racial/ethnic populations. The issues associated with higher education diversity are multifaceted. Within OUS, the vision for diversity is a comprehensive and ongoing consideration that extends beyond mere numeric representation. Initiatives relating to representation seek to provide opportunity, enhance campus environments, and fulfill the mission of public higher education institutions as dynamic establishments that support surrounding communities and guide the production and attainment of knowledge that moves society forward. Activities that promote inclusion and engagement (i.e., quality of experience) seek to create environments that are progressive and responsive, provide benefits for all OUS populations, and that celebrate the achievements and contributions of all participants.

Selected OUS Data Highlights (fall 2003 compared with five- and ten-year data from 1992 through 2002)

Student Enrollment

- The total enrollment of African American, American Indian/Alaska Native, Asian/Pacific American, and Hispanic/Latino students was 10,543 (13.3 percent) in fall 2003. This represents an increase from 10,068 (12.9 percent) in fall 2002 and 6,813 (10.7 percent) in fall 1992.

- The total enrollment of students reporting more than one race was 700 (0.9 percent) in fall 2003. This represents an increase from 678 (0.9 percent) in fall 2002 and 212 (0.3 percent) in fall 1997 (these data are unavailable for fall 1992).
Degrees Awarded

During 2002-03, African American, American Indian/Alaska Native, Asian/Pacific American, and Hispanic OUS students earned 1,724 (11.3 percent) degrees. This total represents an increase from 1,477 (10.8 percent) during 2001-02.

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

Full-Time, Ranked, Instructional Faculty

A total of 267 (11.2 percent) African American, American Indian/Alaska Native, Asian/Pacific American, and Hispanic/Latino full-time, ranked, instructional faculty worked within OUS during fall 2003. This represents an increase from 264 (10.4 percent) in fall 2002 and 126 (5.2 percent) in fall 1992. The representation of African American, American Indian/Alaska Native, Asian/Pacific American, and Hispanic/Latino full-time, ranked, instructional faculty more than doubled in the ten-year period from 1992 to 2002.

As OUS continues to address the needs of an increasingly diverse society, recommendations include the incorporation of diversity considerations throughout statewide and OUS strategic planning, ongoing monitoring and flexibility of student-related diversity efforts aligned with the changing national dynamics of higher education diversity, continuation and enhancement of outreach and opportunity in K-16 efforts, continuation and enhancement of faculty diversity efforts, and continued research into the educational and societal benefits of higher education diversity.
Introduction

Since 2000, the Oregon University System (OUS) annual diversity report has provided both a “vision” for diversity with continuing themes regarding the enhancement of representation, inclusion, and engagement, and b) an overview of the progress made in racial/ethnic diversity within the populations of OUS students, faculty, and staff. Diverse educational environments are beneficial to all involved and provide a rich arena for a robust exchange of ideas through effective attention to the traditional public university missions of teaching, learning, research, and community service. The paradigm for this framework is provided in Figure 1 below. The purposes of this report are:

1 – to inform the newly configured State Board of Higher Education about the broad scope of diversity issues within OUS
2 – to provide an overview of current university initiatives that support diversity considerations
3 – to monitor the progress made in enhancing the diversity of students, faculty, and staff within OUS (Note: A comprehensive data review of OUS progress was conducted for the 2003 OUS Diversity Report Student, Faculty, and Staff Racial/Ethnic Diversity: A Retrospective of Five- and Ten-Year Progress. The current report includes an update of the related data.)

Figure 1

The Benefits of Diversity
Societal, Workforce, and Personal Benefits

--

Institutional engagement

Inclusion

Representation

Benefits to faculty & staff

Benefits to students
The issues associated with diversity are multifaceted. Within OUS, the vision for diversity is a comprehensive and ongoing consideration that extends beyond mere numeric representation. The report includes brief descriptions of the initiatives taken within OUS institutions to enhance representation, inclusion, and engagement.

**Representation**

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

**Inclusion and Engagement**

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

Like many states, Oregon is experiencing increased diversity within its population. Figure 2 provides an overview of race/ethnicity distributions within the general population, among Oregon’s public high school graduates, and within the population of first-time freshmen students within OUS institutions.

Figure 2

Oregon has an increasingly diverse population, with Hispanics representing the largest growth.

• Hispanics accounted for 9 percent of Oregonians in 2002, up from 4 percent in 1990.
• Oregon’s African American, Asian, and American Indian populations have remained relatively stable.

Increasing numbers of students of color are in the K-12 pipeline.

• From 1992 to 2002, the enrollment of Oregon’s public K-12 students of color increased from 12.5 percent to 21.4 percent. The largest increase has been among Hispanics, which grew from 5.3 percent to 12.2 percent.
• Of Oregon’s 67,591 Hispanic students in public K-12 during 2002-03, more than half were enrolled in grades K-5.
• Students of color constituted more than 16 percent of Oregon’s public high school completers in 2002-03.
• High school dropout rates are a lingering concern. Overall, 4.9 percent of Oregon’s high school students dropped out in 2002-03 but higher rates were experienced among African Americans (9.0 percent), American Indians (6.3 percent), and Hispanics (9.1 percent).

OUS enrollments of African American, American Indian, Asian/Pacific Islander, and Hispanic students continue to increase. (Note: These data do not include Oregon community college enrollments).
• In fall 2003, students of color represented 15.3 percent of all OUS first-time freshman enrollment (up from 13.6 percent in 2002).
• Students of color represent approximately 13.3 percent of total OUS enrollment (up from 12.9 percent in 2002).
DATA

Considerations of Race/Ethnicity Data - A Period of Transition

Background
A growing diversity within the U.S. population, combined with awareness of the need to move forward in recognizing the mixed-race heritage of many people, has precipitated changes in the way in which race/ethnicity data are captured. These changes are most evident in the collection of year 2000 U.S. Census data in which respondents were afforded, for the first time in this country’s history, the opportunity to self-identify more than one race. Respondents could mark as many discrete racial categories as they desired. Census 2000 records indicate that 97.6 percent of the U.S. population reported one race, and 2.4 percent reported two or more races. The West Coast has the largest concentration in this country of people who elect to report more than one race, at 40 percent of those reporting two or more races. By comparison, the South had 27.1 percent of “two or more races” respondents; the Northeast had 18 percent; and the Midwest had 15 percent. (Census 2000 Brief – “The Two or More Races Population: 2000”)

In addition to the modification in the ability to report more than one race, the 2000 Census included the opportunity for respondents to indicate Hispanic/Latino ethnicity along with a racial category(ies). Another change in the Census related to the separation of the Native Hawaiian population from the previously used Asian/Pacific Islander population. These changes represent advances in the recognition of the uniqueness associated with many populations within this country. Census experts caution, however, that comparisons with previous Census data or data collected from other sources may not be accurate – particularly for those reporting multiple designations of race that cannot effectively be compared with data collected in earlier years.

Data collection mechanisms for educational and other types of race/ethnicity reporting have not yet been modified to reflect the changes found in the 2000 Census. The current federal educational data reporting standards, including the Integrated Postsecondary Education Data System (IPEDS), are consistent with pre-2000 Census data. For this reason, there is not currently a match between 2000 Census and educational data sources. For example, educational reporting still broadly maintains a) discrete categories for the collection of race/ethnicity data with no ability to designate more than one race; b) the inclusion of Native Hawaiians in the Asian/Pacific Islander category; and c) Hispanic/Latino as a discrete category with no opportunity to identify race in addition to Hispanic/Latino ethnicity. There have been delays with the establishment of a modified race/ethnicity collection and reporting mechanism standard by IPEDS; however, it is anticipated that these changes will occur within the next few years. Once the new standards are established, institutions may re-survey existing populations and reconcile existing data with a new format. It is advised, also, that educational institutions pose the race/ethnicity data collection question in a standard
(either a one- or two-question) format in order to gather comparable data. Decisions are yet to be firmly established at the federal level regarding the use of a multiple check format (consistent with the 2000 Census collection) versus the opportunity to check one box designating more than one race within collection standards. Research has found that differing results are garnered depending upon the format used. Given the likely expense that will be associated with this endeavor, OUS and other educational entities are waiting for the national standards to be established before attempting to modify the existing collection formats.

OUS Race/Ethnicity Data
There is recognition within OUS of the enhanced designations of racial/ethnic diversity. Consistent with national trends—particularly on the West Coast—OUS is experiencing increasing numbers of individuals who desire to indicate more than one race. The 2003 and 2004 OUS Diversity Reports include the data reported by students within OUS institutions who designate more than one race. It should be noted that OUS student race/ethnicity data are collected via the application for admission forms designed and utilized by each OUS institution. Given the variation in the questions posed to collect race/ethnicity data on these forms, the fact that self-reporting race/ethnicity is optional, and the fact that people in general may not have a complete understanding of the differences in data collection for various purposes, these data may not be comparable with future internal and external collections of race/ethnicity data once a new standardized protocol is established.

Current compilations of OUS data for faculty/staff, collected as an optional response item to assist with affirmative action employment plan purposes, adhere to the previously established (pre-Census 2000) format. The legacy nature of a large portion of the faculty and staff race/ethnicity data (i.e., data collected historically during an era when people tended to consistently report only one race/ethnicity) differs from the more fluid collections of student data. The possible re-surveying of OUS populations, mentioned above, will eventually provide an opportunity to capture updated race/ethnicity information for faculty/staff as well. As OUS representatives work to address issues of reliability and validity in preparation for modified data collection, and make changes in accordance with federally required data collection and reporting protocols once these standards are established, future reports of race/ethnicity should provide additional detail for all OUS populations of students, faculty, and staff.

There have been increases over the years in the numbers of students, faculty, and staff who decline to respond to race/ethnicity data requests. These data are listed within the tables included as appendices to this report. Student enrollment tables in this report include a column that identifies students who designate more than one race. However, Systemwide data for degrees awarded and faculty/staff representation are currently maintained, and included within this report, under the pre-Census 2000 standard.
Comparative OUS Data
A comprehensive review of five- and ten-year trends in OUS data was completed in the 2003 OUS Diversity Report. The following provides a brief update of the data and, for additional comparative purposes, includes five-year comparators.

Total Student Enrollment

During fall 2003, total OUS enrollment reached 79,558 students (see Appendix A), an increase from 78,111 students in fall 2002. Figure X indicates that the enrollment of African American, American Indian/Alaska Native, Asian/Pacific American, and Hispanic/Latino students was 10,543 (13.3 percent) in fall 2003, up from 10,068 (12.9 percent) in fall 2002, and 8,441 (12.5 percent) in fall 1999. As noted earlier, a growing number of students either report more than one race or have unspecified race. The total enrollment of students reporting more than one race was 700 (0.9 percent) during fall 2003, a numeric increase from 678 (0.9 percent) in fall 2002, and 454 (0.6 percent) in fall 1999.

The enrollment of first-time freshmen African American, American Indian/Alaska Native, Asian/Pacific American, and Hispanic/Latino students represented 1,511 (15.3 percent) of all first-time freshmen during fall 2003 (see appendix B). This enrollment is up from 1,406 (13.5 percent) in fall 2002; however, the number of first-time freshmen students reporting more than one race was 106 (1.1 percent) in fall 2003, down from 143 (1.4 percent) in fall 2002.
**Degrees Awarded**

During the 2002-03 academic year, a total of 1,724 (11.3 percent) African American, American Indian/Alaska Native, Asian/Pacific American, and Hispanic/Latino students received OUS degrees (see Appendix C). As illustrated in Figure X, this total is up from 1,477 (10.8 percent) during 2001-02, and 1,368 (10.6 percent) during 1998-99.

![Degrees Awarded](chart)

**Faculty/Staff Representation**

During fall 2003, the total OUS workforce of 14,936 people (6,999 men and 7,937 women) included 210 (1.4 percent) African Americans; 544 (3.6 percent) Asian/Pacific Americans; 372 (2.5 percent) Hispanics; 151 (1 percent) American Indians/Alaska Natives; 11,890 (79.6 percent) Caucasians; 979 (6.6 percent) International faculty/staff; and 790 (5.3 percent) faculty/staff with Unknown race/ethnicity.

One common measure of faculty representation relates to those who hold full-time, ranked, instructional positions. Appendix D includes institutional and System totals for this population by race/ethnicity. Information is included within the appendix for international faculty as well. During fall 2003, a total of 267 (11.2 percent) African Americans, American Indians/Alaska Natives, Asian/Pacific Americans, and Hispanics were represented among OUS full-time, ranked, instructional faculty. This
representation increased from 264 (10.4 percent) in fall 2002, and 218 (7.2 percent) in fall 1999.
Full-Time Ranked Instructional Faculty
1999-2000 to 2003-04
OUS Diversity Initiatives

Considerations of higher education diversity enhancement activities are complex and evolving. Attention must be provided to educational factors (preparation and achievement), societal and cultural needs, the provision of opportunities for advancement, and compliance with pertinent court rulings. Student-focused efforts including outreach activities, admissions practices, scholarships, social, and academic support services, as well as faculty/staff – related initiatives, are important factors in the attraction and retention of diverse populations and in the provision of educational value to all higher education participants.

Consistent with university missions and the needs of the populations served by OUS institutions, OUS representatives engage in activities and initiatives to support enhanced diversity and to promote the educational benefits of diverse campus environments. Appendix E includes university mission statements (with selected diversity-related statements highlighted) from institutional websites. Following is an overview of current diversity initiatives, provided by university representatives, within each institution.

Eastern Oregon University (EOU)

Campus-wide Initiatives
EOU’s Diversity Committee is composed of elected members drawn from throughout the campus community. The committee’s mission and goals are closely aligned with the university mission and strategic plan with regard to representation, inclusion, and engagement of people of diverse backgrounds. The committee has recently addressed issues for an inclusive curriculum and diversity in the University’s Cornerstones Program. This academic year, the Provost has asked the Diversity Committee to:

1) assess the outcomes of current practices in terms of recruitment, retention, and advancement of diverse faculty, staff, and students; and
2) make recommendations to improve outcomes.

Student Outreach and Support
The Vice President for Student Affairs and staff are proactive in seeking solutions to enhance programs for diverse students. The Office of Student Affairs has organized and hosted two retreats to assist staff in building awareness and understanding of the various areas of diversity.

The Office of Admissions/New Student Programs has increased efforts to recruit students of color. An increase in the number of multicultural applicants demonstrates the progress being made. The Admissions and Native American Program offices have provided opportunities for admission counselors to attend conferences targeting students of color. One staff member in the Admissions/New Student Office is
responsible for outreach to students of color and for the planning and implementation of the “Making College Happen” program.

The Native American Multicultural Student Service Office develops and delivers a variety of student services to ethnically diverse students. Student clubs and organizations host a range of programs designed to build awareness of cultural diversity. These groups work together to increase opportunities to build bridges of friendship and cultural understanding.

The Student Health Center staff has developed programs to address gender and culture specific health issues. These programs include outreach and information to campus cultural clubs, organizations, and diversity interest groups.

EOU supports several important outreach programs that address the K-12 pipeline. One such program is the Native American Adolescent Mentorship Program (NAAMP). The NAAMP is a volunteer mentoring program that connects college students and community members with Native American youth. The primary goals of the program are to build friendships, increase self-esteem, decrease absenteeism, and promote post secondary education. This collaborative program between EOU, the Pendleton School District, and the Confederated Tribes Umatilla Indian Reservation (CTUIR), is supported by the three partners. Earlier this year, the NAAMP was awarded a three-year JUMP Grant from the U.S. Department of Justice.

The School of Education & Business and the Native American Program work together to recruit, retain, and graduate students in the field of teaching. The Native American Teacher Education Program (NATEP) encourages students at the undergraduate and graduate level to complete teacher licensure and return to their own community or communities with high native/minority enrollments.

The Northeast Oregon Area Health Education Center (NEOAHEC) offers programs to middle and high school aged students, and targets students from diverse backgrounds to participate in these programs.

- **MEDQUEST**: Brings high school students to attend a five-day residential camp at Eastern Oregon University. MedQuest is a "hands-on" exploration designed to introduce students to career opportunities in health care.
- **MEDSTARS**: An advanced camp for students who have attended an introductory health career camp or have been in an intensive health occupations class at their school and have a definite goal to pursue a degree in the health field.
- **EOU SCIENCE CAMP**: A week long camp for youth between the ages of nine and 14. Campers have five days of hands-on activities in Chemistry, Physics, Geology, and Biology plus recreational activities.
**Faculty/Staff Initiatives**

The Provost/Vice President for Academic Affairs supports ongoing initiatives to enhance diversity at EOU. Attention has been focused on improving the faculty candidate search process and identifying best practices.

At the request of the Provost, a revised *Search Process and Procedures Handbook* has been prepared by the Director of Human Resources and the Affirmative Action Officer (AAO). Included in all searches is a step where the AAO meets with search chairs and committees to review the legal parameters and institutional goals for recruiting a diverse faculty. In addition, the AAO works with the Human Resource Office and the Provost to assess methods and outcomes in the recruitment, advancement, and retention of diverse faculty.

Each fall the Provost and the Center for Teaching, Learning, and Assessment present a faculty orientation program designed for new and returning faculty, on policies and procedures covering various topics including Affirmative Action and Disability Services Programs, tenure, promotion, third year interim review, and annual evaluation. School Deans are encouraged to take action-orientated steps to ensure that topics of diversity are an integral part of teaching and learning. EOU faculty members who work on reforming the general education curriculum have implemented recommendations on how to best address diversity within the general education framework. The EOU Cornerstones Program has expanded its definition for the international experience to include areas of diversity within the United States.

The President provides ongoing support for a committee and center that work to address areas of concern for women and students of color. The President’s Commission on the Status of Women presents workshops and sponsors speakers. Annually, the Commission organizes a weeklong program to raise awareness of women’s issues in the celebration of International Women’s Week. The Commission has also been instrumental in the development and support of the Women’s Resource and Research Center.

**Oregon Institute of Technology (OIT)**

**Campus-wide Initiative**

OIT has a diversity initiative that is focused on increasing the number of women enrolled in engineering-related fields, including engineering technology and computing.

**Student Outreach and Support**

OIT efforts include introducing elementary through high school girls to careers in science and engineering, supporting female science and engineering students on campus, and encouraging female engineering students to seek a career as an engineering faculty member.
The WISE (Women in Science and Engineering) program is a women in engineering day conference which provides an opportunity for high school girls to meet professional female engineers on campus and to explore engineering careers. The “Saturday Experience” program is a series of Saturday programs on campus for students from local schools to create an interest in mathematics, science, and engineering. The “I’m Going to College” program brings sixth-grade female students to campus to expose them to college life, including an opportunity to tour the campus and attend a class in their area of interest. This program also includes a meeting with parents as a follow-up activity in their own elementary school. OIT also has a week-long summer residential program for junior high school students, TWIST (Teen Women in Science and Technology), which introduces them to engineering skills and careers.

For female science and engineering students on campus, OIT supports the SWE (Society of Women Engineers) organization. Regular social gatherings bring female engineering students into direct contact with other female engineering students and faculty members and provide an opportunity for them to explore the breadth of engineering and technology disciplines on campus.

Faculty/Staff Initiative
OIT has a National Science Foundation (NSF) funded program for the development of female faculty members for engineering, PFFEMS (Preparing Future Faculty in Engineering, Mathematics and Science). This program includes an active Learning Communities effort, as well as opportunities for development of teaching skills and educational pedagogies for the teaching fellows supported by the program.

Oregon State University (OSU)

OSU continues a range of diversity initiatives that enhance the ability to sustain an inclusive and supportive campus environment; to improve the capacity to be proactive and responsive; and to embrace a sense of community and acceptance.

Campus-wide Initiatives

• Diversity and the Strategic Plan: In support of the priorities outlined in the recently adopted OSU Strategic Plan, the Office currently known as Multicultural Affairs will be renamed, and will have a Director of Community and Diversity. A national search is underway to fill this important role. The breadth and depth of the scope of the Office has been expanded in support of moving OSU up to the next level of diversity commitment. The director position will be appointed by the president and will report to both the president and provost. The Office will have a campus-wide purview, and will be both “environmental” and “ecological” in its service. The director will be designated a key member of the leadership team and will serve on the University cabinet.

• The Campus Climate Assessment, sponsored by the Office of Multicultural Affairs and the Faculty Senate, will be conducted during spring term, 2004. Students, faculty, staff, and administrators assisted in refining the survey instrument. The
Docket July 2004

results will provide data to assist in the development and implementation of the Strategic Plan, including unit level and university-wide Diversity Action Plans.

- **Diversity Action Plan**: An OSU Diversity Action Plan is underway in support of the OSU Strategic Plan. A draft of the planning process follows:

**Process Overview**

All Oregon State University academic and administrative entities will participate in the Diversity Action Plan process. Plans will be submitted centrally through the administrative unit leader (e.g., academic dean, vice president, vice provost, president). The unit leader will provide direction to those reporting through her/him regarding the submission of plans. In addition, each unit leader is to develop a plan that will detail their contribution to the university’s plan (e.g., the Office of the Provost will have its own plan, apart from those developed by academic units). The goal of the process is to construct and implement a broadly focused plan that will enhance and sustain the University’s success relative to diversity.

The elements involved in the development of the Oregon State University Diversity Action Plan are:

1. Describe (clarify) categories of diversity to be addressed
2. Develop criteria (standards) for successful Diversity Action Plans
3. Develop a template to guide the development and evaluation of Diversity Action Plans
4. Develop a charge to units for Diversity Action Plans. The charge will describe components of Oregon State University’s Diversity Action Plan, specifying dimensions that units are to address:
   a. Diversity mission statement
   b. Climate initiatives (e.g., environment relative to work, learning, living)
   c. Knowledge and skill development (initiatives to foster cross-cultural competency at all levels of the university)
   d. Faculty recruitment and retention (including promotion and tenure), staff recruitment and retention, and student recruitment and retention (including graduation) initiatives
   e. Outreach/service/partnership initiatives (communities with which units will connect, will include fundraising)
   f. Assessment/research/evaluation initiatives
   g. Student support and development initiatives
   h. Faculty/staff support and development initiatives
   i. Accountability plan (including qualitative and quantitative measures)
   j. Alignment initiatives (efforts to connect the work of the unit with others who share comparable goals and initiatives)
5. Develop a list of resources to guide units during the planning process
6. Involve key stakeholders and constituents in the process
7. Check for responsiveness to the needs and utilization of the skills of stakeholders
8. Check for alignment with standards adopted to define successful Diversity Action Plans.

There will be an accountability and feedback
Each unit will be supported and encouraged based upon their readiness to engage in the planning process.

There will be a consistent method by which each plan will be evaluated.

There will be short-, medium-, and long-range initiatives (stated in measurable, behavioral terms)

- **Partnership for Diversity**: OSU was a founding member and major player in forming this community-based collective to bring diversity programs to the Corvallis area. The first program featured Jane Elliott, developer of the internationally known approach for teaching the damaging effects of discrimination in education, business, and society in general. In addition to OSU, the Partnership includes Hewlett Packard, CH2M Hill, Linn Benton Community College, Corvallis city government, Benton County government, Corvallis Martin Luther King, Jr. Commission, Community Alliance for Diversity, Safeway, and Corvallis Oddfellows.

- **Brown vs. Board of Education Observance**: Several university units, community groups, and local schools are planning a two week event in May 2004 commemorating the 50th anniversary of the landmark Brown vs. Board of Education U.S. Supreme Court decision that declared state enforced race segregation in education unconstitutional. A variety of activities are planned including an Opening Ceremony on May 17, a keynote speaker, a panel display entitled "No Easy Road: Unlearning Discrimination in Oregon," various artistic activities, videos relating to the struggle to overcome segregation, and panel discussions. The purpose of the event is to raise awareness of the continuing relevance of the challenge of the Brown case, the ongoing struggle against persistent de facto segregation in housing and its relationship to education, and the implications for all who work on behalf of equality of opportunity.

**Student Outreach and Support**

**Community Outreach Programs** have been held in Hispanic, African American, and Asian/Pacific American communities to promote middle and high school persistence and postsecondary education. The community-based programs invited families and community leaders to attend, since many educational decisions are family based. OSU students played major roles in providing information to participants on student life and activities.

**PROMISE (Professional and Managerial Internships in State Employment)** is a summer program that is in its 12th year of providing students of color with opportunities to gain professional, managerial or technical skills, and experience in positions at the University or in state, county, and local governments. Interns acquire valuable career development strategies and provide opportunities for participating departments and agencies to increase diversity and diversity awareness in their worksites. Sponsors attest to the value of working with students from diverse racial and ethnic backgrounds. Upon completion of the internship, many departments retain interns for full year employment.
and maintain contact for future employment. Former interns have secured positions in Oregon universities and state, county, and city governments and agencies upon graduation. In helping students of color realize their career potentials, PROMISE is one of OSU’s most effective avenues for demonstrating its commitment to diversity. The program is supported by Human Resources Department (financial and oversight), the Office of the President (financial) and Intern sponsors at the University, state, county, and local government levels. The PROMISE Task Force provides guidance for the program.

Faculty/Staff Initiatives
- **The Faculty Diversity Initiatives** actively recruit and support minority graduate students with “Minority Group Graduate Student Pipeline Support Fellowships” and the “Minority Faculty Doctoral Advancement Fellowship” as one approach to faculty diversity.
- **The Diversity Hiring Initiative** requires applicants for all leadership positions to demonstrate commitment to diversity. Hiring administrators throughout the University with the capacity and the will to further diversity initiatives enhances the ability to meet inclusive goals.
- **The Office of Affirmative Action and Equal Opportunity** continues to provide information and work with search committees to attract a diverse pool of employment applicants through improved marketing and communication methods. The office has also developed a guide to assist search committees in the implementation of the Diversity Hiring Initiative.

**Portland State University (PSU)**

The President and the Provost further diversity through the Portland State University (PSU) Presidential Initiative established in 1999. The goals of this initiative include 1) the creation of an institutional environment, curricula, and scholarship that enhance learning about diversity and respect for diversity and equality; 2) increases in the representation of both in-state and out-of-state students of color within the campus community; 3) increases in the participation of underrepresented groups in the faculty, staff, and administration; and 4) increases in the number of sustained and mutually beneficial connections with diverse communities. Activities and outcomes that support the President’s Initiative are reported on the President’s Corner at [http://www.president.pdx.edu/Initiatives/diversity/diversityhome.phtml](http://www.president.pdx.edu/Initiatives/diversity/diversityhome.phtml)

**Outcomes**

Positive results of the President’s Diversity Initiative are reflected in the following areas:
- Between 1999 and 2003, the number of faculty of color (full-time instructional) has increased by 32.8 percent—64 in 1999 to 85 in 2003. During this period, those faculty (full-time instructional) who identified as white/European increased by 5.5 percent.
- As of 2003-04, 21 departments were participating in the Diversity Incentive Plan funding opportunity;
- During 2003-04, the Focus on Diversity Series will host six events;
During 2003-04, the Diversity Film Fest will host five events and is available to undergraduate students as the basis for a one-credit course.

**Campus-wide Initiatives**
The following campus-wide activities are associated with the President’s Diversity Initiative:

- The Diversity Action Council (DAC) – comprising 33 presidentially-appointed faculty, staff, and students – designed the Diversity Action Plan that highlights actions, key personnel, timelines, and rationales that support each of the Diversity Initiative Goals. In efforts to include all levels of the institution in related activities, the DAC reports regularly to the Council on Academic Deans and the Faculty Senate.

- The DAC sponsors and collaborates with campus offices to deliver activities throughout the year that: investigate the perceptions of faculty, staff and students on the campus, raise awareness, and facilitate opportunities for discussion of the various effects of diversity. Examples of these activities include the following and others listed within the student and faculty/staff sections below.
  - **The Diversity Liaison Network**: Faculty representatives of each unit (academic and nonacademic) hear about upcoming diversity activities and share their departmental diversity activities.
  - **The Diversity Newsletter**: A quarterly newsletter highlighting diversity events and diversity discussions. For more details see “Diversity Activities” on website cited above.
  - **The Focus on Diversity Series**: A monthly series addressing current and ongoing issues regarding diversity. For more details, see “Diversity Activities” on the website cited above.

- To further the goal of increasing the number of faculty of color, the DAC has established the Diversity Hiring Resource Team (DHRT). Through the work of this team, institutional representatives have learned to define positions as broadly as possible to ensure a diverse pool of candidates. The provost meets with each dean and search committee chair to review the pool and either approves it or encourages broadening the search to obtain a diverse group of candidates. This, combined with the work of the Affirmative Action Office in determining underutilization or under representation, has helped PSU develop new ways to improve the recruitment and retention of faculty of color.

**Student Support and Outreach**
- During 2003-04, PSU supported programs that enhance the progress of Latino high school students towards higher education by bringing them together with current Latino PSU students mentors.
- Students receive diversity mini-grants for campus-wide diversity activities. For summaries of student mini-grants, see “Diversity Activities” on the website cited above.
- Special Connections is an annual event for graduate students of color at PSU to talk with undergraduate students of color about pursuing graduate work at PSU.
Faculty/Staff Initiatives

- Academic departments receive incentive funds for departmental tenure track hires that document both diversification of the candidate pools and hiring of diverse faculty.
- Research addressing issues of diversity is encouraged among the faculty and funded by the Presidential Initiative through mini-grants. Thirteen mini-grants were funded in 2003-04; this is more than double the number awarded during the previous academic year. For summaries of mini-grant descriptions, see “Diversity Activities” on the website cited above.
- The position of Faculty in Residence for Diversity is an annual appointment that allows a tenure track faculty member to devote a portion of their time to furthering the diversity activities at PSU.
- The DAC sponsors:
  - Connections: Monthly informal meetings for faculty and staff of color at PSU; this group has 317 individuals on their listserv.
  - [http://www.president.pdx.edu/Initiatives/diversity/connections03.html](http://www.president.pdx.edu/Initiatives/diversity/connections03.html).
  - Diversity Hiring Resource Team: A resource team available to all departments to provide suggestions for writing position descriptions that reflect an openness to diverse candidates; suggestions for interviewing candidates that reflect an openness to diverse candidates; and suggestions for ways to retain diverse candidates. For more details see “Diversity Activities” on the website cited above.

Southern Oregon University (SOU)

Southern Oregon University (SOU) has implemented various strategies to enhance diversity on campus and in the community. Major diversity initiatives include the following.

Campus-wide Initiatives

The Multicultural Executive Council is composed of faculty and staff and serves as a decision-making group for issues of concern for the SOU multicultural community. A faculty member who serves as Faculty-in-Residence for multicultural student affairs and the Diversity Scholars Program chairs the Multicultural Executive Council and is the primary contact for multicultural students.

The Multicultural Library is a self-service library containing U.S. ethnic literature, gay and lesbian U.S. literature, and secondary sources. The Library is open to students and staff.

The Welcoming Diversity and Controversial Issues/Conflict Resolution Program provides opportunities for representatives of the SOU community to interact and engage with members of the surrounding community. Groups of faculty, staff, and students have been trained as Welcoming Diversity Workshop and Controversial Issues Facilitators.
Trainees become “multipliers” of their newly developed diversity skills by facilitating diversity workshops in the University and the larger community.

Native American Materials and Services: Southern Oregon University’s Library has a premier collection of materials relating to Native Americans of North America and has deemed the selection and acquisition of materials relating to North American Indians as a collecting focus (along with Shakespeariana).

Of the Oregon University System regional universities, the SOU Library has the largest collection of Native American materials, with over 8,700 books and videos dealing with Native North America. The Library maintains subscriptions to 26 periodicals pertaining to Native Americans, and collects newsletters from the federally recognized tribes of Oregon. The Library also subscribes to the online database, HRAF Bibliography of Native North America.

Designated a center for Native American materials, the Library recently received substantial collections of Native American materials. Helen Redbird-Smith, an alumna of SOU and Professor Emeritus of Western Oregon University, donated an extraordinary collection of 1,400 monographs, sound recordings, research papers, ephemera, reference materials, and documents relating to North American tribes. The Douglas Martin Collection contains over 1,000 books collected by this scholar of Indian-White relations during his lifetime.

The Library is also involved in an IMLS funded digitization project to create the Southern Oregon Digital Archive (SODA) of materials relating to the ethnohistory and environment of the unique Siskiyou/Cascade/Klamath bioregion. The First Nations Collection of SODA now numbers 400 web-accessible hard-to-find public domain documents, books, and articles relating to the indigenous peoples of this area. The collection has been developed in consultation with representatives from tribes. Some of the groups represented in SODA include the Alsea, Coos, Cow Creek Band of Umpqua, Hupa, Klamath, Modoc, Shasta, Siuslaw, Takelma, Tututni, and Yahuskin nations.

Native American Studies: Recruitment efforts have been broadened and enhanced at SOU with the establishment of the Director of Native American Studies position, in addition to the Native American Academic Coordinator. SOU offers both a 24-credit Minor and a 36-credit Certificate in Native American Studies. With the development of the Center for First Nations Studies, recruitment efforts have expanded to the international level within indigenous populations. Southern Oregon University participates in numerous high school and community visitations and maintains close regional interactions with the nearby tribal Education Departments and federally recognized Northern California tribes.

During 2003, Southern Oregon University joined the Ashland Community Diversity Alliance (ACDA), a local organization whose membership includes employers, community organizations, and individuals. The ACDA is dedicated to increasing awareness, fostering cultural competency, and promoting leadership in cultural diversity.
development. In the fall of 2003, SOU hosted ACDA’s first community event to inform the community about the ACDA’s mission and invite interested parties to join the Alliance.

In November 2003, SOU actively participated in the annual Oregon Diversity Institute Conference held at Rogue Community College. A number of faculty, staff, and students attended the two-day event. In addition, SOU faculty, staff and students presented or co-presented with other institutions seven workshops on the following topics: student harassment over issues of race and sexual identity; the impact of heterosexism in the classroom; Native American programs; using silence as a teaching tool for diversity; issues facing lesbian, gay, bisexual, and transgender people; creating an inclusive/multicultural curriculum; and campus safety and violence against women.

SOU is represented at the annual Oregon Indian Education Association (OIEA) Conference and in the current year (2003-04) will partner with the Klamath Tribes to host the event in early April. Further, SOU is represented at Oregon Indian Coalition on Post-Secondary Education (OICPSE), the Oregon Indian Education Youth Conference, the Oregon/National Tribal Educational Contractors Association, and the National Congress of American Indians. Currently, both Native American Studies faculty are members of the Board of Directors for OIEA and participating members of the Oregon American Indian/Alaska Native Education Council.

Student Outreach and Support
The Southern Oregon University Minority Outreach Program has identified a number of travel activities, events, and programs as recruitment strategies for this academic year. SOU will send a representative to various conferences and college fairs such as the Cesar Chavez Conference, MeCha, Hoopa Valley High School fair, and others. English as a Second Language (ESL) classroom visits to local middle and high schools have given SOU the opportunity to speak to minority students about admission to a college, financial aid, scholarships, and housing. Each January, SOU participates in financial aid workshops in Spanish at local high schools. In addition, Upward Bound and Education Talent Search groups from Oregon and northern California attend campus preview programs annually. Lastly, phone calls and mailings have been another way to contact prospective minority students.

The Native American Advisory Council and the Board of Directors for the Center for First Nations Studies continue to assist SOU in the identification and elimination of institutional barriers to student success. Membership consists of local Native American community/tribal members, faculty, NASU officers, members of OICPSE, and OTECA. Faculty are assisting in the development of reflective curriculum in a number of areas, including teacher education and continuing licensure, utilizing coursework from the Native American Studies Program.

Southern Oregon University hosts Konaway Nika Tillicum Native American Youth Academy, for grades 6-12, each summer. The Academy is an in-residence early-intervention program for recruitment, retention, collegiate academic preparation, cultural
The Academy is a collaborative effort between SOU and OSU’s American Indian Science and Engineering Society. Participation includes all nine federally recognized Tribal Education Departments, all Title III Indian Education programs, Johnson O’Malley programs, urban/rural American Indian programs, and National/International First Nations peoples.

**Latino Academy/Academia Latino** is a weeklong residential camp at SOU for Latino students in the southern Oregon region who have completed grades 6-8. The camp provides classes, lectures, cultural experiences, and recreational activities. These outreach programs create college readiness and a sense of community for multicultural students.

The main goals of the **Diversity Scholars Program** are to admit and award scholarships to cohorts of women and men who enhance institutional diversity, including racial/ethnic diversity, to enrich the teaching and learning environment. The program supports 90 Diversity Scholars through mentoring and advising. A faculty member in residence is responsible for overseeing student multicultural activities, including the mentoring for all students of color in the Diversity Scholars Program.

The mission of the **Multicultural Student Center** is to provide safe, supportive, and enriching environments to multicultural students who historically and/or presently have experienced racism and prejudice in the United States. The Multicultural Student Coalition was established to facilitate collective activities among the multicultural student organizations housed in the Multicultural Student Center. Presently, the Multicultural Student Coalition is comprised of the leaders of the multicultural student unions, associations, and clubs; the Multicultural Student Center coordinator; the Multicultural Student Center technician; and the Associate Director for Multicultural and Student Activities. The following student organizations are part of the Coalition: Black Student Union (BSU); Latino Student Union (LSU); Native American Student Union (NASU); Lesbian, Bisexual, Gay, Transgender Allies Student Union (LBGTA); International Student Union (ISU); Ho'opaa Hawaii; and the Challenge Student Club (students with disabilities).

**Disability Awareness Week 2003**, presented by the Challenge Student Club, is an example of the type of activities facilitated collaboratively by the Multicultural Student Coalition. The mission of the Challenge Student Club is to provide group support and encouragement for students with disabilities; to raise awareness of the needs and challenges of students with disabilities; to promote interaction between students with and without disabilities; and to encourage continued relational growth between students with disabilities and the university community. Disability Awareness Week consists of five days of activities intended to increase awareness and appreciation of the contributions of people with disabilities and their impact on campus and in the community. In 2003, activities included a community resource and vendor faire, demonstrations by various service animals, a performance by a wheelchair dance troupe, and a student/faculty panel presentation. These events were the result of
collaboration between the Challenge Club and faculty, staff, students, and community members—with and without disabilities.

*Resource Centers:* Demonstrating its commitment to diversity on campus, the SOU student government, in collaboration with Student Affairs, continues to support the Women’s Resource Center, Queer Resource Center, and Non-Traditional Student Resource Center.

- The **Women’s Resource Center (WRC)** offers educational programs and support services to enhance the quality of life for Southern Oregon University women. The center serves as a resource for students, faculty, staff and community of all genders. The WRC maintains an extensive library and collection of community resource information; takes a leadership role in prevention of sexual assault; and offers work-study, volunteer, and practicum opportunities to SOU students.
- The **Queer Resource Center** provides support services for lesbian, bisexual, gay, and transgendered students, faculty, and staff. The QRC also provides educational and recreational programs to the campus community.
- The **Non-Traditional Student Resource Center** provides services to non-traditional students defined as individuals age 25 or older who are single, married or divorced, with or without children. Services include access to computers and other resources, meeting space, and information on jobs and scholarships.

**Faculty/Staff Initiatives**

- **Recruitment:** The Office of Human Resource Services developed a directory of recruitment resources for academic and administrative departments that are engaged in a search to fill faculty, administrator and support staff positions. In addition to standard local, regional and national publications, the recruitment resource directory has been expanded to include college placement offices, minority organizations and publications, community organizations, and web sites that offer special services for providing information to minority applicants about position openings.
- **Recruitment of Minority Faculty:** SOU’s collective bargaining agreement with the Association of Professors at SOU provides for financial enhancements to enable departments and schools to compete for qualified faculty minorities.
- **The Inclusive Curricula Faculty Learning Community** project is intended to transform the existing curriculum. This initiative – sponsored by the inclusive Curriculum Task Force, the Provost’s Office, and the Center for Teaching and Learning – is using a model developed by the New Jersey Project. Through this program, faculty members transform their existing courses using inclusive frameworks and teaching pedagogies.
- **The New Faculty Mentor Program,** sponsored jointly through the Provost’s Office and the Center for Teaching and Learning, pairs new faculty with senior faculty members who serve as mentors. The purpose of this program is to provide a support network to nurture new faculty retention and success.
University of Oregon (UO)

The University of Oregon (UO) has developed a multi-faceted approach to diversity with efforts ranging from broad initiatives designed to increase campus community awareness, to educational and research programs and centers that focus on issues of diversity, to concerted efforts to attract and retain an increasingly diverse student body and workforce, to resources and services that support members of the increasingly diverse University community. The University’s diversity website (http://diversity.uoregon.edu/) provides a valuable array of diversity information and links to events, educational centers and programs, student organizations, services, scholarships, staff training workshops, and committees and councils that are available to current as well as prospective students, faculty, and staff. Some examples and highlights of the University’s on-going diversity building efforts are described here.

Campus-wide Initiatives
The following initiatives establish diversity as one of UO’s core values.

- A search for a new position of Vice Provost for Institutional Equity and Diversity to provide leadership, guidance, and direction for all University equity and diversity matters concerning faculty, students, and staff, concluded successfully with the hiring of Vice Provost Gregory Vincent. Professor Vincent joined the University of Oregon administrative team in January 2004 and will work with other administrators, faculty, staff, and students in the on-going effort to increase appreciation of the critical importance of diversity in providing a comprehensive educational experience, and will work to enhance collaboration among the University’s many diversity stakeholders to ensure effective communication regarding diversity initiatives and accomplishments throughout the campus community.

- The Center on Diversity and Community (CODAC), established in 2001 as an interdisciplinary research center that promotes inquiry, dialogue, and understanding on issues of racial, ethnic, and cultural diversity, continues to promote new diversity scholarship within and across fields of study <http://www.uoregon.edu/~codac/>.

- The Ethnic Studies Program examines the construction and context of ethnicity in the United States with a primary focus on Americans of African, Asian, Latino/a, and Native American descent. Program scholars are committed to promoting the recruitment and retention of faculty and students of color and curricular changes that address an increasingly heterogeneous society <http://darkwing.uoregon.edu/~ethnic/>.

- The Oregon Consortium for International and Area Studies, formed in 2000, provides support for the following multidisciplinary and international programs: Asian Studies Program, European Studies Program, International Studies Program, Latin American Studies program, and Russian and East European Studies are included at <http://www.uoregon.edu/~ocias/what.htm>.

- Center for Indigenous Cultural Survival, created in 2001, serves as a research and service institute focusing on indigenous peoples worldwide <http://www.uoregon.edu/~cics/center.htm>. In addition, it provides liaison to the tribes
of Oregon and will provide stewardship for the Many Nations Longhouse at <http://www.uoregon.edu/~committees/longhouse/programs.htm>.

- Long-standing diversity efforts and programs include the President’s Council on Race and the Center for Asian and Pacific Studies <http://darkwing.uoregon.edu/~caps/>.

The following initiatives are intended to increase campus community awareness of diversity.

- The University continues consideration and implementation of recommendations made in a report by Western Michigan University President Elson Floyd, who was invited to campus to consult on the university’s agenda of increasing diversity on campus (e.g., the appointment of Vice Provost for Institutional Equity and Diversity Gregory Vincent noted previously).

- In January 2002, the University invited Dr. Susan Rankin, Penn State University, to campus to share her analysis and results of the 2001 Campus Climate Assessment survey in which the University participated, and to conduct focus groups to identify issues and challenges the campus faces.

- Other initiatives to increase campus community awareness of diversity include the [Affirmation of Community Values statement](http://policies.uoregon.edu/ch1affirmation.html) and the Bias Response Team, coordinated within the Office of Student Life, designed to help the community and its members address effectively incidents of bias or hate.

**Student Outreach and Support**
Primarily through its Office of Admissions [http://admissions.uoregon.edu/], the University has devoted significant effort to increasing the number of students of color at the University. At the same time, the University has enhanced its efforts to support the academic success and retention of students of color who enroll with the University [http://admissions.uoregon.edu/diversity.html]. Specific recruitment programs include the following.

- **Reach for Success** is an annual event that brings approximately 250 middle-school-aged students of color and their parents to the UO campus for a day of activities to help students understand that going to college is possible and how the classes they take in middle and high school can lead to a university education.

- **Connections** is the UO’s primary recruitment and visitation program for students of color that focuses on multiple small- to medium-sized visits [http://www.uoregon.edu/~stl/parent/connectionsfall2002.pdf].

- A full-time [Native American Enrollment Coordinator](http://www.uoregon.edu/~stl/parent/) position was created with primary responsibility for assisting Native American students in the process of exploring college options, applying and being admitted to the UO, paying for college, and graduating.

- The University proposed the [Residency by Aboriginal Right](http://www.uoregon.edu/~stl/parent/) program in which members of 44 bands and tribes who have a historic relationship to the land that became Oregon are granted in-state residency for tuition purposes.

- The [Native American Summer Bridge Program](http://www.uoregon.edu/~stl/parent/), launched and coordinated by the English Department, brings students to campus for an academic program aimed to
ensure their success in later studies and focusing, in part, on Native American literature.

- A day-long Native American Education Gathering (Lobiital Hoskanga) brings Native American high school students from around the state to campus to explore college benefits and opportunities, including the transitional support available to Native American students.
- In 1998, the University secured federal support for a Ronald McNair Program to enhance diversity in graduate programs.
- The Office of Admissions employs multicultural recruiters/ambassadors who call and give weekly campus tours to prospective students of color.
- In 2002, the University, in partnership with the nine federally recognized tribes of Oregon, secured federal support for a comprehensive model for recruitment, support, pre-service training, and in-service mentorship of American Indian teachers serving American Indian communities.
- In 2003, the University and the nine-federally recognized tribes of Oregon joined to break ground on a new Many Nations Longhouse. The new facility will be dedicated in the fall of 2004.
- The Linguistics Department, in partnership with the federally recognized tribes of Oregon, has secured funding for the Northwest Indian Language Institute that will provide for the teaching of the indigenous languages of the region.

**Faculty/Staff Initiatives**

- Since the inception of the Underrepresented Minority Recruitment Plan in 1994, the Provost’s Office has allocated more than $2,191,500 for minority recruitment. The plan allows departments to enhance offers to minority candidates and improve retention and support of minority faculty by funding activities supporting faculty development.
- New Faculty Orientation was expanded with a strengthened focus on the opportunities and challenges created by an increasingly diverse institutional community.
- A position was added to the Teaching Effectiveness Program to assist faculty members as they seek to work effectively in an increasingly multicultural teaching and learning environment.
- Diversity, inclusion, and engagement continue to be a focus of attention for both deans and department heads in retreats and work sessions.
- The Office of Human Resources offers a variety of workshops annually that concern diversity and maintaining an inclusive, respectful, and discrimination-free working and learning environment <http://hr.uoregon.edu/training/>.

**Western Oregon University (WOU)**

The location of Western Oregon University (WOU) in the mid-Willamette Valley places it in one of the state’s fastest growing Hispanic population centers. It is estimated that well over ten percent of the population in Polk and Marion counties is now of Hispanic
descent. This fact, coupled with the University’s commitment to ethnic diversity, has resulted in numerous program initiatives.

A student retention effort has been developed for “at risk” students. This “freshman year experience” program identifies and supports students during their critical first year in college by providing personal and academic counseling as well as academic support services in a variety of academic subject areas including math, science, speech, and writing.

High school outreach continues to be an important means of attracting students of color to WOU. Western offers specialized counseling and advising in selected Salem high schools to students indicating they are interested in going to college. This counseling service is offered as a continuing service by volunteering bilingual faculty members.

**Campus-wide Initiatives**

The general education curriculum has been modified for all students seeking a B.S. degree to include a cultural diversity course requirement. Each B.S. student is required to complete six hours of course work (two courses) emphasizing topics and subjects of cultural diversity.

An interdisciplinary minor in Chicano-Chicana studies has been developed and implemented to provide students with increased opportunities to study issues of race, culture, and ethnic diversity.

**Student Outreach and Support**

WOU has instituted a number of initiatives to provide increased access to students of diverse ethnicity with special sensitivity to providing support for the growing numbers of college bound Hispanic students.

- **Diversity Achievement Scholarships**: Consideration for this scholarship opportunity is given to any new freshman and transfer student from Oregon whose cultural background, life or work experience, or academic preparation and achievement is likely to enhance the diversity of campus life in and outside of the classroom.

- **Upward Bound**: WOU is co-partnering with selected Marion and Polk county high schools through its Upward Bound Program to increase high school to college participation rates. This four-year renewable, federally funded grant gives the University access to 65 high school students per year. The program strengthens both academic and personal skills necessary for success in college. Upward Bound operates ten months a year on-site in the high schools and for eight weeks each summer on-campus where students live in the University’s residence halls and receive classroom instruction that includes regular university faculty. The three-year average of graduating Upward Bound students being admitted to college is 85 percent and their three-year average college retention rate for these same students is 96 percent.

- **The SEP Program**: The WOU Student Enrichment Grant Program supports students of diverse ethnic backgrounds with academic and career advising services, and special learning equipment (i.e., laptop computers, calculators, cassette recorders,
etc.) to make the transition from high school to college easier. SEP also offers free courses for academic credit in math and other academic skill areas to improve the probability of academic success. A peer mentoring and an academic bridge program, sponsored by the University in conjunction with SEP, offer students support on a year-round basis. This program carries an 85 percent graduation rate.

- **Student Retention Program**: The WOU Office of Academic Advising and Learning Center supports a freshman year program of tutoring and counseling to deal with the inevitable personal and academic issues that often develop for students of color as they enter a majority academic and social environment. The program serves upwards of 70 students annually and yields retention rates consistent with the freshman to sophomore retention rates of majority students.

**Faculty/Staff Initiatives**

The WOU Office of Human Resources and Affirmative Action offers regularly scheduled orientation seminars for new faculty and staff in order to improve campus awareness and commitment to enhancing the learning environment for ethnically diverse student populations.

Bilingual faculty members from a number of disciplines and students studying Spanish have developed student support programs with high-need area high school students and their families to provide both special instruction in English and a social support network to encourage students and families in regard to seeing college as an attainable personal goal.

WOU places great importance on effective teaching and scholarly research as major conditions for tenure and promotion. First-year faculty members at WOU often find it challenging to balance a demanding undergraduate teaching load with the University requirement that they continue their growth as publishing scholars. This situation is often more daunting for faculty members of color who may also face additional challenges of adjusting to a majority culture environment. As part of its faculty diversity retention effort, Western has started two programs.

**New Faculty Mentoring.** New faculty members are paired with senior faculty members who act as confidential mentors, answering questions, giving advice, and helping with teaching and research issues that nearly all newly hired faculty have. There is a clear relationship between this type of mentoring during the critical first two years of a new faculty member’s career and their successful promotion and tenure. This program has become an important part of WOU’s faculty diversity retention initiative.

**Faculty Research and Publication Seminar.** Started in the WOU College of Education, this program attempts to maintain a continuing dialogue between new faculty and senior faculty with established research and publication agendas. The monthly meetings of the seminar include the presentation of papers and research in the pre-publishing stages combined with practical discussions on how to improve written research for publication, how to negotiate the vagaries of editorial boards, and how to match completed papers
and research to the most appropriate journals and publishers. The seminar has proven helpful to new faculty and senior faculty alike.
Conclusions and Recommendations

- In recent weeks, additional information has been brought forth on the national scene regarding interpretations of race-conscious student-related initiatives in higher education. As OUS looks toward the future of continuing to provide opportunities for representation, inclusion, and engagement for all OUS populations, consideration must be given to providing the appropriate frameworks through consistent monitoring and flexibility within diversity initiatives.

- Early and adequate academic preparation is a key factor in student achievement and success. In recognition of the growing populations of students of color moving through the K-12 pipeline, considerations must be given to outreach, encouragement, and assistance with understanding the benefits of, and readiness for, a college education. Also, initiatives that seek to better integrate community college and OUS relations through dual enrollment and transfer activities should include sustained and comprehensive measures to provide outreach, information, and incentives for all populations. Plans and knowledgeable policy-level involvement are needed within specific initiatives—including, but not limited to, access, affordability, community college articulation, and course delivery methods—to address all related diversity needs.

Current K-16 data systems are limited in capturing the enrollment patterns of students throughout the educational pipeline. As Oregon moves toward a system of enhanced K-16 data alignment under the leadership of the State Board of Higher Education, racial/ethnic diversity should be included to help guide related policy decisions. Further, all comprehensive K-16 statewide and institutional educational initiatives should appropriately incorporate diversity considerations.

- OUS institutions have made strides in incorporating diversity initiatives into campus activities and strategic plans. Existing initiatives, such as institutional diversity councils, that include student, faculty, community, and administrative representatives, are key. The deliberations and actions of these groups should consistently include attention to connecting diversity-related activities with broad campus initiatives in order to encourage comprehensive incorporation of diversity in the institutional environment.

- OUS institutions have made strides in attracting diverse faculty and staff. Current levels of Systemwide funding for assistance with campus pipeline and recruitment initiatives are modest, yet appear to have a positive effect. Key activities, such as the OUS Faculty Diversity Initiative and institutional efforts to recruit, retain, and promote diversity in the workforce, should be enhanced.

- OUS institutions have made strides in recognizing and promoting the benefits of diverse educational environments. However, the wealth of talent and research capabilities on university campuses are not being fully tapped to investigate the influences of diversity on interactions, development, and broad campus-based...
initiatives. Enhanced research relating to diversity in the campus and community environments should be encouraged and supported.
### OUS Enrollment\(^1\) by Racial/Ethnic Group
(fall 2003)

<table>
<thead>
<tr>
<th>Campus</th>
<th>African American or Black, non-Hispanic</th>
<th>American Indian / Alaska Native</th>
<th>Asian / Pacific American</th>
<th>Hispanic / Latino</th>
<th>White, non-Hispanic</th>
<th>Reporting More Than One Race/Unspecified Race*</th>
<th>International</th>
<th>Campus Totals</th>
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<tbody>
<tr>
<td>Eastern Oregon University</td>
<td>49 1.5%</td>
<td>47 1.4%</td>
<td>120 3.7%</td>
<td>100 3.0%</td>
<td>2,707 82.4%</td>
<td>41 1.2%</td>
<td>156 4.7%</td>
<td>67 2.0%</td>
</tr>
<tr>
<td>Oregon Institute of Technology</td>
<td>32 1.0%</td>
<td>54 1.7%</td>
<td>152 4.7%</td>
<td>146 4.5%</td>
<td>2,598 80.3%</td>
<td>1 0.0%</td>
<td>227 7.0%</td>
<td>26 0.8%</td>
</tr>
<tr>
<td>Oregon State University</td>
<td>257 1.4%</td>
<td>218 1.1%</td>
<td>1,479 7.8%</td>
<td>617 3.3%</td>
<td>14,295 75.3%</td>
<td>43 0.2%</td>
<td>931 4.9%</td>
<td>1,134 6.0%</td>
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<tr>
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<td>1 0.3%</td>
<td>7 1.9%</td>
<td>5 1.3%</td>
<td>15 4.0%</td>
<td>305 81.8%</td>
<td>1 0.3%</td>
<td>39 10.5%</td>
<td>0 0.0%</td>
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<td>Portland State University</td>
<td>670 2.9%</td>
<td>251 1.1%</td>
<td>2,041 8.8%</td>
<td>864 3.7%</td>
<td>15,414 66.7%</td>
<td>230 1.0%</td>
<td>2,427 10.5%</td>
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<tr>
<td>Southern Oregon University</td>
<td>49 0.9%</td>
<td>115 2.1%</td>
<td>198 3.6%</td>
<td>213 3.9%</td>
<td>4,368 79.3%</td>
<td>12 0.2%</td>
<td>424 7.7%</td>
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<td>University of Oregon</td>
<td>315 1.6%</td>
<td>234 1.2%</td>
<td>1156 5.8%</td>
<td>581 2.9%</td>
<td>14,694 73.3%</td>
<td>322 1.6%</td>
<td>1,491 7.4%</td>
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<tr>
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<td>74 1.5%</td>
<td>62 1.2%</td>
<td>155 3.1%</td>
<td>266 5.3%</td>
<td>4,086 81.2%</td>
<td>50 1.0%</td>
<td>270 5.4%</td>
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<td>988 1.2%</td>
<td>5,306 6.7%</td>
<td>2,802 3.5%</td>
<td>58,467 73.5%</td>
<td>700 0.9%</td>
<td>5,965 7.5%</td>
<td>3,883 4.9%</td>
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</table>

\(^1\) Includes extended enrollment students and credit at all levels.

\(^*\) The current federal category is "unknown"; disaggregated here as "Reporting More Than One Race/Unspecified Race"

**Source:** OUS Institutional Research Services, fall 2003 fourth-week enrollment reports
## Appendix B

### OUS Enrollment of First-Time Freshmen by Racial/Ethnic Group

(fall 2003 headcount)

<table>
<thead>
<tr>
<th>Campus</th>
<th>N</th>
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<tr>
<td><em>African American or Black, non-Hispanic</em></td>
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<td>Eastern Oregon University</td>
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<td>2.1%</td>
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<td>0.6%</td>
<td>16</td>
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<td>10</td>
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<tr>
<td>Oregon Institute of Technology</td>
<td>2</td>
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<td>12</td>
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<td>12</td>
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<td>1.4%</td>
<td>38</td>
<td>1.3%</td>
<td>288</td>
<td>9.7%</td>
<td>114</td>
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<td>17</td>
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<td>194</td>
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<td>4.6%</td>
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<tr>
<td>Southern Oregon University</td>
<td>9</td>
<td>0.9%</td>
<td>18</td>
<td>1.9%</td>
<td>50</td>
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<td>University of Oregon</td>
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<td>7.1%</td>
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<tr>
<td>Western Oregon University</td>
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<td>1.6%</td>
<td>14</td>
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<td>3.5%</td>
<td>35</td>
<td>3.8%</td>
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<td>795</td>
<td>8.1%</td>
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<table>
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<td>Oregon Institute of Technology</td>
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<td><strong>SYSTEM TOTALS</strong></td>
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<th><em>Asian / Pacific American</em></th>
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<td>Eastern Oregon University</td>
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<td>4.7%</td>
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* The current federal category is "unknown," disaggregated here as "Reporting More Than One Race/Unspecified Race"

**Source:** OUS Institutional Research Services, fall 2003 fourth-week enrollment reports

Students who transfer with 12 credits or more are excluded unless they graduated from high school in spring of the college entrance year.
### Appendix C

**OUS Degrees Awarded by All Levels, Discipline and Racial/Ethnic Group (2002-2003)**

<table>
<thead>
<tr>
<th>Discipline</th>
<th>African American or Black, non-Hispanic</th>
<th>American Indian / Alaska Native</th>
<th>Asian / Pacific American</th>
<th>Hispanic / Latino</th>
<th>White, non-Hispanic</th>
<th>Reporting More Than One Race/Unspecified*</th>
<th>International</th>
<th>Total by Discipline</th>
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<td>11 1.6%</td>
<td>23 3.4%</td>
<td>13 1.9%</td>
<td>547 80.4%</td>
<td>37 5.4%</td>
<td>49 7.2%</td>
<td>680 4.5%</td>
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<td>4 1.5%</td>
<td>10 3.7%</td>
<td>8 3.0%</td>
<td>191 70.7%</td>
<td>29 10.7%</td>
<td>28 10.4%</td>
<td>270 1.8%</td>
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<td>1 0.2%</td>
<td>44 8.9%</td>
<td>13 2.6%</td>
<td>376 75.8%</td>
<td>35 7.1%</td>
<td>26 5.2%</td>
<td>496 3.3%</td>
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<td>21 1.0%</td>
<td>26 1.2%</td>
<td>220 10.6%</td>
<td>45 2.2%</td>
<td>1,447 69.4%</td>
<td>108 5.2%</td>
<td>218 10.5%</td>
<td>2,085 13.7%</td>
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<td>Commu/Journalism</td>
<td>10 1.7%</td>
<td>4 0.7%</td>
<td>22 3.8%</td>
<td>17 2.9%</td>
<td>442 75.6%</td>
<td>52 8.9%</td>
<td>38 6.5%</td>
<td>585 3.8%</td>
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<tr>
<td>Computer Science</td>
<td>0 0.0%</td>
<td>1 0.3%</td>
<td>38 9.9%</td>
<td>6 1.6%</td>
<td>212 55.1%</td>
<td>25 6.5%</td>
<td>103 26.8%</td>
<td>385 2.5%</td>
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<td>49 2.9%</td>
<td>63 3.7%</td>
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<td>98 5.7%</td>
<td>75 4.4%</td>
<td>1,705 11.2%</td>
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<td>Engineering</td>
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<td>6 0.6%</td>
<td>77 8.1%</td>
<td>18 1.9%</td>
<td>624 65.3%</td>
<td>53 5.5%</td>
<td>170 17.8%</td>
<td>955 6.3%</td>
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<td>Health Sciences</td>
<td>10 2.0%</td>
<td>9 1.8%</td>
<td>52 10.6%</td>
<td>13 2.7%</td>
<td>366 74.8%</td>
<td>22 4.5%</td>
<td>17 3.5%</td>
<td>489 3.2%</td>
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<td>Humanities &amp; Fine Arts</td>
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<td>91 3.8%</td>
<td>88 3.7%</td>
<td>1,821 76.5%</td>
<td>220 9.2%</td>
<td>102 4.3%</td>
<td>2,380 15.7%</td>
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<td>6 3.5%</td>
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<td>16 9.4%</td>
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<td>170 1.1%</td>
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<td>2 1.3%</td>
<td>118 79.2%</td>
<td>6 4.0%</td>
<td>18 12.1%</td>
<td>149 1.0%</td>
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<td>6 2.0%</td>
<td>6 2.0%</td>
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<td>20 6.8%</td>
<td>35 11.9%</td>
<td>293 1.9%</td>
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<td>109 4.0%</td>
<td>106 3.8%</td>
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<td>227 8.2%</td>
<td>124 4.5%</td>
<td>2,759 18.2%</td>
</tr>
<tr>
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<td>31 1.7%</td>
<td>33 1.8%</td>
<td>112 6.2%</td>
<td>73 4.1%</td>
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<td>120 6.7%</td>
<td>98 5.5%</td>
<td>1,798 11.8%</td>
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<td><strong>190 1.3%</strong></td>
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<td><strong>477 3.1%</strong></td>
<td><strong>11,306 74.4%</strong></td>
<td><strong>1,088 7.0%</strong></td>
<td><strong>1,101 7.2%</strong></td>
<td><strong>15,199 100.0%</strong></td>
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1. Only degrees are reported. Postbaccalaureate and teacher education certificates are excluded.

* The current federal category is “unknown”; disaggregated here as “Reporting More Than One Race/Unspecified”

Source: OUS Institutional Research Services, fall 2003 fourth-week enrollment reports
## Appendix D

**OUS Full-Time Ranked Instructional Faculty by Racial/Ethnic Group**

*(2003-04)*

<table>
<thead>
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<th>Campus</th>
<th>African American or Black, non-Hispanic</th>
<th>American Indian / Alaska Native</th>
<th>Asian / Pacific American</th>
<th>Hispanic / Latino</th>
<th>White, non-Hispanic</th>
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<th>International</th>
<th>CAMPUS TOTALS</th>
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<td>2 2.3%</td>
<td>2 2.3%</td>
<td>78 89.7%</td>
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<td>106 93.0%</td>
<td>0 0.0%</td>
<td>1 0.9%</td>
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<td>9 1.4%</td>
<td>5 0.8%</td>
<td>53 8.3%</td>
<td>18 2.8%</td>
<td>491 77.3%</td>
<td>31 4.9%</td>
<td>28 4.4%</td>
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<td>30 5.9%</td>
<td>9 1.8%</td>
<td>374 73.5%</td>
<td>63 12.4%</td>
<td>10 2.0%</td>
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<td>3 1.6%</td>
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<td>4 2.6%</td>
<td>3 1.9%</td>
<td>135 87.1%</td>
<td>7 4.5%</td>
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<td>155</td>
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<td><strong>152 6.4%</strong></td>
<td><strong>57 2.4%</strong></td>
<td><strong>1,892 79.8%</strong></td>
<td><strong>144 6.1%</strong></td>
<td><strong>67 2.8%</strong></td>
<td><strong>2,370</strong></td>
</tr>
</tbody>
</table>

* The current federal category is "Unknown"; disaggregated here as "Reporting More Than One Race/Unspecified Race."

Source: OUS Institutional Research Services; file run from end-of-October payroll.
Appendix E
University Mission Statements
(Highlighted areas reflect considerations of diversity)

Eastern Oregon University

EOU guides student inquiry through integrated, high-quality liberal arts and professional programs that lead to responsible and reflective action in a diverse and interconnected world.

As an educational, cultural, and scholarly center, EOU connects the rural regions of Oregon to a wider world. Our beautiful setting and small size enhance the personal attention our students receive, while partnerships with colleges, universities, agencies, and communities add to the educational possibilities of our region and state.

Eastern Oregon University (EOU) is an exemplary student-centered university. EOU values diversity and is guided by a mission and commitment to value each student’s educational, social, cultural, and economic background.

Oregon Institute of Technology

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 life-long 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.
Oregon State University

Oregon State University aspires to stimulate a lasting attitude of inquiry, openness, and social responsibility. To meet these aspirations, we are committed to providing excellent academic programs, educational experiences, and creative scholarship.

Goals
Three strategic goals guide Oregon State University in meeting its mission.

Statewide Campus. Oregon State University has a historic and unique role in Oregon. As a land-grant university, our heritage is articulated in the statement "the state of Oregon is the campus of Oregon State University." We emphasize the importance of extending the University into every community in Oregon. OSU will provide learning opportunities for Oregonians, and will create and apply knowledge that contributes to the prosperity of the state and its quality of life.

Compelling Learning Experience. Oregon State University is committed to creating an atmosphere of intellectual curiosity, academic freedom, diversity, and personal empowerment. This will enable everyone to learn with and from others. This compelling learning experience celebrates knowledge; encourages personal growth and awareness; acknowledges the benefits of diverse experiences, world-views, learning styles, and values; and engenders personal and societal values that benefit the individual and society. OSU will develop curricula based on sound disciplinary knowledge and input from practitioners. Students will acquire skills and knowledge for a lifetime of learning, and will be involved in scholarly and creative pursuits.

Top-Tier University. Oregon State University aspires to be a top-tier University. It is a Carnegie Doctoral/Research-Extensive University, a sea-grant institution, and space-grant program, in addition to being a land-grant institution. We will measure our success by: the caliber of entering students, the accomplishments of students and alumni, the quality of the faculty, the quality of instructional and research facilities, the effectiveness and productivity of engagement with businesses and constituents, and the support for research and scholarship.

Values. Oregon State University recognizes that our mission and goals must be supported by sound institutional values. As we pursue our mission and goals, we recognize that the individuals comprising our extended university community are the source of our creativity, reputation, and vitality. The following values are fundamental to our success:

Accountability. We are committed stewards of the loyalty and good will of our alumni and friends, and the human, fiscal, and physical resources entrusted to us.

Diversity. We value diversity because it enhances our education and because it provides tools to be culturally respectful, professionally competent, and civically responsible.
Respect. We encourage respect, humanity, and integrity in our treatment of each other, and we care for the well-being and safety of others.

Responsibility. We have a responsibility to society to contribute to its social, cultural, political, aesthetic, ethical, and economic well-being.

Truth. We honor and impart principles of academic honesty, freedom, truth, and integrity.

Portland State University

The mission of Portland State University 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 contributes to the creation and communication of knowledge in the greater metropolitan region through its teaching, research, and outreach programs. The institution is committed to providing access to programs defined by the traditions of liberal education and responsive to the dynamics of employment and market requirements.
- The expertise of PSU's faculty, students, and staff enriches programs extending beyond the region. Selected programs are offered throughout the state, including professional, degree completion, and lifelong learning programs.
- PSU designs and delivers high-quality, cost-effective academic and service programs to all qualified Oregonians working both with its own resources and through partnerships with other organizations and institutions. Collaborating with K-12, community colleges, and other institutions and organizations, PSU demonstrates its commitment to address issues important to learners during their entire lives.
- The institution capitalizes on an urban location with diverse and unique opportunities for student and faculty learning that go beyond the traditional classroom and laboratory settings. The diversity of its students and their communities enhances academic programs and extracurricular activities.
- PSU promotes student learning, research, and community involvement relevant to contemporary society here and throughout the world through its unique interdisciplinary general education curriculum, undergraduate degree programs, and professional and graduate programs. Academic focus on urban issues includes the study of societies in their larger context.
- The integration of teaching, research, and outreach at PSU offers students of a diverse age, ethnicity, and experience the preparation to become responsible citizens attuned to the needs not only of their own communities but those of regional, national, and international communities.
Portland State faculty and students engage in national and international research programs that apply the benefits of new knowledge to the institution's learning and outreach goals.

**Southern Oregon University**

Southern Oregon University is a contemporary public liberal arts and sciences University. It provides access to opportunities for personal, intellectual, and professional growth through quality education and scholarship. The University is a vital partner in the healthy development of its region and state in association with civic, national, and international engagements. It is Oregon’s Center of Excellence in the Fine and Performing Arts.

**Values**

Toward a Hopeful Vision of the University, Region, and Society

- Learning and Achievement
- Truth and Disciplined Inquiry
- Free Expression and Collaboration
- Open-Mindedness and Informed Criticism
- Mutual Respect and Trust
- Cross-Cultural Understanding and International Competence
- Integrity and Stewardship
- Civic Engagement and Responsibility
- Innovation and Entrepreneurship

**Vision**

Regionally responsive, nationally recognized, and internationally engaged, Southern Oregon University is a premier public liberal arts and sciences University. It is distinguished regionally and nationally in practical liberal learning at the intersection of the liberal arts and sciences and the professions, where learners gain the foundation for long-term career agility and informed civic leadership. The University’s scholarship supports the creation, synthesis, and application of knowledge and a new vision for teaching and learning in 21st–century society.

**University of Oregon**

The University of Oregon is a comprehensive research University that serves its students and the people of Oregon, the nation, and the world through the creation and transfer of knowledge in the liberal arts, the natural and social sciences, and the professions. It is the Association of American Universities flagship institution of the Oregon University System.
The University is a community of scholars dedicated to the highest standards of academic inquiry, learning, and service. Recognizing that knowledge is the fundamental wealth of civilization, the university strives to enrich the public that sustains it through

- a commitment to undergraduate education, with a goal of helping the individual learn to question critically, think logically, communicate clearly, act creatively, and live ethically
- a commitment to graduate education to develop creators and innovators who will generate new knowledge and shape experience for the benefit of humanity
- a recognition that research, both basic and applied, is essential to the intellectual health of the university, as well as to the enrichment of the lives of Oregonians, by energizing the state’s economic, cultural, and political structure
- the establishment of a framework for lifelong learning that leads to productive careers and to the enduring joy of inquiry
- the integration of teaching, research, and service as mutually enriching enterprises that together accomplish the university’s mission and support its spirit of community
- the acceptance of the challenge of an evolving social, political, and technological environment by welcoming and guiding change rather than reacting to it
- a dedication to the principles of equality of opportunity and freedom from unfair discrimination for all members of the university community and an acceptance of true diversity as an affirmation of individual identity within a welcoming community
- a commitment to international awareness and understanding, and to the development of a faculty and student body that are capable of participating effectively in a global society
- the conviction that freedom of thought and expression is the bedrock principle on which university activity is based
- the cultivation of an attitude toward citizenship that fosters a caring, supportive atmosphere on campus and the wise exercise of civic responsibilities and individual judgment throughout life a continuing commitment to affordable public higher education

**Western Oregon University**

Western Oregon University provides a comprehensive higher education experience, including teaching, learning, and research activities, cultural opportunities, and public service. Campus and distance education programs prepare students to contribute to the economy, culture, and society of Oregon, the nation, and the world.

Western Oregon University offers exemplary undergraduate programs in the creative arts, natural sciences, mathematics, humanities, social sciences, teacher education, criminal justice, business administration, computer science, and fire services administration and graduate programs in criminal justice, teacher education, and other areas.

WOU’s curriculum fosters the knowledge, skills, and attitudes that characterize a liberally educated person and provide a foundation for a lifetime of learning.
WOU's academic programs offer close student, faculty, and staff interaction; interdisciplinary teaching; research opportunities; and internships with public and private sectors.

WOU promotes diversity and respect for individuals in all endeavors.

WOU provides national leadership in research and policy development through the Division of Teaching Research, the Regional Resource Center on Deafness, and the National Clearinghouse for Deaf-Blindness.

WOU fosters partnerships with state and local governments, exemplified by the campus-based Oregon Military Academy and Oregon Public Service Academy.

WOU enriches the lives of Oregonians through cultural offerings, educational resources, lifelong learning opportunities, and NCAA Division II intercollegiate athletic competition.

University Statement Regarding Zero Tolerance to Discrimination and Harassment

Above all, this means the contributions of everyone to a strong sense of community, in which civility, concern, care, support, and respect, one for another, are highly valued. This kind of environment encourages and enhances teaching and learning. It actively discourages discrimination and harassment in any form.

Students, staff, and faculty who respect and care for each other do not harass or discriminate against each other on the basis of gender, race, religion, color, ethnicity, disability, sexual orientation, national origin, or age.

At WOU, we take pride in a positive educational environment, one in which discrimination and harassment have no place. They will absolutely not be tolerated on this campus.

Equal Employment Opportunity and Affirmative Action Statement of Policy

Western Oregon University is dedicated to providing an open learning and working environment for all its citizens. As a comprehensive, liberal arts institution, the university seeks to provide high-quality programs in teacher education, special education, business, and liberal arts and sciences. In preparing our students for future roles in their communities, it is crucial that we encourage fairness, openness, and sensitivity to people of all backgrounds. Therefore, Western Oregon University is strongly committed to Affirmative Action and Equal Employment Opportunity both in policy and in spirit. Furthermore, the University will not tolerate harassment against any member of the campus community.

The example of non-discrimination set forth by University administration and faculty will no doubt influence students positively toward the same. The responsibility is henceforth placed upon administrative personnel to create and maintain an environment free of harassment based on race, color, sex, marital status, religion, national origin, age,
mental or physical disability, or any reason prohibited by state or federal statute. To help monitor our progress in this area, affirmative action efforts and accomplishments will continue to be a part of all faculty and administrative evaluations.

Western Oregon University’s success in meeting its Affirmative Action and Equal Employment Opportunity goals depends upon the campus community’s understanding and support of the plan, including its intent and implementation procedures. The University shall take specific steps to ensure that all campus community members are cognizant of, and have access to, the Affirmative Action Plan.

Employees, job applicants, and students are encouraged to bring discriminatory and/or harassing behavior that exists in the workplace or classroom to the attention of the Affirmative Action officer.
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Excellence in Delivery and Productivity Working Group Status Report

OUS Provosts Council Follow Up List
From June 11, 2004

In support of OUS Board policy direction of providing greater autonomy and responsibility to the OUS campuses, the Excellence in Delivery and Productivity Chair, Gretchen Schuette, has actively engaged campus leadership, namely provosts, to further develop and successfully deliver the seven policy areas that were endorsed by the OUS Board in April 2004 and the Oregon Board of Education in May. The seven priorities are built upon and will be measured against three core principles.

1. **Student-Centered**. Focus is upon supporting student success in enrolling and graduating from college. These efforts must explicitly serve all students, especially those from diverse and traditionally underrepresented populations. Diversity efforts are expected to result in equitable outcomes for all groups (see attached document produced by Yvette Weber Davis).

2. **Collaborative** design, development, and implementation. All priorities must embrace a P-16 approach with active and on-going participation and support by other educational partners including Oregon’s community colleges and K-12 education partners.

3. **Statewide impact**. All Oregonians in all educational and geographic settings must be able to benefit. It is critical to the state’s future that educational opportunity and excellence is equitably accessible.

On June 11, 2004 the Excellence in Delivery and Productivity Board Working Group met with OUS campus academic leadership including provosts and representatives from the Interinstitutional Faculty Senate (IFS). Also attending and participating in the meeting were representatives from the Oregon community colleges, K-12, Governor’s Office, and Oregon Business Council. The purpose of the meeting was to create an action plan for the OUS Provost Council that leads to creating:

- More educational opportunities for Oregonians
- Better educational experiences for students
- Faster completion of college education

These efforts are explicitly built upon a platform of a sustained and meaningful partnership with Oregon’s community colleges that results in increased student learning opportunities. Key initiatives will also build upon partnerships and support with K-12 educators and leaders.

The action plan that follows was produced in that meeting and subsequently provided to the OUS provosts who were charged with responding by June 25 to many of the action items. All other action items will be reported to the Excellence in Delivery and Productivity Working Group at the July 15 meeting.
Retention Efforts
Develop statewide student-focused approach to student retention that actively involves community colleges and secondary education.

Next Steps for Provosts

1. Submit summary of Best Practices including performance indicators and number of additional students that would benefit from scaling-up.
2. Connect with community colleges Council of Student Services Administrators (CSSA) taskforce on student retention.
3. Convene cross-sector meetings on diversity to be facilitated by Yvette Weber-Davis (OUS).
4. With the CSSA identify key questions to be addressed by on-going cross-sector research.

Results on items 1 & 2, and plans for items 3 & 4 due June 25, 2004

Other Key Points
Need to include IFS, community college faculty and staff as determined by CSSA and students in process.

Connecting Data Systems
Connecting and enhancing current education data collection and analysis capacity to create a statewide student-centered approach that supports efficient and effective student transitions between educational sectors.

Next Step for Provosts

1. Draft a list of the highest priority questions the answers to which would support MBF in an on-going manner.
2. Actively participate in statewide committee (Connie Green, Doug Kosti, Curt Pederson, campus and OUS IR staff) to further clarify statewide data priorities.
3. Identify campus-based personnel to involve in development.
4. With other partners, develop a strategy to meet identified priorities.
5. Cost out data system.
6. Continue to work with community colleges and K-12 on the details and connections to create a student learning record that supports academic success.

Provost Leaders: Earl Potter and Terry Rhodes

Other Key Points
Data system development is the top K-12 priority
Governor’s Office highly supportive of statewide student-centered data-system

Successful transfer of community college students to OUS
Create a statewide common core of lower-division general education courses that enables students to earn credits from multiple Oregon public colleges and universities that successfully lead to the completion of the general education core at the degree granting community college or OUS campus. The statewide common core development
process should also identify those courses that students can take that effectively prepare and efficiently transition students directly into specific academic majors. Identify and support an academic-outcome based set of student skills, knowledge, and experiences that would be accepted for transfer by all Oregon public two- and four-year colleges and universities as meeting comparable general education common core requirements.

Next Step for Provosts
1. With community college partners, identify key principles to guide cross-sector work on common core.
2. Review OIT proposal review and JBAC proposal; identify other alternatives.
3. With community college partners identify process that actively involves community colleges and is built around faculty participation.
4. Co-host with Council of Instructional Administrators (CIA) and JBAC appointee a meeting to consider creating a safety net for students while common-core issue is being designed.
5. Identify key questions or objectives for October faculty meetings with IFS.
6. Continue active support of JBAC.

Other Key Points
Discussions should also include common core that leads to specific majors and general education common core

Course Availability
Offer undergraduate courses in a manner that reduces or eliminates student bottlenecks at high demand courses through both the leveraging of existing instructional and technological capacity within and across colleges and universities. Maximize use of distance education to further support more timely student progress towards the degree. Add additional courses as needed to reduce excess student demand.

Next Steps for Provosts
1. Work with campus staff to identify courses that have excess student demand and are creating bottlenecks that slow student progress.
2. With community college colleagues including Office of Community College and Workforce Development (CCWD) analyze OUS and community college data to identify and implement “leveraging opportunities.”
3. Review campus courses re-design process such as used at PSU or described by Carol Twig.
4. Create and distribute list of best practices to be shared across sectors.
5. Identify accountability measures and costs for 2004-05 for improved course availability.
6. With community college colleagues review current draft of recommended Dual Enrollment agreement developed by Bontrager (OSU) and Miller (EOU).

Provost Leaders: John Miller, Earl Potter, and Dave Woodall
Due June 25
**Rigorous High School Course Menu**
*Increase opportunities for students in all Oregon high schools to participate in a rigorous academic curriculum that includes earning college credits while still in high school.*

**Next Step for Provosts**
1. With K-12 and community college partners prepare an analysis of current gaps or limited opportunities for students to take accelerated courses in high schools.
2. Identify two Provost Council representatives to attend Sept 15, 2004 meeting on Accelerated Learning Opportunities and to sustain cross-sector work toward state-wide vision for increasing college opportunities for high school students.
3. Bring responses to questions about proficiency (PASS) including relationship with outcomes.

Provost Leader: Loraine Davis  
Due June 25

**Other Key Points**
- Community colleges need to be involved in development process
- Major component of a P-16 approach to education
- Post-secondary education must act as a partner in the high school curriculum enhancement.
Diversity Enhancements Within
Excellence in Delivery and Productivity Initiatives
Rationale and Recommendations

(Note: this document was provided to the OUS Provost Council for deliberation at its June 24 meeting.)

Introduction
Opportunities exist to incorporate considerations of diversity into the broad objectives of the State Board of Higher Education Excellence in Delivery and Productivity (a.k.a. “More, Better, Faster” or “MBF”) Working Group. As the MBF Working Group seeks to enhance student-centered initiatives including community college/OUS dual enrollment agreements and common core curricula, high school/postsecondary connections, a statewide student data tracking system, increased retention and graduation rates, increased availability of courses, and the use of online options, cross-sector activities can facilitate enhanced academic opportunities and achievement among diverse student populations.

Oregon’s increasingly diverse population includes racial/ethnic growth; varied socioeconomic levels; first-generation college students; second-, third- generation, and beyond college students; returning adult students; and students with disabilities, among others. Tremendous growth is seen in the number of Hispanic/Latino students moving through the K-12 pipeline; however, many students of color are experiencing high dropout rates prior to completing a high school diploma and many do not seek or successfully complete postsecondary options. For all populations, the completion of a postsecondary education represents an entrée toward increased economic empowerment and societal contributions.

Key issue: MBF concepts are relevant to all student populations; however, the general public often does not understand that “diversity” is included in postsecondary efforts unless explicitly stated and developed. This lack of information may discourage progress among certain populations because of the “chilling effect” that some students and families experience when they are unintentionally made to feel excluded from postsecondary opportunities. As OUS works to enhance the representation, inclusion, and engagement of diverse people, the strategic plans of MBF provide mechanisms for additional progress.

Long-term benefits: MBF initiatives can provide opportunities for campuses and K-12 to increase the “cultural competence” of faculty/teachers/administrators by affording opportunities to gain increased awareness of the needs and backgrounds of diverse student populations. At the postsecondary level, sustained leadership and effective initiatives have the potential to encourage improved campus climates, thus fostering environments in which diverse students are more informed, feel welcomed, are better enabled toward academic achievement, and can faster set and achieve postsecondary educational goals.
Selected Race/Ethnicity Data
The following data suggest that, although the numbers are relatively small, community college transfer students are experiencing high levels of retention and graduation success within OUS institutions.

OUS Six-Year Retention and Graduation Rates, by Race/Ethnicity, First-Time Freshman Students and Community College Transfers, 1997-98 Cohorts

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Status</th>
<th>Six-year rate for first time freshman students, fall 1997-98 cohort</th>
<th>N= 111</th>
<th>Six-year rate for community college transfers, 1997-98 entering cohort</th>
<th>N= 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>African American</td>
<td>Continuing</td>
<td>6 (5.4%)</td>
<td></td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Graduated</td>
<td>52 (46.8%)</td>
<td></td>
<td>24 (77.4%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stopped Out</td>
<td>53 (47.7%)</td>
<td></td>
<td>7 (22.6%)</td>
<td></td>
</tr>
<tr>
<td>American Indian</td>
<td>Continuing</td>
<td>9 (7.9%)</td>
<td></td>
<td>0</td>
<td></td>
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<tr>
<td></td>
<td>Graduated</td>
<td>52 (45.6%)</td>
<td></td>
<td>28 (57.1%)</td>
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</tr>
<tr>
<td></td>
<td>Stopped Out</td>
<td>53 (46.5%)</td>
<td></td>
<td>21 (42.9%)</td>
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<tr>
<td>Asian American</td>
<td>N= 114</td>
<td>32 (6.3%)</td>
<td></td>
<td>4 (2.5%)</td>
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</tr>
<tr>
<td></td>
<td>Graduated</td>
<td>297 (58.6%)</td>
<td></td>
<td>122 (77.2%)</td>
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</tr>
<tr>
<td></td>
<td>Stopped Out</td>
<td>178 (35.1%)</td>
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<td>32 (20.3%)</td>
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<tr>
<td>Hispanic/Latino</td>
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<td>21 (8.2%)</td>
<td></td>
<td>3 (3.1%)</td>
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<tr>
<td></td>
<td>Graduated</td>
<td>130 (51.0%)</td>
<td></td>
<td>66 (68.0%)</td>
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<tr>
<td></td>
<td>Stopped Out</td>
<td>104 (40.8%)</td>
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<td>28 (28.9%)</td>
<td></td>
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<tr>
<td>Caucasian</td>
<td>N= 5,682</td>
<td>337 (5.9%)</td>
<td></td>
<td>32 (1.7%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Graduated</td>
<td>3,194 (56.2%)</td>
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<td>1,445 (75.9%)</td>
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<td></td>
<td>Stopped Out</td>
<td>2,151 (37.9%)</td>
<td></td>
<td>428 (22.5%)</td>
<td></td>
</tr>
</tbody>
</table>

These preliminary data represent one snapshot; however, a further review of data may reveal additional trends in retention and graduation rates among specific groups. For further consideration:
- How much attrition is occurring at the community college levels among racial/ethnic groups, and why?
- What are the characteristics of students who successfully transfer and graduate within a six-year period (e.g., GPA, high school curriculum, AA/OT status, major disciplines, etc.)?
- What patterns exist within diverse populations of students who “swirl” between and among various types of institutions?
- Other issues?
Recommended Framework for Actions (preliminary list for discussion)

Statewide Data/Tracking System, and High School/Postsecondary Connections
- Include demographic data in the proposed data/tracking system
- Identify academic trends among diverse populations that encourage successful postsecondary completion; and, identify areas for improvement
- Utilize research findings to inform progress toward improving K-12 racial achievement gaps in preparation for postsecondary education

Common Core, Dual Enrollment, Course Availability, and Major Issues
- Determine how research findings can be used to better advise and prepare students of color (see data section above)
- Identify current campus-level initiatives that successfully encourage cross-sector linkages for students of color
- Identify areas of campus-level initiatives that need enhancement to better provide outreach and inclusion to diverse populations
- Explicitly include related concepts in campus-level diversity action plans

Postsecondary Retention
- Identify successful practices within student support services
- Identify areas and methods in which cross-sector student support services can be enhanced through collaborative efforts
- Determine opportunities for enhanced cross-sector collaboration in service provision to students with disabilities

Other Issues
- Include positive and inclusive messages that encourage participation by diverse populations in all outreach initiatives
- Weave specific activities to inform and engage diverse families and students into all outreach and advising initiatives (e.g., in addition to providing materials in diverse languages, ensure that outreach initiatives take into account socioeconomic and geographic diversity)
- Develop viable and sustained methods for cross-sector sharing of best practices
- Develop viable and sustained methods to increase the awareness among faculty/teachers/administrators of best practices to educate increasingly diverse populations
- Develop specific methods of integrating MBF research findings and best practices into teacher preparation programs in order to facilitate enhanced cultural competence in newly-prepared K-12 teachers
Oregon State Board of Higher Education

MINUTES

Finance/Budget/Audit/Personnel/Real Estate Committee, June 3, 2004  157
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Regular Board Meeting, June 4, 2004  207

July 16, 2004

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

Chair Don Blair called the meeting of the Finance/Budget/Audit/Personnel/Real Estate Committee of the Oregon State Board of Higher Education to order at 1:38 p.m.

On roll call, the following Committee members were present:

   Henry Lorenzen    John von Schlegell
   Geri Richmond     Don Blair

Other Board members present included:

   Bridget Burns     Tim Nesbitt
   Kirby Dyess       Howard Sohn

System Office staff present: Tom Anderes, Ryan J. Hagemann, Dave McDonald, Ben Rawlins, Virginia Thompson, and Susan Weeks.

Others: Presidents Dan Bernstine, Philip Conn, Martha Anne Dow, Khosrow Fatemi, Ed Ray, Dave Frohnmayer, and Elisabeth Zinser.

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

2. APPROVAL OF MINUTES
   • FBAPRE Committee Meeting, May 7, 2004

Director Lorenzen moved that the minutes of the May 7, 2004, Committee meeting be approved. Those voting in favor: Directors Blair, Lorenzen, and von Schlegell. Those opposed: none.

3. ACTION ITEMS

   a. OAR 580-050-0001 Temporary Adoption of New Rules related to Contract Administration
DOCKET ITEM:

Purpose:
The Oregon University System is not subject to Oregon Revised Statute (ORS) Chapter 279, the statutes related to public contracting. Instead, OUS was given specific statutory authority to develop its own procedures for competitively procuring construction and related services. OAR Chapter 580, Division 50 sets out those procedures. It has not been amended since 1996. At that time, the rules were amended to incorporate the changes from Senate Bill 271, the first Higher Education Efficiency Act. The Facilities Directors from all the campuses have been meeting for about two years with Wendy Robinson, Department of Justice, to review and revise the rules to deal with problems that have arisen under the rules and to reflect actual campus operations. The rules went through six versions and at this point all Facilities and purchasing staff on all the campuses are comfortable with the changes. The changes also reflect the input from attorneys in the Business Transactions Section of the Department of Justice, who will be using the rules to review contracts for legal sufficiency.

Summary and Background:
Staff is proposing that the rules be temporarily adopted so that the campuses can take advantage of the changes during this summer's construction season. Temporary rules remain effective for a maximum of 180 days. A public hearing will be conducted prior to the expiration of the temporary rules so that the rules may be permanently adopted by the Board, at a later date.

The major changes to the rules are as follows:

1. In general, the rules were made clearly applicable to the campuses and the Chancellor's Office. Authority was delegated from the Senior Vice Chancellor for Finance and Administration to a person on each campus, the Institution Facilities Planning Official (IFPO). Each campus can further sub-delegate functions to other persons on campus.

2. OAR 580-050-0010: Added traffic signals, sidewalks, streetcars, and other items similar to utilities to the types of easements that can be approved by the Board President and Secretary without Board action. Removed the requirement that only easements for underground utilities could be approved by the Board President and Secretary. This reflects present practice.

3. OAR 580-050-0015: Added leases to the authority to purchase certain types of property delegated to the Senior Vice Chancellor for Finance and Administration. Increased the cost of property that the Senior Vice Chancellor can approve from $100,000 to $500,000 to reflect the increase in property values over the past ten years. Limit lease approval to those leases where the total value over the term of the lease does not exceed $500,000. Rules still need to be developed and adopted for the process to be used to purchase and lease property.

4. OAR 580-050-0020: The definition of Consultants for design, evaluation, and management of construction projects or real property is expanded to include materials testing, hazardous materials evaluation and abatement, engineering,
cost estimating, land surveying, appraisal, commissioning, and special inspections.

Subsection (1): Clearly states that Consultants will be chosen on the basis of qualifications, not price. This tracks ORS 279.057, which requires that price only be negotiated after the Consultant is selected and as part of the process for determining the scope of work. Although OUS is not subject to ORS 279.057, at the Legislative hearings on this statute, OUS represented that it chose its professional consultants on the basis of qualifications.

Subsection (2): The advertising process for Consultants wishing to enter into Retainer Agreements may be done electronically. The proposal may also be submitted electronically. The maximum term of a Retainer Agreement is extended from three years to four, the same maximum term as used for construction contractor Retainer Agreements.

Subsection (3): The maximum payable to a Consultant on a single project under a Retainer Agreement is increased from $100,000 to $200,000. The formal procurement process used for contracts in excess of $200,001 only requires a minimum of three proposals. This reflects the reality that often there are not five Consultants who submitted a proposal. Added specific authority to continue with the procurement process even if fewer than three Consultants submitted proposals if the purpose of the rule is still met.

Subsection (5): This new subsection permits sole source contracts in the following situations: (a) if the institution stops a project and decides to restart it and wants to use the same Consultant to continue professional liability insurance coverage on the project, or because a different Consultant will likely not want to do the work, or because the cost will be greater if a different Consultant finishes the work; (b) if the project is a phased project; (c) if the work is an addition or remodel to a project the Consultant has already worked on and there is likely to be a cost saving if the same Consultant does the new work; or (d) if the Consultant is the only person able to do the work.

5. OAR 580-050-0032(1): Distinguish between Construction Trade Services (those services not performed by a construction contractor, usually associated with maintenance or repair) and Public Improvement contracts (construction, reconstruction, major renovation costing more than $25,000 that does not include emergencies, repair, maintenance, or minor alterations).

Subsection (2): Delegates authority from the Senior Vice Chancellor for Finance and Administration to individual campuses.

Subsection (4): The maximum amount payable to a contractor for a single project under a Retainer Agreement is increased from $200,000 to $500,000.
Subsection (6): This new subsection permits sole source contracts in the following limited situations: (a) if there is only one firm that can reasonably do the work; (b) if the work must be done by a particular firm so as not to void a warranty; (c) if the firm is the only one authorized by a supplier to install a certain item; or (d) if the contract will not encourage favoritism or substantially diminish competition.

Subsection (8): Added requirements prohibiting contracts with a firm that is not properly licensed or which has been determined ineligible by the Bureau of Labor and Industries or OUS.

Subsection (9): Added a requirement for a 100 percent performance and payment bond on all contracts in excess of $100,000. This protects OUS in the event the contractor does not pay its subcontractors or suppliers or fails to complete the work and OUS has to have another contractor finish the work.

Subsection (11): Retainage (the withholding of 5 percent of each payment draw until the contract is completed) is not applicable to projects performed under Retainer Agreements.

Subsection (13): Omitted the incorporation, by reference, of certain 1995 Attorney General Model Rules regarding the contracting process. These are replaced by the new rules the Board will be temporarily adopting. This further distances OUS from DAS control in accordance with the Higher Education Efficiency Act.

Subsection (15): This new subsection creates exemptions from the competitive procurement process for the following types of contracts: (a) contracts with the federal government or another public agency; (b) emergency contracts; and (c) if the IFPO finds that an exemption will not encourage favoritism or substantially diminish competition and will result in cost savings. These exemptions track those in ORS 279.015.

6. Retainage Rule: Five percent retainage is required on all projects except those less than $500,000, where it is permissible. Retainage may be released on phased projects as each phase is completed.

7. Negotiation When Bids Exceed Cost Estimates Rule: This rule permits institutions to negotiate with the lowest bidder or best proposer when their bid or proposal exceeds the institution's cost estimate. This saves an institution from having to go through the solicitation process all over again.

The following minor changes were made in the rules:

1. Changed references from OSSHE to OUS throughout the rules.
2. OAR 580-050-0005: This rule requires all conveyances of interests in real property to be approved by DOJ and executed by the President and Secretary of the Board. The change brings the rule into conformity with ORS 351.150. Interests in real property include purchases, sales, leases, and easements.

3. OAR 580-050-0020(2): Changed the rule to conform to the process actually used.

4. OAR 580-050-0032: In general, distinguished between Invitations to Bid, Requests for Proposals, and design-build processes.

5. OAR 580-050-0033: Changed the title to refer to amendments because the body of the rule refers to amendments.

6. OAR 580-050-0041(11) and 580-050-0042(10): Removed the requirement for the Board to review the effect of the rules regarding Emerging Small Businesses and Minority/Women Business Enterprises participation in OUS contracts because this review has not been occurring.

7. Definitions Rule: This rule defines terms used throughout OAR Chapter 580, Division 50. It will be placed at the beginning of the Division.

8. Deleted the rule incorporated by reference in OAR 580-050-0032(14) that referred to electronic data interchange because it has never been used. Instead, added references to electronic advertisement and submission of bids or proposals electronically to the rule regarding facsimile submissions.

Staff Recommendation to the Board:
Staff recommended the Board amend OARs 580-050-0001 through 580-050-0100, as described above and temporarily adopt the rules titled: Retainage; Negotiation When Offers Exceed Cost Estimate; Definitions; Bids or Proposals are Offers; Facsimile and Electronic Offers; Offeror Submissions; Pre-Offer Conferences; Solicitation Protest, Request for Change, Request for Clarification; Addenda to a Solicitation Document; Pre-Closing Modification or Withdrawal of Offers; Receipt, Opening, and Recording of Offers; Late Offers, Late Withdrawals, and Late Modifications; Time for Institution Acceptance; Extension of Time for Acceptance of Offer; Low Tie Offers; Rejection of an Offer; Rejection of All Offers; Protest of Contractor Selection, Contract Award; Disqualification of an Entity; Cancellation of Solicitation; Disposition of Offers if Solicitation Canceled; Foreign Contractor; Contract Suspension, Termination Procedures; Institution Payment for Unpaid Labor or Supplies.

BOARD DISCUSSION AND ACTION:
Chair Blair asked Senior Vice Chancellor Tom Anderes to introduce the proposed temporary rules regarding contract administration to the Committee. Dr. Anderes, in turn, introduced Wendy Robinson, Assistant Attorney General of the Oregon
Department of Justice, to provide a brief overview of the proposed rule changes. He noted the changes were designed to get OUS back to a more current state with facility ceilings and the marketplace. Senior Vice Chancellor Anderes mentioned Robinson had been working with the facilities directors on each of the OUS campuses for the past two years on the revisions to these rules.

Robinson noted the proposed rule changes were extensive revisions, and she would only be going over the highlights. She shared that the rule changes were another example of how OUS was trying to do things more, better faster. She offered retainer agreements as an example. Retainer agreements, as Robinson explained, “is a process whereby the University System gets a whole list of both construction contractors and consultants that are approved to do projects on retainer so that the universities can go out on certain kinds of projects and just take people off the list, ask them for a quick quote, get the price, and get moving on it.” She also noted that the rule revisions “brought us up-to-date on the electronic media…for electronic notice and electronic bidding.”

She continued by reiterating that she worked on the revisions for two years with the OUS facilities directors, and they were all in support of the changes after extensive discussion. She noted that the rules had not been revised since OUS was separated from the bidding requirements of Oregon Revised Statute Chapter 279 and the Oregon Department of Administrative Services in 1996. She further explained that the proposed rules also “clearly delegate authority from the Chancellor’s Office down to the individual campuses for making these kinds of decisions. First to the president and then it can be delegated down further to one of more persons as needed within that particular campus in order to carry on the contracting process.”

Robinson stated that the reason to do temporary rules at this time was the campuses were anxious to use the new rules over the summer construction season. She shared that temporary rules are only effective for 180 days. “Prior to the termination of that 180-day period, there will be a formal rulemaking hearing and we will adopt the rules in permanent form. There may be a few changes between now and then as we put these to work,” Robinson concluded.

Robinson then turned to outline the major changes embodied by the proposed rules. First, the revised rules propose to increase the value of property that the Senior Vice Chancellor for Finance and Administration may approve for purchase within the campus boundary. Previously, without the Board’s approval, the Senior Vice Chancellor could approve property purchases within the campus boundary of up to $100,000. The rule, Robinson explained, changes this to $500,000 in order to more accurately reflect the marketplace and property prices. Second, Robinson noted, the revised rules increase the maximum amount permitted for a consultant under a retainer agreement. These changes, as the previous revisions, were designed to reflect the reality of the marketplace and the cost of projects. For consultants, the amount was increased from $100,000 to $200,000, and for construction contractors, the amount was increased from $200,000 to $500,000. Third, the revisions clearly permit sole source contracts for both
consultants and construction contractors. This change addresses the situation when, for example, a manufacturer requires a particular firm to complete replacements in order to guarantee a warranty. The sole source authority in these situations, Robinson noted, tracks the statutory authority governing other state agencies, and is not unusual when compared to the rest of the state. Next, Robinson outlined various alterations on retainer agreement requirements. For example, Robinson explained, “retainage, which is the process whereby 5 percent of every construction or request for payment is withheld until the contract is completed, becomes voluntary on certain kinds of projects and similarly, certain kinds of bonding on small projects is made permissive and it is the decision of the university as to whether it will have that kind of bonding.” In addition, the revised rules “created specific permission to allow universities to negotiate with the lowest bidder or best proposer when the cost comes in greater than what the estimate was,” Robinson offered. Finally, the facilities directors, instead of incorporating the Attorney General’s Model Rules, decided to make some alterations. This is why, Robinson stated, the draft rules are so lengthy; the Model Rules are not merely incorporated by reference.

Robinson noted that she believed the rules would protect the System, but, at the same time, would give universities additional flexibility because, in her experience, disputes in the construction arena were rare. She stated that in the seven years she has been representing OUS, there had been no litigation in the construction arena affecting the System.

Chair Blair had several questions for Robinson. First, he asked Robinson for clarification regarding use of the term retainer, and whether it meant “paid retainers or…just a list of approved contractors.” Robinson replied it referred to a list of approved contractors, and in fact, the contracts expressly do not guarantee any work. Blair continued with questions about the delegation of authority in the proposed rules and who the “Institutional Facilities Planning Official” (“IFPO”) was. Robinson responded the IFPO was an individual usually below the president, most often the facilities director on each of the campuses. She offered that the authority could be further delegated to another individual, a construction manager, for example, but it could be up to the president whether that delegation would occur. Blair stated that as he read the proposed rule, it appeared the delegation of authority was from the Board to the IFPOs, and not the institution presidents, to which Robinson replied, he was correct. Blair commented that he wanted to be sure that the institution presidents were accountable for the delegation. Robinson clarified that the IFPO was defined as the OUS Senior Vice Chancellor for Finance and Administration, who could delegate the authority to a university president or directly to the facilities directors on campus. Blair reiterated that it is “very important that the presidents be in the line of delegation here as opposed to delegating to somebody on the president’s staff.” He stated that is was acceptable if the authority was ultimately delegated to facilities, but the presidents needed to be in the line of delegation in order to be accountable for their campuses. Robinson added it could be the Board’s decision to require the Senior Vice Chancellor for Finance and Administration to delegate the authority to the president, and the president could then decide how to further delegate on his/her campus. Director Lorenzen added that the
proposed temporary rule appeared to delegate “authority to each OUS president to develop guidelines for overseeing practices regarding purchasing and procurement.” Chair Blair concluded that the delegation of authority to the presidents might be in the rule’s language, and not in the packet’s write-up, but his point was to ensure that the presidents were in the line of delegation.

Chair Blair continued with two additional questions of Robinson. First, he asked for clarification regarding competitive biddings. He noted the exceptions outlined for certain situations, but noticed a “catchall” exception that permitted the IFPO to avoid competitive bidding if the IFPO determined it would not lessen competition. Robinson replied his interpretation was correct, and added that the provision’s language comes out of statutes that are applicable to most other state agencies. She added that there was another provision in the rules applicable to OUS that requires no OUS staff show favoritism toward any contractor or potential contractor within the System.

Chair Blair followed up with Robinson, asking her, “how do we assure that we have good business practice around competitive bidding?” He added, “…essentially there is an exception here that says you don’t have to do a competitive bid if you don’t believe it’s going to be a problem, meaning the individual can decide whether or not they want to do a competitive bid.” Robinson responded, “The default is that you’re going to do a competitive bid.” She noted that the decision to proceed without competitive bidding under a scheme such as this is extremely rare, and it is a decision usually made at the level of vice president for finance and administration or the president. Blair recognized that these proposals were for temporary rules, and asked for some dialogue as the Board moved toward adopting permanent rules, noting “I’m not entirely comfortable that we should have those kinds of broad exceptions to competitive bidding practices when there are other exceptions for what I would say are at least outlined, objective reasons.”

Chair Blair’s last question addressed bidding from a price and quality standpoint. He asked for clarification of the material “that suggests that the consultant or contractor should be selected first before any discussions take place on price.” Robinson explained that this was the process for the selection of consultants, such as architects or engineers, and reflected “the statutory scheme in Oregon whereby those kind of consultants do not expect that they will be chosen on the basis of price. They are chosen on the basis of their qualifications first and then only after you have determined who is the best proposer, do you then get into a negotiation over the price for the particular project.” She continued that construction contractors could be selected purely by price, or under a request for proposals that would include a variety of criteria, including price. Chair Blair commented the approach was unusual considering his background, but the Committee would not “push water uphill for the approach here that the whole state is using.” Robinson noted the scheme is “different from the private sector and certainly reflects the input into the legislative process of the unions and the licensed professionals as to public contracting.” She added OUS is subject to prevailing wage rates on all construction projects.
Director von Schlegell, in response to Chair Blair’s request for additional questions, asked for clarification of the rulemaking process. Chair Blair explained that the proposal was for a 180-day temporary rule, with the goal of having rules in place for the summer contracting season. He added the Board would be going through a more formal process for a permanent rule. Director von Schlegell asked what would occur between now and then. Robinson explained the process would be relatively quick in order to prevent the temporary rules from expiring. She stated formal notice of the permanent rules would be distributed to all required parties, there would be a hearing, OUS may make changes to the proposed permanent rules based on testimony at the hearing, and then the proposals would come back to the Board for adoption as permanent rules.

Director von Schlegell commented that he liked the “more, better, faster” aspect of the proposal, and commended Robinson on it. He added, though, he wanted to make sure that there were no loopholes that the Board should address. He noted when moving toward flexibility, there was more chance for unintended loopholes. He asked how the process addressed those concerns. Robinson responded that the loopholes in the process are no greater than the loopholes for every other state agency. She noted that the only difference between the proposed OUS rules and the remainder of the state would be the retainer agreements that allowed the selection of a contractor from a pre-approved list. She concluded: “The University System is not way out of line from other state agencies.”

Chair Blair reiterated the expectation that the exceptions to competitive bidding be narrowly drawn and the presidents be closely engaged in the process as the proposals move to adoption as permanent rules. Director von Schlegell moved to accept the proposed temporary rules, and Director Lorenzen seconded the motion. Those voting in favor: Directors Blair, Lorenzen, and von Schlegell. Those opposed: none. Motion approved.

b. PSU, Northwest Center for Engineering, Science, and Technology—Bond Issuance Authority

DOCKET ITEM:

Summary:
Portland State University (PSU) seeks Board approval to authorize the Senior Vice Chancellor of Finance and Administration, or designee, to report to the Legislative Emergency Board, as required by Chapter 890, Oregon Laws, 2001, to allow a phased issuance of Article XI-G bonds for the Northwest Center for Engineering, Science, and Technology Project, prior to receiving 100 percent of the matching funds.

Staff Report to the Board

Background:
PSU has been in the process of raising the funds (through gifts, grants and contracts) needed to match Article XI-G bonds that were approved in the 2001 Legislative Session
in order to begin the construction of the Northwest Center for Engineering, Science, and Technology. This facility will be a 130,000 square foot, silver (perhaps gold) LEED rated building that will include classrooms, faculty offices, 49 laboratories, and some ground floor retail space. This facility is to be built upon a pre-existing subterranean structure that houses the balance of PSU’s engineering programs on the PSU campus, creating a comprehensive engineering complex that will support teaching and research in this college. The design, construction, and furnishings for this tower are estimated to cost approximately $44.5 million and will be funded with $21.9 million in Article XI-G bonds, $21.9 million in matching gifts, grants, and contracts, and $700,000 in Article XI-F(1) bonds (to fund the retail portion of the facility).

The capital budget authorization for this project is for a multi-phased project that includes the tower (as described in the paragraph above), followed by renovation of space in the existing 4th Avenue facility that is currently either leased to third parties or is space that will be impacted by the construction of this tower. The final phase of the project, assuming the funding can be raised before the authorization expires in June 2007, will be to renovate and furnish this existing space in order to serve the growing space needs of the University.

**Statement of Need:**
PSU’s enrollment and funded research continues to grow to historic high levels and classroom, office, and research spaces are in short supply. This past fall term, PSU’s overall enrollment grew to approximately 24,000 students. It is imperative that PSU acquire facilities to accommodate this growth in students with concurrent demands for added classrooms, research, and faculty office space.

In accordance with the goals and directives adopted by the Engineering and Technology Industry Council (ETIC), PSU has been diligently striving to double its enrollment and engineering graduates, and to increase its funded research in engineering areas. Although the University is well on its way to meeting these goals, this facility is absolutely critical to the successful completion of these objectives, as it will provide the space needed to grow the faculty, teach the students, and obtain the laboratories needed to increase research. One key example is that this building will house PSU’s Intelligent Transportation Systems Laboratory. The region’s transportation agencies and leaders support PSU’s work in the area of transportation research and have worked with the University to gain funding for this new construction. The need is clear—agencies are challenged to solve complex transportation problems and look to PSU faculty and students for research assistance. Additionally, this new Laboratory will support the preparation of new transportation engineers and planners to meet the growing labor force needs. Estimates are that more than half of the transportation employees will retire in the next 15 years.

The 2001 Legislature approved Senate Bill 5525 (subsection 3[h]) that included an authorization to issue $26.5 million in Article XI-G bonds, $7.2 million in Article XI-F(1) bonds, and $26.5 million in other funds to construct the Northwest Center for Engineering, Science, and Technology at Portland State University. Section 15 of this
senate bill states, “(1) Notwithstanding any other law, the State Board of Higher Education may not issue bonds for projects listed in section 2 (3)(h), (4)(f), (5)(n), (6)(j), and (8)(b) of this 2001 Act until the total amount of other revenues, including federal funds but excluding proceeds from lottery bonds, identified for the project in the expenditure limitation has been received by the board. (2) Notwithstanding subsection (1) of this section, the State Board of Higher Education, after reporting to the Emergency Board, may issue bonds for a project listed in section 2 (3)(h), (4)(f), (5)(n), (6)(j), and (8)(b) of this 2001 Act if the total amount of other revenues, including federal funds but excluding proceeds from lottery bonds, identified for the project in the expenditure limitation has not been received by the board.”

In order to proceed with this project, in accordance with subsection (2) above, a report to the Emergency Board must be presented and accepted, which acknowledges that bonds may be issued for the project even though the total amount of other revenues identified for this project in the expenditure limitation has not been received by the Board.

Today, PSU has either cash in the bank, been awarded federal grants, or has pledges sufficient to finance the construction of the tower. A current breakdown of funding for this facility is as follows:

- Cash Received and Deposited to Date: $8,338,237
- PSU Foundation Gifts and Pledges: 5,420,494
- Other Matchable Gifts, Pledges, Grants/Contracts: 8,607,000
- Total Matchable Funds: $22,365,731
- Other Non-Matchable Revenues: $ 124,392
- Article XI-F Funding: $ 700,000
- Article XI-G Funding: $22,365,731
- Total Funding Available for this Project: $45,555,854
- Funding Needed for Tower Design, Construction, etc.: $44,499,593
- Funding for Phase II: $ 1,056,261

As many of the pledges for this project are to be paid over a multi-year period and the federal grants are cost-reimbursable, one of the challenges for this project will be to have cash available to meet the estimated disbursement schedule on this project. PSU officials, working with officials in the OUS Facilities and Controller’s Divisions, have come up with a solution to this challenge by using inter-fund loans (or lines-of-credit) of other institutional cash balances to meet the expected cash flows of this project. Depending on the timing of the bond sales, these loans could reach a maximum of approximately $18 million by spring 2005 if a spring 2005 bond sale is used ($12 million
if a fall 2004 bond sale is used). Institutional officials estimate that cash funds will be adequate to fund this line-of-credit for the duration of the project. Attached is a draft of an Inter-fund Loan/Line of Credit Agreement that could be used to document these transactions.

These cash flow challenges/risks can be mitigated by the following actions:

1. Asking the legislature to accept a report acknowledging a plan to issue bonds for the project even though the total amount of other revenues identified in the expenditure limitation has not been received by the Board;
2. Acknowledging the use of a reimbursement resolution to use future bond proceeds to repay line of credit advances used to meet the cash needs of the project; and
3. Authorizing multiple bond sales to comport with the pledge payment and grant expenditure schedules.

PSU believes that these challenges/risks are justified and can be overcome for the following reasons:

1. The bulk of the pledges are from blue-chip donors, such as the founders of Intel and Tektronix, the Miller Foundation, and Fariborz Maseeh, thus likelihood of payment is high;
2. More than $1.1 million in surplus pledges/funding is available to cover contingencies;
3. Fund raising will continue until the total Phase I and Phase II financing goals are met, thus there is a high probability that there will be additional funds for possible contingencies; and
4. Institutional unrestricted cash balances are more than sufficient to fund project advances (unrestricted cash balances have averaged $30.9 million since July 1, 2000 and the maximum advance is $12 million with an average advance of $3.5 million.

Staff Recommendation to the Board:
Staff recommended that the Board approve PSU’s request to report to the Legislative Emergency Board, to allow the issuance of bonds for the Northwest Center for Engineering, Science, and Technology Project, even though the Board has not received the total amount of other revenues identified for the project in the expenditure limitation.

BOARD DISCUSSION AND ACTION:
Chair Blair continued by turning the discussion to the Northwest Center for Engineering, Science, and Technology at Portland State University. Senior Vice Chancellor Anderes introduced Jay Kenton, PSU Vice President for Finance and Administration, but before his presentation PSU President Dan Bernstine offered brief remarks. He announced that after sixteen years at PSU, Vice President Kenton had decided to leave to accept the position of Vice President for Finance at the University of Idaho. President Bernstine shared his appreciation for Vice President Kenton’s valuable contribution to PSU, including his involvement with the Northwest Center for Engineering, Science, and Technology.
Vice President Kenton noted he had discussed the Northwest Center for Engineering, Science, and Technology before, but wanted to outline some changes in the circumstances of this project initially approved by the Oregon Legislature in 2001. One of the requirements included in the 2001 legislation, Kenton stated, was a report to the Legislature’s E-board if PSU was not going to sell all $26.5 million of the bonds. Because PSU does not have the $26.5 million match in hand, PSU proposes to break the project into two phases and develop a plan to focus on the construction of the 130,000 square foot tower in the first phase, and renovate pre-existing space in the second phase. Kenton stated, because of these circumstances, “we are asking permission for this Board to authorize us to go to the E-Board later in June to file a report that says we have a plan and ask them to accept that report.”

Kenton continued to explain the various reasons justifying this course of action, including “right now is a good time to build.” Kenton noted PSU has very favorable construction cost estimates. PSU asked the contracting community what the cost would be if the entire project were delayed six months, and Kenton offered that PSU’s current contractor estimated a six-month delay would cost $900,000. He continued that steel prices are quite volatile, including a 40 percent increase in the last three months. This project has between $4 and $5 million in structural steel. Finally, Kenton stated, “the programs that we have are at capacity today and we have goals established with the ETIC board and others to double our enrollment and grow our research programs to serve the needs of business and industry in the metropolitan as well as state region.”

Kenton moved through an explanation of the current financial status of the project. He noted the Northwest Engineering, Science, and Technology Center was originally a $60.2 million project, including $26.5 million in matchable gifts and other funds, $7.2 million in Article XI-F bonds, and $26.5 million in Article XI-G bonds, which require a one-to-one match. Kenton offered that PSU, based on bids, architectural costs and other permitting fees, knows it can construct the 130,000 square foot tower for $45.6 million. Kenton stated PSU has these funds in hand or secured from pledges or other sources. He estimated Phase Two would cost another $8.2 million, and that PSU was currently raising funds for this phase of the project. He concluded PSU would be in front of the Board with another action item assuming it could raise these funds with the seven-year authorization provided by the Legislature.

Kenton outlined the source of the $45.6 million for Phase One of the project. First, PSU has $8.4 million deposited in the matching account. Second, PSU, Kenton stated, has $14 million in pledges and grants that have been awarded. Kenton noted that there are written agreements in place with the pledgers and grantors regarding this $14 million. Article XI-G bonds, Kenton offered, would match this $22.4 million. In addition, PSU has another $100,000 in nonmatchable revenue from selling use of a turbine atop a pre-existing building to PGE and $700,000 from the renting retail space on the ground floor of the building to diffuse the debt on the Article XI-F bonds. With that, PSU has $45.6 million to complete Phase One of this project.
Kenton continued by noting PSU has spent $5.4 million to date on architectural costs, bids, and early work upgrading electrical service to the facility to have adequate power for the tower. He added: “there are remaining costs as outlined there for general contractor and architect and other permitting and supervision costs. You can see the difference between those two is $1.1 million. We actually have more pledges and revenue in hand than we had in cost estimated.” Kenton also noted that PSU had been awarded a $200,000 energy trust grant that would be matchable for the sustainability elements of the project.

After this, Kenton spoke to the challenges of the project, including challenges that accompany any project funded with Article XI-G bonds. He stated: “What happens with Article XI-G bonds, the treasurer, we tell them we would like to sell $10 million or whatever the number, in the next sale. Before that sale is actually consummated, they do a census of the account. They look in the account and see if the matching money has been deposited. If it has, the sale goes forward. If is hasn’t, the sale is cancelled. One of the challenges is we have cost reimbursable federal grants, there are actually five awards for this project that total $2.7 million that require we spend the money before we can actually get the money from the fed and put the money in the matching bank account. We also have timing of multi-year pledge payments. We have requirements, as I mentioned, that funds be on deposit before bonds can be sold. We have the timing of the bond sales themselves. Typically, the System sells bonds in the spring and fall each year. We have the construction schedule and the percentage of completion payments that most contractors will require, you know, as they build 10 percent, they want 10 percent. Then we have the fact that the legislative authorization for this project expires on June 30, 2007, although it is my understanding that we could ask that that be extended.”

Kenton next turned to cash flows on the project. Kenton noted both revenue and expenditure lines, stating there is a big spike in funds when there is a bond sale. With an eighteen-month construction time period and the fact that some of the pledges are out over the next three years, some gaps develop between revenue and expenditures, particularly in the fall of 2005 when “there is roughly a $12 million gap that develops between the cash on hand and the expenditure kind of outflow that is required to make these payments on a timely basis.”

Kenton concluded the presentation with PSU’s proposed solution. He stated PSU would like to “(1) ask the E-Board to accept a report acknowledging a plan that, although we don’t have all the cash, that would allow us to issue bonds on a periodic basis as we have money in the account, (2) to acknowledge the use of an interfund loan or line of credit from the institution other funds to meet the cash needs of the project, and (3) to authorize multiple bond sales to comport with these pledge payments in the spring and fall of each year over the next three years until the project is completed.” He explained PSU considered various risks to the proposal. He noted “the majority of pledges are from what I’ll call blue chip donors…We feel there is a low default risk.” He also added that, in addition to the quality of donors, there was a $1.5 million surplus at present. He continued PSU would continue fundraising for both phases of the project, adding a
reserve in the unlikely event a pledge is not collected. He also offered PSU has sufficient institutional cash balances to fund advances, averaging $30.9 million from 2004. With the maximum advance ever necessary at about $12 million in the fall of 2005, with an average advance required at about $3.5 million, Kenton explained reserves were more than adequate. He stated: “We’ve looked out over the next three years and thought about what our expenditure commitments are, what are revenue inflows are likely to be and we feel that we are in good shape with this.”

Kenton also outlined actual cash balances plotted since June 2000. He explained cash balances go up at the beginning of a term when the institution collects tuition, and go down over the course of the term when salaries are paid out. Kenton ended his presentation and asked the Board if there were any questions.

Director von Schlegell asked for clarification what would happen at the E-Board if the Board approved PSU’s proposed solution. Kenton explained PSU would make a request to the budget analyst from DAS to discuss with the Governor in order to determine if PSU could get to the E-Board. At that point, Kenton offered, he would make a similar presentation to the E-Board, asking it to accept a report acknowledging that while all funds were not in hand, PSU could nonetheless proceed with a bond sale and the proposed plan to complete the Northwest Center for Engineering, Science, and Technology. Director von Schlegell asked if the real issue was whether the $8.6 million in matchable gifts were not in hand, and Kenton clarified there is actually $14 million not in hand, but there were written pledge agreements or written grant awards backing the pledges and grants up. Director von Schlegell noted that these were from blue chip foundations, groups, and people, and Kenton confirmed that the majority of these pledges and grants were from blue chip sources. President Bernstine added the “we also have some representation from some of our donors that if the need really arose that they would likely escalate their pledge payments in order to help us get through it if things got tight so in light of the quality of the people who are making those kind of representations, we really feel pretty comfortable making this proposal and moving ahead.”

Chair Blair asked whether or not the foundation would be willing to backstop should the donors not come through. Senior Vice Chancellor commented that participation from the foundation had been discussed earlier, but because of “the integrity and the blue chip nature of the donors and the cash balances that that really wouldn’t have been necessary.” Chair Blair continued with a question on terminology, asking whether cash balances could also be called fund balances. Kenton clarified cash balances were actual cash balances, explaining fund balances were net assets. He reiterated cash balances represented actual cash in the state treasury or other banks. Blair asked if cash balances were actual physical cash, and Kenton replied: “Yes, and it’s from unrestricted funds. There are no restricted funds included in those numbers.”

Director von Schlegell addressed Chair Blair, sharing that he spent some time, at Blair’s request, with the staff reviewing the proposal and that he would recommend it move forward. Director von Schlegell moved to accept the proposal, and Director Lorenzen
seconded the motion. Those voting in favor: Directors Blair, Lorenzen, and von Schlegell. Those opposed: none. Motion approved. After the motion passed, Vice President Kenton stated: “Thank you very much. It’s been a pleasure to serve this Board for the last 21 years. I have appreciated the opportunity.”

c. Budgeted Operations Fund Balances Policy

DOCKET ITEM:

Background:
Responsible fiscal management requires adequate reserves to mitigate current and future risks. Adequate reserves are essential to offsetting cyclical variations in revenues and expenditures and to protect against 1) catastrophic events, 2) unforeseen revenue declines and expenditure gaps, 3) unexpected legal obligations, and 4) failures and health/safety/code issues in infrastructure or major business systems.

These risks can result from a number of factors such as uncertainty in the economic or political climate and volatility in revenue streams and expenditure requirements. The appropriate level of reserves is likewise dependent on a variety of factors: liquidity, the predictability of revenues and expenditures, the availability of resources in other funds, and the level of bona fide commitments against the reserves.

Although resources in Other Funds should be considered in assessing the adequacy of reserves, the focus for OUS should properly be on budgeted operations funds, which are the primary operating funds through which all basic instruction and institution administration occur. Budgeted operations funds include state General Funds and Other Funds Limited, made up principally of student tuition and fees and also including educational department sales and services, indirect cost recovery, and other operating revenues. Particular attention should be paid to Other Funds Limited balances since campuses are prohibited by statute from carrying state General Fund balances forward across biennia. In other words, any state General Fund ending balances automatically revert to the state at the end of each biennium.

For the purpose of gauging their relative value, budgeted operations fund balances can be expressed either as a percentage of annual budgeted operations revenues or as budgeted operations expenditures sufficient to fund a specified period. The Government Finance Officers Association, for example, recommends that fund balances be maintained at a level that represents 5 to 15 percent of operating revenues, or is sufficient to fund no less than one to two months of operating expenditures.

Obviously, the level of budgeted operations fund balance should be related to the likelihood of need. Given the timing of tuition assessments, revenue cycles at OUS institutions tend to spike quarterly while expenditures remain relatively flat. When combined with the volatility of state funding over the past several biennia—as well as fluctuations in enrollment and tuition dollars—the need to maintain fund balances sufficient to stabilize the operating revenue stream for short periods is clearly imperative.
The institutions, for example, are particularly vulnerable to shortfalls in revenue collections during the first quarter of each biennium.

Responsible fiscal policy, then, suggests that the institutions should maintain ending biennial budgeted operations fund balances sufficient to stabilize the operating revenue stream and cover unforeseen contingencies equal to approximately one month’s operating expenditures, or about 10 percent of their annual budgeted operations revenues.

At the same time, because state General Funds are either spent down completely prior to the end of the biennium or revert to the state, the principal source of revenues available to provide budgeted operations fund balances is student tuition and fees, and any excess balances could be interpreted to represent unwarranted tuition and fee rates. Consequently, ending biennial budgeted operations fund balances should not exceed approximately two months of budgeted operations expenditures, or about 15 percent of annual budgeted operations revenues.

**Budgeted Operations Fund Balances Policy Proposal:**
OUS institutions shall develop budgets that target an ending biennial budgeted operations fund balance of approximately 10 percent of annual budgeted operations revenues. For purposes of this policy, budgeted operations funds are defined as all funds included in Fund Type 11 (Education and General) in the Oregon University System accounting records. Budget operations balances will be monitored as part of the quarterly projections included in the Managerial Reports provided to the Board; and institution presidents shall advise the Board in the event projected or actual ending balances for the biennium either fall below 5 percent or rise above 15 percent of revenues. Included in the information provided by the presidents will be an explanation for the variance and a plan to rebalance the budgeted operations fund balances over time to approximately 10 percent of annual budgeted operations revenues.

**Staff Recommendation to the Board:**
Staff recommended that the Board adopt the Budgeted Operations Fund Policy as proposed.

**BOARD DISCUSSION AND ACTION:**
After discussion on the Northwest Center on Engineering, Science, and Technology, Chair Blair turned to the proposed fund balance policy, asking Senior Vice Chancellor Anderes to present the proposal. Senior Vice Chancellor Anderes explained there was a staff report and additional information that he would review “in terms of the actual fund balances and some actions that we are considering in the Chancellor’s Office regarding our fund balances that will all come together as we look at this proposal.” He noted the first sentence of the report offered an explanation as to why it is important to have reserves in the first place: “Responsible fiscal management requires adequate reserves to mitigate current and future risks.”
Senior Vice Chancellor Anderes outlined his presentation, stating that he would explain what fund balances were, why they are necessary, how much might be necessary, the fund balance policy proposal, and what the fund balances were on each of the campuses. He added that he would use the term “fund balance” interchangeably with “reserves.” He explained: “It is called a fund balance because it represents a specific fund that the dollars are identified with, which in this case is the Education and General.” He noted: “The idea for the reserves is they’re available for support when something that’s unbudgeted, as suggested here there are failures in health safety code issues, unexpected legal obligations, unforeseen revenue declines, which we have certainly experienced over the last couple of years.” Dr. Anderes continued: “So there is a variety of purposes and the dollars that are actually used in terms of what is part of that fund balance are only tuition and fees, indirect cost to a much less degree, and to an even greater less degree is the educational sales and services.” He concluded: “General fund is not part of a fund balance, it’s not part of a dollar that can move forward year to year and be used for purposes beyond what has been identified with the legislative budget and, in fact, the dollars if not expended revert back to the state. As we talk about these balances, understand that they are funds that are largely tuition and fees.”

Senior Vice Chancellor Anderes offered the necessity of fund balances and that the exploration of a fund balance policy emerged from the review of various national, state, and local circumstances. He stressed the goal was to “identify a reasonable standard that we can work through not only among ourselves but at the state level to get a basic agreement, if you will, as to what is necessary." Senior Vice Chancellor Anderes posited “the fact that a General Fund dollar may be declining and cannot be used relative to ongoing emergency needs means that the fund balances that are available through tuition and fees is extremely important, particularly if we are confronted with more of the issues that we’ve had over the last number of years.” Senior Vice Chancellor Anderes noted fund balances were about stability.

Senior Vice Chancellor Anderes discussed the need for a fund balance policy and what the standard should be. He stated: “What we have identified with is there is a major national association that provides financial information throughout the country in the public sector and we have looked at the standard that they have been talking about, which is establishing a range of 5 to 15 percent of operating revenues versus your total operating revenues.” He continued: “one of the things that is worth noting, however, is that we are creating a policy that relates to every campus.” Anderes stated, over time, there might be differences between the campuses that may counsel different fund balance ranges. He concluded: “That’s an issue we won’t confront here but I think as we move along and take this policy and analyze it over time, we should look at that because I think there may be some logic to having differential ranges.”

He continued: “The proposal itself is relatively simple. What we are saying is we need to establish a range for our operating reserves in a range of 5 to 15 percent on each of the campuses. Again, this is the one- to two-month amount of funding that would be available given the whole host of issues that are out there that we have been
confronting over the last many years.” Senior Vice Chancellor Anderes noted that a second component of the policy would be the fund balance would be reviewed on a quarterly basis. He offered: “Part of our management reports will include an ongoing analysis of these balances.” He shared, by reviewing fund balances on a quarterly basis, the System “will become more attuned with how the dollars are used, how they’re applied, and how they may vary over the year.” Dr. Anderes added: “the final part of the proposal is if you are below the 5 percent range or you’re above the 15 percent range, we would be looking for an analysis that would suggest why is there a variance.” He offered that the reporting would not be there to create a great deal of stress, but would present a red flag to the campus in order to permit to devise a plan for rebalancing. Senior Vice Chancellor Anderes summarized: “So we’re looking at an establishment of a standard, looking at it on a regular basis, and then creating a reporting process back for further review and it will tie in right with our quarterly reports that you have right now.” Senior Vice Chancellor Anderes reiterated his opinion that the policy be revisited in order to determine whether it is working and whether the differences of the campuses would counsel revision of the policy.

Senior Vice Chancellor Anderes turned the discussion to the actual fund balances of the campuses, included in materials provided to the Board. He noted the System, as a whole, had a 15 percent fund balance, including a relatively high fund balance in the both the Chancellor’s Office and Western Oregon University. Senior Vice Chancellor Anderes stated: “You’ll see that it goes anywhere from 10 percent up to 58 percent in the Chancellor’s Office.”

Senior Vice Chancellor Anderes also drew the Board’s attention to an important $14 million deduction. He explained the process of fund balances and understanding where funds may be eventually dedicated. He offered: “They don’t simply sit there idly waiting for an emergency although a core component of that should be available for emergencies but they’re also being used for other planned purposes so when we see the 15 percent, one can being to redefine that almost as dollars.” He continued: “A primary example is this $14 million reduction. We have got, legislatively, a reduction of $14 million. The legislature said at the end of the session we’re going to be out of Other Funds Limited, which is basically tuition and fees, we’re going back to all state agencies and extracting dollars and then they literally became part of the General Fund budget in an offset. But it's a $14 million that is not reflected in that initial 15 percent.” He stated if that were to be considered, “we’re down 13 percent and again other commitments have been made.” Using the Chancellor’s Office as an example, he stated 58 percent, or $7.1 million, is what has been estimated for the end of the fiscal year. Anderes explained: “I guess as an example to look at when you talk about a proposal of 5 to 15 percent and you look how is that going to be reported, are we going to talk about a plan to rebalance, as you as a Board begin to look at your reorganizational efforts, there is already approximately about $2 million that has been defined out of that $7 million for reorganizational purposes. There has also been an additional in the range of $1 million have been identified for a variety of purposes that relate to the function that we have as an office right now. My point will be and I think you have to look at this for all the campuses, but in our particular case there has to be a real clear clarification of our role
in the end.” Senior Vice Chancellor Anderes noted that if the Chancellor’s Office retained responsibility for various services, programs, or operational priorities, such as landlord support for the Capital Center or offsetting Department of Justice expenses, a 10 or 15 percent fund balance, from an operational aspect, may be inadequate. He stated: “All of that is to say is that it may be very appropriate for the Chancellor’s Office to get to that 15 percent level but just doing it with the understanding of how we being to break off fund balance, where they’re going, how they are going to be used because I know right now with the fund balances down to approximately $4 million, there is a lot of good uses at the System level and at the campus level for more, better, faster, and you can’t argue with that.” After acknowledging his focus on the Chancellor’s Office fund balance, Senior Vice Chancellor Anderes turned to the Board for questions.

Director Lorenzen asked for confirmation if the fund balances were used for the two-fold purpose of evening out cash flow and reserving funds for unexpected contingencies. Senior Vice Chancellor Anderes responded that Director Lorenzen was largely correct, although another purpose of fund balances would permit campuses, as funds came in, to evaluate and plan whether or not there was adequate state support for something on campus that might be a priority. Senior Vice Chancellor Anderes offered: “It may not be an immediate emergency but it may be something that is necessary.”

Lorenzen continued, asking Senior Vice Chancellor Anderes what would happen if a university was relatively aggressive in managing its fund balance by taking it down to the minimum amount it felt appropriate, and something unexpected occurred that left the university without the cash available to meet the needs of the contingency. Lorenzen asked, “What alternatives are available to make up that deficit?” Senior Vice Chancellor Anderes started by noting a relatively low fund balance would be apparent in the quarterly management report and the red flag would go up if the campus were at 5 percent and Lorenzen added “but what happens if all of a sudden the roof falls in or the boiler blows up and money is not available?” Senior Vice Chancellor Anderes responded that the campus would look at all resources and funds and the opportunities that exist over a long period of time. Lorenzen continued, asking what would happen if a campus did not have the cash at a particular level if there were “a source of fund to assist them in getting over that hump.” Senior Vice Chancellor Anderes stated there was not a central source of funds to assist a campus out of a situation as outlined by Director Lorenzen. Senior Vice Chancellor Anderes clarified that the campuses did fall under a single source of authority, and “one campus can be held responsible for what’s happening on another campus. If it has adequate resources, those funds can actually be used to offset a problem at another one if that became absolutely necessary.”

Director Lorenzen asked if that meant there was a fallback position, and Anderes replied “certainly not one that we ever want to test….” Director Lorenzen concluded that if fund balances were only a cash management issue, from a theoretical standpoint, it might make some sense if one campus pooled resources in order to assist another, but, in fact, the funds have other purposes on the campus. Director Lorenzen offered: “but it still makes you wonder what happens if there is a catastrophe at one campus and whether there is a mechanism for borrowing from another campus to get it over the hump.” Senior Vice Chancellor Anderes added that the campus could also turn to the
E-Board. He concluded: “There are funds at the state level that you can request and if you are really talking about an emergency of a significant proportion.”

Chair Blair entered the conversation with questions about the Chancellor’s Office. He observed Anderes used: “the word rebalancing as a way to articulate the way we might handle this going forward and I think the term balance is actually a very good one in the sense that I think we would all agree that prudent financial management means that we should hold some amount of money to deal with these contingencies.” Chair Blair continued, however, by noting that it was also possible for fund balances to be too large, particularly considering the funds used to build up fund balances come from students. He acknowledged the Board’s focus of issues of student access and rising tuition, and observed, “I think the concept of balance makes a lot of sense. There are numbers that are too small and numbers that are too big.” Chair Blair turned to the fund balance of the Chancellor’s Office, and using the target of 10 to 15 percent, noted that there appeared to be $3 million over 15 percent, even considering the reorganization and other costs discussed, and asked whether there were plans in place or commitments for the money. Chair Blair reiterated: “In other words, if we said our baseline is 10 to 15 percent is what the target is, that suggests that with the Chancellor’s Office and the other we’re probably in the $5 million range of excess fund balances over that 15 percent target. I guess my question for you is do you foresee items that are at there that are tangible, in view, that would put a claim against those funds.”

Senior Vice Chancellor Anderes stated that there were. He noted a portion of the fund balance committed to PSU amid the transition of the Capital Center and the Oregon College of Advanced Technology. In addition, Senior Vice Chancellor Anderes offered, OUS is responsible for re-roofing the Capital Center at a cost of approximately $1 million. He concluded: “So we’re probably looking in the range of $2.5 to 3 million of the other fund balance that would be committed.”

Chair Blair followed up with clarification regarding the responsibility to re-roof the Capital Center, and Senior Vice Chancellor Anderes stated as the landlord of the Capital Center, OUS was responsible. Chair Blair continued to inquire about uncommitted funds above the 15 percent level of fund balances, asking, “how much excess do you believe there is that is uncommitted?” Senior Vice Chancellor Anderes said that it was difficult to determine, noting that he expected continuing draws on the fund balance from reorganizational efforts, including ITS components and consultants. He continued that there had been discussion for additional funds for more, better, faster initiatives. He estimated that there might be additional commitments for reorganization of between $500,000 and $750,000. He offered that excess fund balances might be committed to offset General Fund reductions or transitional costs with ITS. He reiterated the cost of some Centralized Services and subsidies of the Chancellor’s Office, including the Capital Center and excess Department of Justice bills. Chair Blair added: “I think you’re raising a philosophical issue here of whether or not the Chancellor’s Office should be standing between the campuses and the real cost that comes down the pipe. But,
having said that, the surplus that is being generated in the Chancellor’s Office in some ways comes from the campuses themselves as well in some form.

Senior Vice Chancellor Anderes clarified that the relatively large fund balance was due in part to an accrued amount of tuition dollars that stayed with the System in order to facilitate transition when the split occurred in 1998 or 1999. He noted OUS does not receive tuition dollars anymore. Senior Vice Chancellor Anderes stated: “The only dollars that we receive now that will be going towards our balances are indirect cost dollars where we receive a portion for doing the indirect cost rate negotiations and services that we provide, some of the services which will be shifted now to OSU so that is an amount that will actually be diminished simply because we won’t provide the service anymore. I’m just raising it as something we need to think about and look at the role, responsibility piece and be clear that before we’ve gotten to that 15 percent level that we understand what it implies.”

Chair Blair offered that no one could argue with Senior Vice Chancellor Anderes’ stated position, but stated, “the thing that troubles me a little bit here, well more than a little bit, I think these fund balances at the end of the day, if we look at this as a System that’s funded partially by the state and partially by the students and we’ve got grants and various other funding sources, at the end of the day build up fund balances anywhere in the System at the end nets down to tuition and fees at some point.”

Chair Blair shifted his attention to Western Oregon University. He acknowledged President Conn’s presence, and recalled a specific conversation about a potential deficit at WOU. Considering WOU’s fund balance, Chair Blair asked: “But can you help me understand, President Conn, how did we get to this spot that we are now?” President Conn commented that he was not sure the level of detail Chair Blair or the Board wanted, but started by offering “the document that I was referring to when I talked about how tight we were and how there has been a total change in circumstances.” He continued: “Let me say, number one, that we are in the process of shifting to a fund balance concept in reporting our financial condition and we have tended to look more often at what I call unobligated operating dollars, meaning dollars that are clearly reserved, which is to say there are no contractual obligations against them, no specific plans, no earmarks, no set asides.”

President Conn continued his response by drawing the Board’s attention to “an item that was passed out that showed that at the end of this fiscal year—talking now about reserves as we defined them, unobligated dollars—that we were going to have about a million and until we took corrective actions by the end of the biennium, our reserve, our unobligated money would be depleted.” He added: “If you go back to the first sheet, the main thing that has happened in the last year is that we are in much better financial condition that we had projected. That’s a combination of good fortune and frugality.” President Conn noted WOU “thought and indeed set aside $1.2 million for what is known as settle down, the concept that when the relative shifts in enrollment take place, that some schools give up money, others pick it up. Settle down did not take place,
largely because there are unfunded enrollments so there is a philosophical discussion so $1.2 million we did not have to come up with that we thought we would."

Chair Blair asked for clarification on the concept of settle down, and President Conn asked Senior Vice Chancellor Anderes for assistance in explaining the concept. Senior Vice Chancellor Anderes explained the Resource Allocation Model provides funding based on enrollments, and the campuses receive a set of dollars based on those projections. He added: “The settle down is a point at which we made the decision if a campus was going to be below its targets that we would ultimately move those dollars out of the campus and actually look at a potential for a settle up. We’d probably have to redistribute the dollars. He’s just saying there was a $1.2 million set aside that they had thought, regarding the settle down, was going to be necessary and we had said no, each of the campuses are going to live with the dollars that they received. It was a change in the model.” Chair Blair asked if it was tied to enrollment, and Senior Vice Chancellor Anderes said yes. President Ed Ray of OSU contributed, “It was the money they thought they would get based on enrollment projections and they thought, since the enrollment projections were somewhat low, they would have to give money back and the System decided not to take the money back so he found out he didn’t need to do it.”

President Conn noted PSU would have been the beneficiary of settle up because PSU was exceeding enrollment. He continued that settle up explained $1.2 million WOU initially thought it would need to spend. He added that WOU students ended up taking heavier loads because of how the tuition plateau was phased out. He stated that WOU thought it would be assessed $643,000 to pay its portion of the loss from Measure 30. In fact, he offered, this was not assessed this year, and in fact, was reduced. He concluded: “To make a long story short, with good fortune and frugality, we have $3.5 million that we had no way of projecting when the sheet I gave you that is dated last October was passed out.”

President Conn noted the other materials offered were “a matter of us trying to reconcile, to make this shift, between what I call an obligated operating reserve, frame of mind, and fund balance.” He continued: “But, at this point, in literally going through line by line, we realize that we have significant monies more than we anticipated, we are pleased and we have a number of capital projects that we’ve been waiting to fund and we anticipate that by the end of the biennium much of what we show in excess of 15 percent will be used if we are allowed to use it.” He stated that WOU has a best-case and worst-case scenario for fund balances, but that “it’s an interesting circumstance in that I’m delighted with our financial status on one hand, although admittedly it’s been quite awkward in the context of the emphasis on the fund balance approach.”

President Conn added: “I received information on fund balances last week that I had not heretofore as we were coming near the end of the fiscal year and number two, it became apparent that we were going to have this policy and that fund balance is the primary concept that we should focus on now rather than what I had been referring to as unobligated monies.” He continued that WOU had set aside, at the encouragement of System officials, funds related to the PERS litigation. He offered WOU has about
$2 million in physical plant projects. He concluded: “It has been an uncertain time and reiterate the data I’d been given with regard to unobligated monies led me to believe that we needed to be cautious until we saw where we were. Frankly, I am surprised that our fund balances are as good as they are but I can assure you that the noise having been spread across campus, I have a long queue line of folks who have projects, some of which should be considered and some of which, obviously, should not. For the most part, the expenditures I envision would be capital expenditures, meaning facilities and equipment.”

Chair Blair asked if WOU had considering changing its posture on tuition given the new information on fund balances. President Conn replied: “Our posture on tuition, meaning our plan for next year is zero increase in rate.” He added: “We obviously continue to say that eliminating the tuition plateau is advantageous for a variety of reasons, not only financial but with regard to equity.” He offered, “But inasmuch that this is one time money and inasmuch as our tuition rates are comparable to the other institutions, I don’t really see that that is called for.” He stated that WOU has suffered most in its staff complement. He ended, “The totals that you are seeing here have accumulated over many years. It’s just that people were focusing more on unobligated monies and not looking at fund balances adequately and I reiterate during this past year, I will live with fund balances much more than I have heretofore.”

Chair Blair opened the floor to other Board members for questions, but noted his disappointment in how the situation at WOU could change so dramatically. He stated, “I just wonder on the decisions that we have made along the way whether we have been making the right decisions based on the information that was here.” President Conn accepted that, and reiterated that he had attempted to explain where the $3.5 million had been committed, and that WOU did not lament having the funds available, but would use them wisely.

Director Nesbitt continued the discussion with additional questions. He commented that he anticipated the discussion on tuition to take place the following day, stating, “I would hope that we’d recognize it’s not a matter of tuition plateau or no tuition plateaus...It does make for some pretty severe impacts when there is an elimination of plateau, but I think we should talk more about that tomorrow morning.” He asked Senior Vice Chancellor Anderes to clarify whether the line item on his chart with campus revenue projections included all sources of revenues, including grants. Senior Vice Chancellor Anderes stated it did not and only accounted for General Fund, Tuition and Fees, and Indirect Costs. Director Nesbitt asked for clarification on footnote three of the chart referencing the fund balance. He stated the footnote mentions a “$2 million ending fund balance as a result of Board review. I think we committed $1.1 million regarding Measure 30 backfill, but I’m not sure we took action to committing things.” Senior Vice Chancellor Anderes clarified, noting the footnote related to the reorganizational aspects that had occurred in the past two or three weeks. He added it did not relate to the $1.1 million resulting from Academic Affairs. Director Nesbitt asked if the $1.1 million was a factor on the chart, and Senior Vice Chancellor Anderes explained: “No, the
$1.1 million itself is a reduction to the operating budget so it won’t have any impact on the fund balances.”

Director Nesbitt continued with questions about the “de facto retention of tuition at the Chancellor’s Office. Senior Vice Chancellor Anderes explained, “When the model was implemented, and I’m not sure if 1999 is the right year, but when the model was implemented in 1998-99, prior to that, every dollar, every tuition dollar, every General Fund dollar, I believe indirect cost, all of that came to the System and then the System redistributed it to the campuses based on a multiple level formula...So, we would actually retain dollars within the System and have that available to parse out to campuses as needed based on the formula...After the model was implemented, one of the major features of the model was that tuition and fees would reside on the campus...So, the model itself on one level was giving money to the campuses—General Fund dollars—on the basis of student enrollments, numbers, types of students, and every tuition dollar was retained at the campus.” Director von Schlegell asked if that meant projections, and Senior Vice Chancellor Anderes clarified “well, there’s projections, but then there was also revisions—the settle down, settle up process would revise that.” Senior Vice Chancellor Anderes added: “But at that point in time, there was an amount of tuition dollars that was retained in the System office, which I think was seen as transitional—if there were emergencies, if there were issues.” Director Nesbitt asked if Senior Vice Chancellor had “a sense of the magnitude of the retention or the residue.” Senior Vice Chancellor turned to Associate Vice Chancellor Marv Wigle for guidance, and Associate Vice Chancellor Wigle stated, “My guess would be about $14 million.” Director Nesbitt concluded with a comment about the detail of the presentation and the importance of documentation and transparency. He expressed concern about credibility, particularly with the legislature, and noted he thought it a good idea to have a minimum and maximum band in which all of the campuses operate with regard to fund balances. He concluded, “Otherwise, an outlier, one extreme example, can undermine credibility across the board when we are seeking more funding so I think that’s very important to have the information and to see the common policy.”

President Ray added that he wanted to return to a comment from Director Lorenzen, and asked the Board to look at OSU’s cash fund balance. He noted, “90 percent of that represents non-synchronization of revenues and anticipated expenses. Not all contractual obligations, but monies that we expect to expense that haven’t been realized at the point that this snapshot is taken. So when I ask my people, and this goes back to Phil’s comment earlier, what ‘s our risk reserve, what are the unencumbered balances out of this that we have, it’s $3.6 million. So, it’s on the order of between 1 to 2 percent of total revenues really represents free and clear money.” He stated that there were things consonant with OSU’s educational mission that the university intended to do with the money. He reiterated that it was important to realize that fund balances were a snapshot of a moment in time. He added, “The idea of maintaining fund balances 5 to 15 percent, most of it for non-synchronization of expenses and revenues, a little bit for risk reserve, makes sense. You shouldn’t be...it’s like receivables or payables.” He concluded, “For us, it’s 10 percent of the balance that you’re looking at here. Others could respond, but I suspect the bulk of what we have I know and what I would expect
other have are, in fact, sort of mismatches between cash on hand and anticipated expenditures in the not terribly distant future.”

Director von Schlegell commented, “So, if you, if you’ve charted this over 12 months, it’s seasonal, is what you’re saying?” President Ray added, “There is just non-synchronization at any...June 30 is a magic date because by law and by custom we say it is, but when you pay for things and when you get the money is a function of what you’re payments and receipt activities are all about.” Director von Schlegell followed up, asking how much the fund balance might change over a 12-month period. President Ray noted that he did not expect it to change much more above or below 13 percent over an annual period. He added Mark McCambridge at OSU might have an idea of whether or not the number would change, but President Ray surmised the number would be fairly stable over the course of the year. Mark McCambridge, Vice President for Finance and Administration, OSU, concurred with President Ray, and President Ray reiterated that OSU could stay within the range fairly easily.

Chair Blair added, “I’m having a little trouble understanding the two statements together because if it’s timing related, I would suspect that at some point it’s going to get down close to the 2 percent number that you described.” President Ray replied, “Well, because you’re always anticipating things that need to be done...I mean they’re not the same anticipated expenses every year, but every year we have a recurrence of things that are going to have to happen when people show up, not necessarily when we get the money and we clear the books in a given year and another whole set of items crop up in the next year.” Chair Blair continued, noting that unless something dramatic happens, the campus would have revenue coming in at the same time. President Ray answered yes. Chair Blair stated if the revenue stream stopped, then OSU would get down to the 2 percent, but because revenue comes in, the fund balances is filled. President Ray responded that was accurate, and “it’s going to continue to get depleted as we makes these anticipated expenses. That’s why I said I think somewhere in the range of 13 percent is where we’ll stay.”

Chair Blair reflected on the policy recommendation of having the fund balances be between 5 and 15 percent, and stated, “The issue that we are wresting a little bit here is that as a System we are above our target of 10 and we have some places, the Chancellor’s Office, other than Western Oregon, where we are significantly above 10-15 and the issue there is whether or not we’re out of balance, whether we’ve asked the students at Western Oregon to pay more than they needed to or we’ve made some dysfunctional decisions at that university in terms of reinvesting in physical plant or faculty or whatever else we should have been investing that money in.”

President Ray added he thought quarterly monitoring was a good idea. He stated, And I think that’s where the value of looking at this quarterly comes into play because there could be some idiosyncrasies that in fact Western is at 30 percent in June and it’s back down to 12 percent in September. That’s why you want to keep monitoring it to see if it is an aberration or it really is a consistent pattern of seeming to hold on to too much in the way of cash balances relative to operating.” President Conn noted the example of
enrollment and tuition to demonstrate variability of revenue. He stated that WOU had an enrollment reserve when application numbers and projected enrollment was down. He hoped that WOU would not need to use the reserve, and if so, WOU would be the beneficiary. He noted, however, “that then does raise the question, how do you do right by students and sometimes it’s a matter of doing right by them on balance and in relative terms, meaning what tuition rates are at other institutions. Revenues particularly as regard to tuition are variable, as well.”

Vice President McCambridge asked to correct his previous statement, noting two situations in which OSU’s fund balance would reduce. He stated, “In the fund balance that you’re seeing now, the legislature directed $3.2 million a year to the new Veterinary Medicine second and third year that we are bringing from Washington State. Those funds basically to higher faculty to support that two years’ worth of education. Now, those funds, if you look at the fund balance rise between last June 30 and this projected number, Vet Med goes up $3 million and that’s because they are hiring faculty and bringing faculty to campus right now so the payroll will start now for next fall when they begin teach classes. So that fund balance I would expect to go back to the $200,000 that it was prior to the beginning of this year but we distributed the budget as the legislature asked. There are funds in engineering, their fund balance going from $2.5 million to I think $3.5 million in this estimate and a fair amount of that are funds that came from the legislature to help with the ONAMI start up and again we’re hiring faculty and so in those two cases, we’ll burn funds on that side.”

Chair Blair stated that he wanted to make sure other Board members had the opportunity to ask questions because the meeting was far behind schedule. Director Lorenzen expressed his concerns, particularly regarding whether or not everyone at the table was talking about the same concepts. He stated, “I hope at some point in the future I can get straightened out because it seems if we’re looking at operating reserves, then we would have to make certain that we have some kind of standard determining what kind of obligations are counted against that operating reserve so that we know where we are and if it’s pure fund balance then I can see that we also have that problem. One campus may have a number of obligations that are hanging out there that may be coming due in six months and a high fund balance will give us a misleading indication of where we may be so I hope we can have further discussion of that in the future.” Director Lorenzen continued with a brief question of Senior Vice Chancellor Anderes. He asked what the anticipated percentage change under the proposed rate schedule would be in tuition on a per FTE basis, and whether it would blend part-time and plateau students. Vice Anderes counseled that he believed it did. Chair Blair asked whether it was gross fund balance or if it was netted down against some anticipated expenditures. Senior Vice Chancellor Anderes replied that across the System, his understanding was that it was netted. Director Lorenzen asked whether it was “netted against our obligations or netted against this,” to which Senior Vice Chancellor Anderes responded yes. Chair Blair asked whether it was “obligations or the balance of the biennium?” Anderes replied “a year.” Chair Blair clarified, “So, same thing in this case but basically what we’re saying here is this is a projected fund balance available as of the end of the biennium so anything that would be after that would not be factored out?”
President Conn noted, “There’s another year in the biennium so this is the end of the biennium because we have significant obligations that will come in the next fiscal year.” Chair Blair asked if it was for the 2004 fiscal year or the biennium, and President Conn replied, “And the biggest adjustment I referred to we’re making is trying to get right by fund balance.” Chair Blair asked if the provided estimate was what WOU would estimate in approximately one month, and President Conn stated he was correct.

Chair Blair asked if there were additional questions, and Director von Schlegell commented on the credibility aspect of fund balances. He stated, “The bigger mission this Board is on, we need buy-in, we need credibility on all these points, so we’re going to need to spend more time on this in my opinion.” Director Richmond added she thought the Board was doing a good job of asking questions, and Chair Blair concurred. Director Nesbitt asked if it were possible to get some assurance from Senior Vice Chancellor Anderes that the same methodology would be used by all of the campuses. Director von Schlegell added different CFOs could reserve in different ways and that there could be large swings in how the numbers played out. Chair Blair concluded, “I think that’s why we’re going to have to have a range but I think that’s a great suggestion so I’m afraid we’re going to have to hold this one over to the next meeting on the policy front. I guess the thing that I want to make sure that we address immediately are the outliers here and make sure that we understand where those funds are going to be needed legitimately and if they’re not going to be spent in that way, then we need to think about how else we deploy that money. Given all the agenda items we’re trying to address, as well as access and affordability.” President Conn noted he appreciated the counsel and understood the issue of credibility.

4. CONSENT ITEMS

a. OSU, Veterinary Medicine Small Animal Hospital—Revised Expenditure Authority

DOCKET ITEM:

Summary: The Oregon State University (OSU) seeks Board approval to authorize the Senior Vice Chancellor for Finance and Administration, or designee, to seek an additional $3.2 million of spending authority from the Legislative Emergency Board and increase the overall project cost by the same amount. Funds from donations and grants are currently available. The increased authorization will allow for reinstatement of project elements that were removed due to budgetary concerns and to allow some new elements to be added to the small animal hospital project to improve the overall effectiveness of the facility.
Staff Report to the Board

Background:
In June 2003, the legislature approved $10.2 million in spending authorization for the project. Based on budgetary concerns, many aspects of the project were either eliminated or reduced. However, fundraising efforts have been very successful and additional funds have been raised. The Veterinary Medicine program seeks to add back those items that were removed from the project scope due to an anticipated budget shortfall as well as add some new elements to the project that will allow the Teaching Hospital to operate more effectively.

The items added back into the project scope include a food preparation room, completing the “fit-out” of operating room #3 and a seminar/break room, and the relocation of administrative offices and research lab. Items not included within the initial project scope but that are now proposed to be added to the project include: a fluoroscopy room; necropsy cooler; an enlarged surgical teaching area; upgrades to the lecture hall, including an AV system and new seating to accommodate increased student enrollment; replacement of the Central Services autoclaves; remodeling of the pharmacy dispensing area to comply with current standards; and some additional interior work and safety improvements. Also, the City of Corvallis is requiring street improvements adjacent to the project site that were not part of the original project scope.

Statement of Need:
This project is to implement the legislative approval given in 2001 for the expansion of the veterinary medicine program at OSU to a full four-year program. In order for the program to provide for the full veterinary training, a treatment facility for small animals is necessary. Preliminary design identified a facility that was more expensive than available funds allowed. In order to meet budgetary constraints, a number of components were removed from the project, even though they were important to the quality of the program. Corporate interest in donating equipment and program support funds has increased substantially since the expansion of the Veterinary Medicine program was authorized by the legislature. The completion of currently shelled space will allow donations of imaging technology and surgical equipment to be placed into service, complete research space necessary to attract the top faculty to the College, and expand ongoing research in human/animal infectious diseases and surgical technologies. Additional fundraising has been very successful and private donations and grant funds have been secured to allow these components to be reinstated.

Schedule:
The project has been designed, bid, and construction is underway for those elements included within the $10.2 million dollar authorization. Construction is anticipated to be complete in August 2004. Additional spending authorization is being requested to include the removed elements back into the project and add additional improvements to the small animal hospital facility to be more effective. If spending authorization is granted, then these improvements will be completed by December 2004.
Financial Considerations:
Funds for the additional work have been raised through additional private donations and grants. The College of Veterinary Medicine is asking for authorization to spend those funds already received.

Staff Recommendation to the Board:
Staff recommended that the Board approve OSU's request to authorize the Senior Vice Chancellor for Finance and Administration, or designee, to seek additional legislative spending authorization for an additional $3.2 million to allow expenditure of monies received in gifts and grants for the veterinary medicine small animal hospital project and isolation facility.

BOARD DISCUSSION AND ACTION:
This item was part of the consent agenda. Final action noted on page 187

b. PSU, Millar Library Project—Revised Expenditure Authority

DOCKET ITEM:

Purpose:
Portland State University (PSU) seeks Board approval to authorize the Senior Vice Chancellor for Finance and Administration, or designee, to obtain approval from the Legislative Emergency Board for an additional $268,000 of Other Funds expenditure limitation for the Millar Library Project. If this request is approved, the total Other Funds expenditure limitation will be increased to $1,905,766.

Background:
Other Fund revenues received for this project have exceeded the approved legislative limitation. Due to the Article XI-G Bond and Federal Grant restrictions, revenues are locked in these plant fund accounts and cannot be moved elsewhere.

At this time, project construction is on hold until PSU receives approval to expend the remaining fund balances. PSU's intent is to use the remaining fund balances for construction activities falling within the scope of this approved project, with no plans to request release of these funds for use on other projects.

Additional legislative limitation approval is required to expend the remaining $268,000 of gift and Federal Grant funds.

Staff Recommendation to the Board:
Staff recommended that the Board approve Portland State University’s request to authorize the Senior Vice Chancellor for Finance and Administration, or designee, to obtain approval from the Legislative Emergency Board for an additional $268,000 of Other Funds expenditure limitation for the Millar Library Project. If this request is approved, the total Other Funds expenditure limitation will be increased to $1,905,766.
BOARD DISCUSSION AND ACTION:
After noting two consent items from Southern Oregon University were deferred, Chair Blair asked if there was any discussion the remaining two items. Director Lorenzen moved approval of the consent agenda, and Director von Schlegell seconded the motion. Those voting in favor: Directors Blair, Lorenzen, and von Schlegell. Those opposed: none.

5. REPORT ITEMS


DOCKET ITEM:

The Board reviews university Capital Construction projects on a biennial basis and forwards a request to the Governor for his consideration. The Governor reviews requests statewide and submits a request to the legislature based on his priorities and an assessment of available funding. Legislative approval of capital projects provides the university the authority to initiate projects, with timing dependent on available resources.

The Finance Committee will receive presentations from EOU, OIT, OSU, and UO, covering their capital requests for 2005-2007. A preliminary summary of all projects by campus will be available. In July, the Board will review and approve the 2005-2007 Biennial Request. There will be a summary of projects by campus and a list of project priorities across the System. The priorities will be built through application of criteria, including the Board’s priorities, university priorities, cost savings, and planning objectives.

Process:
The Chancellor’s Office has established a process to review all capital projects and provides to the Board an inventory of all projects by university, by university priority, by fund source, and Systemwide priority. Each university will present a summary of requested projects with an emphasis on tax-supported projects or those funded by General Fund, X1-G Bonds, and Lottery Bonds. The Chancellor’s Office will present a summary of Systemwide priorities along with funding implications in June.

The determination of Systemwide priorities will be built on a number of criteria. Universities have developed requests based on master plans that are intermittently updated to reflect evolving enrollment management planning, program expansion, facility modernization requirements, and other student instructional and community demands. Generally, the number of projects sought in support of student/auxiliary programs such as residence halls, athletic facilities, dining facilities, bookstores, etc., greatly outnumber tax-supported facilities, which are dedicated to instructional and academic support programs. The focus will be greatest on tax-supported projects.
**Funding: Sources and Capacity**
The 2003-2005 Legislatively Adopted Capital Budget Request consisted of $44 million in approved tax supported bonds and approximately ten times that amount ($402 million) in authority for projects through student fees, donations, and gifts. A funding strategy for 2005-2007 based on projected state capacity and potential non-state resources will be discussed following campus presentations. Implications of the funding requests on state and university debt will be outlined.

**System Evaluation and Establishing Priorities**
At the July Board meeting, System staff will present a list of projects prioritized across the System. As stated earlier, the list will focus on tax-supported projects. A set of criteria has been developed that will "measure" the relative merits of each. The following criteria represent the lens through which projects are viewed. Universities will be increasingly successful in competing for funding if they:

1) Address access/growth demand (more, faster)
2) Enhance program quality (better)
3) Support state/community priorities (better)
4) Increase energy efficiency, enhance sustainability (better)
5) Connect with community colleges (more, better, faster)
6) Reduce deferred maintenance backlog (better)

**Deferred Maintenance:**
One of the major components of the request will be the Systemwide request of $100 million from a variety of sources to address a deferred maintenance backlog of $600 million. This estimate is based on facilities audits and result from continued underfunding across the System.

The funding strategy includes a combination of operating savings dedicated to debt service, Lottery bonds, Article XI-G bonds, and federal grants. The focus of the strategy is to incrementally, over a number of biennia, reduce the problem and do so through a balance of cost savings and state bonding support.

**BOARD DISCUSSION:**

- **Eastern Oregon University**

President Khosrow Fatemi stated, “Thank you, Mr. Chairman. We have a request for a library and information center expansion and what I will do is spend the first 90 seconds or so providing a general framework for our request and then I will ask Vice President Darlene Morgan to come up and get into the specifics. We also have Provost Miller in case there are any specific questions.

The request that we have, as I mentioned, is for the expansion is for our library and information center facility. The current facility is old, is obsolete, and is inadequate.
Particularly when we look at our situation that, because of our geographical location and isolation, we are the only provider of education at the bachelors and higher level to eastern Oregon and for that, we need to have facilities that, at least in the case of the library, much more adequate than what we currently have. Furthermore, for the same reason of isolation, we need to play a more active role in economic development and community development in the region and again, for that we need to have a more adequate library facility than we have. That’s the general framework. As I mentioned, as this point I would like to call on Vice President Morgan to give you a detailed description and the specifics of the request that we are making.”

Vice President Morgan continued, “Thank you, chairman Blair and Board members. The EOU Master Plan was completed in 2000. I will just quickly go through how we determined the library and information center to be our next major project... In that planning process, we looked at the campus based a little differently than most master plans. We looked at the land we currently own and we determined, based on that current acreage, what our capacity for students would be as a residential campus, both based on the land we own and the qualities that we defined of a campus at eastern Oregon. We defined two phases of our plan – growing our residential campus to 3,000 was the first phase, growing our residential campus to 4,250. I can go into more detail later about the standards we used to identify how we came up with those numbers based on the land and value. When we did that, we involved the entire campus, the entire community, and our neighbors and some of the things that came out of that – we also were able to get a university district status, which enabled our planning to go better and also the buy-in with our local community and all the facilities and utilities that we use within the city and the county. Also in the plan was the timing of when we move to the growth part which building comes next. We also looked at academic buildings, nonacademic buildings, recreation fields and sports facilities.

“If I can talk about some of the issues that came about in our library in the last five years. We’ve had several studies and, as usual, with a building built in 1949, finished in 1950, I think all of us deal with life, health, and safety issues, fire codes. One of the things you have when you have a building built as a library in the 1950s is the space needs. You know, we have compartmentalized this building where we have shelving heights that are way above standards. As in any building, all of our campuses have the asbestos issue. Most of the steam piping that goes to this building actually goes through the walls, we monitor very closely, there’s no access to the steam plant in those walls. Again, ADA compliance. In 1990, we addressed a little bit of the ADA compliance by doing an addition to the building; we added on a new entrance to the back side of the building and at that time put in an elevator that serves all three floors. One of the consultants...who looked at this building really addressed the climate control issues in being able to provide humidity control for preservation of historic documents and basically the building has probably one of our biggest energy issues that we are trying to address because of its effect on our operating dollars.

“When we look at a library and information center and most of the information we have comes from consultants, it’s really inadequate for student needs. By that, what I really
mean is in a library today, traditional and nontraditional, there needs to be space for students to meet not only in study cells, but group meetings, where students can come together, either with faculty or whatever, to study as a group. We only have one room left in this building where it can be used either for a conference site or for students to get together. Limited access is also limited access to information. As our enrollment has increased, our needs increase. Our ever present and growing distance learning program is part of the library and information goal that we have. We have an increased demand in the region. One of the areas we have served regional Oregon is we have what is called the pioneer library services and it’s a system that we provide services to all the public libraries in eastern Oregon and also elementary and high schools throughout the region.

“You look at a traditional library and what a library needs to be for the future, technology will always keep us guessing. Technology designed yesterday may not be what we want tomorrow. We want to make sure that this library has the ability for on-line research for all of our students, our faculty, and also the region and their needs for information. Our current collection – in a library, we should be able to display our current collections. Some of those come from artifacts, some of those come from regional history. Right now, many of those are stored because we just don’t have room for them. Our space needs are critical especially in the breakout room. The idea of having centers where faculty and students can meet together on projects working with technology and testing technology. We have not addressed the archiving needs both at the university, the archives of the region, and other archives that need to be kept and accessed. Basically, many of the archives we have right now are located in other buildings and not even accessible on a daily basis. Many special collections come to us or we have been offered special collections, such as the Forest Service recently asked us to be a site that they could actually display early maps of the region and because we don’t have climate control and space, we asked to put that on hold until we had a building that we could do that.

“In this new center for library and information, we would see a student learning center. One of our undergraduate goals is the cornerstone that provides undergraduate research for all of our students and we can see this building and how it affects learning by having undergraduate research a focus in this building. This is research both on-line, data information, culture, anything that you would look at throughout all disciplines could happen within this building. Again, distance education and students learning on-line. It’s also testing new technology. This would be the center where students and faculty could test technology no matter what the discipline is. Again, as I said before, seminar rooms and work stations are very important in today’s environment in a learning center, a library and information center.

“We also look at campus and community. If we had a small business development center, which we have on our campus, maybe working with a student and the school of business and either a regional or local community small business to develop an inventory plan or whatever, we would have the technology in one of these seminar rooms to where all the campus and the community to come together and that’s probably
what you might consider economic development, but it’s also undergraduate research and the ability to put a student in an intern situation with one of our local businesses. And the final part of the student learning, I’ll go back to technology infrastructure for the entire campus. That we’re looking at other ways to use infrastructure as those technology needs change.

“An important part of any library is professional enhancement for our faculty and the library would be the center point for that. What we have on our campus today is called the Eastern Oregon Center for Teaching, Learning, and Assessment and through that is a way to enhance our faculty’s needs as far as their own disciplines. We’re combining this into the building. But it also reaches out to the region in the fact that we have a relationship with our community colleges that this center can also help with their teaching and learning assessment and also K-12 because of our school of education. We see this Center for Teaching, Learning, and Assessment where we improve professional skills, we look at other types of technology, no matter what discipline, and we pull it all together in this Eastern Oregon Center for Teaching, Learning, and Assessment. Again, it’s back to the access to research tools that would be a testing site for those kinds of tools that would enhance learning, teaching, and assessment in the environment we live in.

“You can tie back a library and information center also to research. One of the interesting things that I think that Eastern Oregon University can provide for the region is to be a center for collection of information, both economic development information, cultural history, environmental and geographical history. This could be means that we aren’t the site, but the link to other sites within the region. Somebody wanting to explore the John Day Fossil Beds – there is a site for that. We could be connected through one center to provide information for anyone wanting to visit, recreate, or study, or relocate to the region of eastern Oregon. Again, this would be a cataloging, archiving, and provide for scientific research, which would also blend with our new science building and the need for research in that building.

“I would like to ask the Board today to include EOU’s library and information center in your request to the Governor, knowing if the Governor included that request to the legislature we can proceed with the project in 2005-2007. Of course, timing will be dependent on our ability to find the funding match. I’m assuming that the funding match would be available in bonds and we will through the next few months with our new president, define what that funding strategy would be. But now we are only asking for the bonding match. I don’t have a total dollar amount for you today. Back in 2000, things have changed, the projected dollar amount was $15 million. You’ll see it in the documentation that OUS has provided for you. So in that we would look for a $7.5 million match. Those could change as we look at and re-evaluate through engineering what this building really needs to do for us and how it would be built. If you have any questions, I would be glad to address them or call on my colleagues.”

Chair Blair asked for clarification as to whether EOU had the matching funds in hand, and Vice President Morgan stated EOU did not, but was working on a plan.
• **Oregon Institute of Technology**

President Martha Anne Dow stated, “It will be a team approach. I'll do my best. I'll be on the fast track and Bob will be the slow drawl that will get it together. Thank you for the opportunity to present our capital budget request to you today. I would like to point out to you that we are developing this capital request around what we feel are OIT strategic planning goals as well the Governor’s and the State Board of Higher Ed. We feel that we have documented the expanding access to quality education in our presentation, productivity, the partnerships for more, better, faster, and also overall, an investment opportunity in academic excellence and economic development.

“I would like to show you where some of the OIT current facilities and locations reside. The first slide is from our main campus. This is the College Union, very recently renovated and we had a renovation, ribbon-cutting ceremony two weeks ago. This is a wonderful facility. The middle slide is showing the Metro Center in Clackamas and recently, took a couple of years to finish the transaction, but we have sold the footprint inside that building to Clackamas Community College so they co-habitate with us. The resources from that we put into the Capital center renovation so we also enhanced our laboratory space and our classroom space in the Beaverton location.

“We want to show you our top priority around our strategic goals of expanding access and also providing economic development and that is our Center for Health Professions, which is a partnership with community colleges and other higher ed institutions. A partnership with the health industry, hospitals, equipment suppliers, manufacturers, and currently developing some digital and, of course, a partnership with the state. Inside OIT’s current programs, which are our health professions, we have all the bachelors degrees that you see on the screen in medical imaging modalities, in brand new respiratory care therapy, which we will be offering at Rogue Community College in Medford this fall, and existing partnerships in clinical lab science and emergency medical technology with Oregon Health and Science University. We call this for the Center for Health Professions. This particular group of programs offered in various buildings at our current Klamath site and we also have it offered in Portland, the clinical lab science, the EMT, and this fall at Rogue, the respiratory care program.

“This is a rendering of our vision of the Center for Health Professions new building on the Klamath Falls campus. It is a master plan priority. It would be an 80,000 sq. ft. building. It would have the sustainable design, meeting LEED certification. We would request G bonds planning funds in the amount of $1.5 million and construction dollars really in terms of $10 million with a $10 million match, of course, which would be required. But we see the facility as being a $10 million basic infrastructure with another $10 million in state-of-the-art equipment and also digital and distance learning capability. The estimated annual operating cost of this would be about $254,000 and the goal, of course, is to double the enrollment in the allied health professions by 2010. We think this meets some of the goals in the health care workforce initiatives and currently I’m working with the AEED Committee on supply of medical personnel, which would
bring in the operations with other community colleges that have allied health as well as the nursing needs and the information technology needs. OIT’s current enrollment in the allied health professions is about 725 students. Very oversubscribed right now with our capacity and recently we renovated Semen Hall with some private dollars to increase the amount of students we can take in for access. We are already at capacity in doing that. So it’s both a capacity, an access, and an economic development issue.”

Chair Blair asked President Dow if OIT was currently at capacity at 725, and she replied yes. She explained, “Yes, what we have is a regular classroom facility called Semen Hall, Don, and it has dental hygiene and medical imaging, which includes nuclear med and radiologic science, sonography, and so on. And in what I would call very dated classrooms and labs.” Director Dyess noted she had toured the facilities and they were very dated.

President Dow continued, “We have expanded…dental hygiene. It’s looking really good but we need to build beyond that. We are a campus that built most of our existing classroom buildings at one time in the 1960s when we moved from another location and much of that has reach not only capacity but the physical structure leaves much to be desired. I will turn this over to Bob and he may have to talk faster because I’ve talked slower.”

Bob Nettles, Vice President for Finance and Administration, stated, “Director Blair, you’re question about capacity. Campus-wide, based on industry standards and an architectural assessment, we’re 40,000 sq. ft. behind now based on the number of students that we have. This facility is really the cornerstone of our facility master plan. We need to build this so that we can finish our master plan and renovate the other buildings that Director Dyess has mentioned.” Chair Blair asked the capacity of the 80,000 square foot facility, and Vice President Nettles replied, “About 1,400. The industry standard on that is 120-140 sq. ft. per student. Very quickly, this is a chart based on our current operating expenditures, what we would project it would cost to operate this facility at $3.17 a sq. ft., about $250,000 a year. You’ll note as you hear other institutions present that is an extremely low figure due in part to the fact that we are able to utilize geothermal heat and we don’t have a huge heating bill.”

Vice President Nettles continued, “Our second priority for the 2005-2007 biennium is our library addition and renovation. This one rose very quickly to the top of our master plan list when our accrediting body told we needed to provide more study space and reserve material space to maintain our library accreditation.” President Dow interjected, “This slide I put up because I think it’s important for all of us to understand where the collaborations are with some of our partners. This involves not only some of our medical partners but also with Clackamas Community College at the Metro Center in Portland. We share duel enrollment opportunities among other programs as well. Some of our new, interesting developments in collaboration are also at the Clackamas Community College, Wilsonville facility, where we will have activities of a renewable energy center and we will be offering academic programs jointly on that site and that will emphasize the energy-related curriculum, which I think is unique and needed. Rogue Community
College has asked us to participate at their Table Rock campus, particularly beginning with manufacturing but expanding into other technology programs. They have Article XI(F) bonds that I believe they have already acquired. They are asking us to participate with about a $500,000 contribution. So far, we have not raised that money but we are wanting very much to do that so that we can, in the southern Oregon region, I know along with Southern Oregon University, who also has a relationship with Rogue, to build out laterally across the southern part of Oregon these opportunities with our southern region community colleges. So, I put that up there just to show you that’s not our capital request but it’s an avenue of where we want to co-habitate.”

Vice President Nettles proceeded, “A quick summary. We have two projects for 2005-2007, total of $23.5 million request and that is our Center for Health Professions and the library addition and renovation. In closing, I would like you to know that we are thinking and working outside the G bond world on a couple of projects for our students. One is a new residence facility. Our goal for the facility is that it be a net zero energy consuming facility and that it achieve top LEED certification. I’ll step out and say we are shooting for platinum and we just had our architect selection process and three out of the four said that platinum was doable. So we’re really excited about that and we think for an institution of technology and especially one that houses the Oregon Renewable Energy Center, that this will be a great addition and complement to our campus.

“The second project is our physical education renovation. Students currently have a fitness facility that they would like to renovate and to expand. We did this facility in 1992, I believe, and the student population has just outgrown it. I think they’re willing to look at their student building fee to do this. Thank you.”

Director von Schlegell inquired of OIT had a feeling from where the nursing students would come. President Dow responded, “In this center? Well, right now, John, we have a partnership with OHSU, we have the program at OIT, OHSU, and obviously with the situation in the nursing workforce, we would want to expand that. We’re looking at inside the Center for Health we would obviously place the nursing program as well. Where would they come from? They would come from the whole south central Oregon region on our side of the Cascades. In this side of the Cascades, I think Southern Oregon is taking the lead in partnering with Umpqua and with Rogue and SWOCC. We also have KCC who is redeveloping an LPN program where those students could come on over into the associate degree and I think we would also pick up some students from Bend and from that whole region. I think there is plenty of nursing prospective students for both of our campuses.” Director Dyess added that during her visits to the campuses and talking the community colleges in the region, all of the programs were oversubscribed. Director von Schlegell explained that he was thinking about the justification to the legislature, and whether or not the initiative would be able to supply nurses to other communities, such as Coos Bay and Bend. Director Dyess postulated that because the students were coming from those communities, they would probably return. Director von Schlegell wondered if the project was big enough, and President Dow commented that she would love to make it bigger. She continued, “And I think right now, John, Kirby has allowed me to chair the subcommittee for medical personnel and I have a good
committee. We’ve met once but we’re already looking at capacity and what is big enough if you want to talk about because I think the field now includes, you know the technology evolution is rapidly occurring too and as we strategize about that we have to be able to say what is the future 10-20 years down the road and what kind of educational programs do we need for the health care industry. So that’s all part of it. I think in the digitization area and the medical information systems, that’s another area that so far we haven’t tapped that we need to get into this concept.”

- Oregon State University

President Ed Ray started, “Thank you, Mr. Chairman. I would like to ask Mark McCambridge to come forward. Let me just give you the quick summary of what we have done. We’ve provided information on five projects in priority order that we’ll be seeking G bond funding support for. The criteria that we used effectively starts with the student learning experience, providing better access for students, an increased quality learning environment. We’re concerned with issues of enrollment growth, increasing the impact of our research and the compliance needs that we have to respond to. As a general matter, the projects in priority order are, the new utility plant, the Pauling Research and Education building, Snell Hall replacement, COAS expedition support center, and a multipurpose animal sciences teaching facility Let me turn it over to Mark to give you some of the details.”

Vice President McCambridge continued, “Our top priority project is the new utility plant and we did have discussion with this group earlier so I won’t dwell on the details of the project other than to say that in the financing package, at least the one that exists today, we do hope for a $10 million contribution in General Fund obligation bonds, but we’re also still working on it and Director Lorenzen has agreed that sometime in the near future we will be getting together to get his thoughts on that as well. It is a critical need. It’s our priority one because the rest of our priorities can’t move forward unless we accomplish this because we are at a point where, as I left this morning, we have five boilers that have been in that building. One has been decommissioned because it does not operate and two more were taken offline last night because of plumbing between two boilers. It’s ok today because it’s a lovely 65 degrees but if it was 25 degrees, the university would be in a much more difficult situation. That is our first priority.

“Our second priority is a first phase of a two-phased plan in a development project for the university we are pursuing funds to support the Linus Pauling Institute, which moved to the university three or four years ago. The project is a $50 million initial project that would include the Linus Pauling Institute, the Environmental Health Sciences Center, and the Marine freshwater biomedical Sciences Center. The new building will allow an interdisciplinary approach to both research and education in these arenas. At present, these centers are spread out in a number of different locations on campus. It would also include instructional laboratories, which is, again, our biggest limitation on campus in terms of physical infrastructure to expand our program in increasing access is laboratories for physical sciences. Again, that is our biggest hurdle. As we attempt to schedule, that is our roadblock at this time. The first phase we’re asking for a match of
$25 million. We intend to raise $25 million and have begun that process already. Then in phase two, which is in the 2007-2009 plan, a matching number of square feet to really create and finalize our needs for the next 20 years in the area of laboratory science.

“Our third priority is Snell Hall. This is an existing facility that was built in the 1960s and presently holds a number of student services and student-related activities. We’d like to demolish this building and construct a 157,000 square feet. This project would be $40 million. In this space, we plan to put the university learning center. This space designed to create collaborative learning environments, something that is a strong initiative on campus. We’ve made a commitment in our strategic plan to expand our honors program and, again, they are in very limited space and we would move the honors program to this facility, as well as creating a number of classrooms.

“Those are our three truly major requests. We also have priority four, which is part of the ever growing College of Oceanic and Atmospheric Sciences and the space the demands of the institution. We’ve put that program at capacity from a storage space standpoint and their research activity is growing tremendously. What we are asking here is, it’s a small project, but it’s an important project. We believe we have $3.5 of $4 million in place to be able to move forward on this project if the state could just come up with a half a million dollars.

“Finally, a multipurpose animal sciences teaching facility. Again, this is a development project that is underway at present. Students majoring in animal science increased 263 percent from 1992 to this year and have become the ninth largest undergraduate major at OSU. Much of the coursework utilizes wet labs and animal laboratories as you would guess. The animal science curriculum is designed to provide students exposure to many animal species and for career opportunities in related areas. The demographics of the program make it imperative for the students to have a hands-on exposure to all kinds of farm animals and, at present, these locations are spread out over our 440 acres in many different locations, making it very difficult and more expensive to teach those students.

“So, those are our five priorities that require any commitment on the part of the state for General Funds.”

Chair Blair asked how much the deferred maintenance offset was for the Snell Hall project and Vice President McCambridge stated $225,000 as an incremental increase. Chair Blair clarified that he was asking whether or not the request eliminates the need to renovate Snell Hall, and Vice President McCambridge stated yes. Chair Blair inquired as to how much deferred maintenance was on the building, and Vice President McCambridge answered that he did not know how much money was in deferred maintenance, but that the conventional wisdom was that the building needed to be removed. Director Lorenzen asked why OSU did not touch on priorities six through nine in the presentation. Vice President McCambridge replied, “Well, there are slides in the presentation that are basically requests for revenue, bond related. Again, I would hope that the Board would approve. The only highlights in there – a good number of housing
and dining projects, renovations of dormitories or food service facilities, as well as our research park is recognized there. Again, we are not asking for any Article IX-G bonds in that $105 million.” Senior Vice Chancellor Anderes asked whether the Gilbert remodel or west greenhouse involved G bonds. Vice President McCambridge noted, “But those are being recognized only with deferred maintenance funds. We’re not putting those two projects forward as priorities of the institution for General Fund match funds. It’s part of the deferred maintenance efforts.”

- University of Oregon

President Dave Frohnmayer presented, “Thank you, Chair Blair. I’m very pleased to proceed now. I’m accompanied by Dan Williams, the vice president for administration. I’d like to first of all thank you for the opportunity to give you the overview of our University of Oregon capital fund request. I’ll provide that general overview and I hope to do so briefly but directly and then ask Dan Williams to provide a more detailed review of each these projects.

“Our request consists of nine projects, four of them will be auxiliary projects that use fee back bonds and gifts funds, five projects will require state General Obligation bond fund matching. These five projects on which we will spend some time this afternoon with your patience are the cornerstone of our capital campaign and they will, therefore, be the focus of what we present today. They’re first of all transforming K-12 education in the form of a new education building and education complex and alterations. The second one of these is the theater complex expansion and alterations, with teaching and performance facilities renovation. The third shows that we are open, quite literally as well as figuratively, for business – that’s phase three of the Lillis Business Complex construction, the final phase. The fourth are classroom and research laboratory expansions in the form of Condon Hall and the fifth is phase two of the integrative science complex. Full descriptions of these proposals are before you in your written materials. Obviously, I can only touch the highlights but they describe how each of these fully meets the criteria that the Board has already established and how each of them is to be funded.

“As I mentioned, each of these projects and all of them taken together are the cornerstone of our Campaign Oregon and that’s why they are expressed as one priority. The University of Oregon is currently in the initial phase of the largest philanthropic effort for any known cause in the history of the state, public or private. We call it Campaign Oregon Transforming Lives. A key part of this campaign obviously is to raise funds for capital and other projects but we bring you today the part that involves raising funds for capital facilities and it’s absolutely dependent upon your support and that of the state legislative assembly and the Governor. It’s a critical component of the University of Oregon in fact meeting its own strategic goals. The campaign, if successful, will allow us to raise substantial new funds for student scholarships, double the number of faculty endowed positions, and raise significant philanthropic investment dollars to match state projects for capital construction that will truly make a difference in the lives of students and the citizens of Oregon. As evidence of the progress we’ve
made to date, I simply point to the $12 million that we have raised in private support for student scholarships. A $10 million gift announced several weeks ago for the new College of Education building. That $10 million is not the cost of the building but it’s one of the reasons why it is on our capital construction list. We have considerable confidence that with your assistance, we can reach that goal.

“Some people might ask if you can raise private money so successfully, why do you need these new buildings. The answer is that the donors don’t wish to give their funds to substitute for support that should be forthcoming for a public institution from public funds, but rather they want the institution to help it meet a level if excellence that is possible only with state funding, but with the additional drive to excellence that is given by state support…Both to us and I think to some of you, they’ve said so directly because I overhead that conversation to the Governor of the state of Oregon as recently as last fall that their philanthropic desire is lessened to the degree that they believe that the state will not, in fact, be a successful partner. It’s heightened to the extent that they believe that the state intends to help them, on behalf of the public, leverage private funds to make a difference in public higher education. They want to help but they want to see what we can do. In fact, we have been doing that. Just in terms of historical perspective, over the last 15 years, the university has built over $405 million worth of construction. Of this amount, only about 15 percent, less than $57 million, was funded with state assistance or state authorized Article XI-G bonds. This is a tragic retransformation of something I know my friend and your colleague, Jon Yunker, remembers from the days of the 1970s when the state believed it’s obligation to pay in cash for 100 percent of capital construction. Nonetheless, this is not a trend that we believe is healthy or one that should continue and certainly one that at least in terms of matching funds we are trying to abate.

“We fill strongly that the presence of the donor match in every one of these proposals to some degree all ready, and by that I mean signed commitments or cash in hand, should be a strong rationale for funding these projects because it allows the state to construct these strategic facilities essentially for 50 percent of the funding cost. It makes it a highly leveraged and effective use of state investment dollars. Private philanthropy has never been more critical to public higher education especially at a time when the state has not been able to make its full share of the investments. We have sufficient and significant donor funds committed to each of these projects, which I believe differentiates them, in many respects, from other requests that come to you.

“Finally, I want to say I’ve spoken to Chair Blair. These projects are presented to you today without prioritization because they actually represent the comprehensive nature of Campaign Oregon and like the campaign itself, we hope they are seen as a whole, as an integral part of what we are attempting to do with private philanthropy. I’d like now to turn to Dan Williams for further explanation of the projects, one by one.”

Vice President Dan Williams proceeded, “Before I begin, I would like to introduce to the Board three people that really staffed this project and the presentation that you are hearing today and, if we get the proper authorization, they will be the people on our
campus responsible for their implementation. Chris Ramey, who is the director of planning and university architect; George Hecht, director of operations and manages all of our capital construction projects; Michael Redding, our director of governmental relations will smooth the path with the legislature so that we can achieve our common objective. They are the people who staffed this presentation and I thank them for their good work.

“If you withstand the temptation to ask penetrating and complicated questions, this piece of the action will take about 17 minutes and it will be accompanied by the appropriate slides. I’d like to begin with a word or two about energy conservation. The University of Oregon has a four-decade experience with energy and sustainability and has long been recognized for its innovative energy and sustainability ideas. This experience began with our recycling programs in the 1970s and includes innovations in curricular offerings, award winning transportation programs, and energy savings in the millions. I’d like to take a minute now to show you several elements of our recently opened Lillis Business Complex, which is extraordinary for its energy and sustainable design strategies. You may recall you had your May meeting in that particular building. In addition to being constructed with many sustainable materials, this building uses photovoltaics to provide about 6 percent of the electricity and has a nighttime cool air flushing. Its design and construction illustrate how these practices have become part of the university’s way of life. They’re not something we have just begun to consider. I might add that we recaptured over $200,000 by selling tax credits on a part of this building to the private sector. We believe this building is the first Oregon University System building to be LEED-certified under the US green building council program. In recognition of the institutionalized nature of these practices in energy sustainability, we will not take time to discuss the energy saving implications of each project or how we design, build, or operate them in sustainable ways because these practices have become part of our every day way of doing things and will be strongly represented in each of the projects I describe to you today.

“I’d like to talk first about Condon Hall, its expansion, and its alterations. This three-story, 15,000 square foot addition and 5,000 square foot remodel of Condon Hall is expected to add laboratory and office space for archeology, physical anthropology, and geography. Additionally, in response to a critical lack of space in the building, the map library was moved to the Knight Library several years ago. This expansion will allow its return to the building where its use will be greatly enhanced by its proximity to the primary users. The departments directly affected by this project, Anthropology and Geography, are known for their excellence in faculty/student collaborative research projects. By simply adding more space, greater student access to this research will be achieved. Additionally, moving the map library to the building will allow for more efficient and effective teaching of the course in this facility. The Atlas of Oregon continues to win national and international awards and is illustrative of the quality of programs housed in Condon Hall. I believe each of you have at your seats the latest incarnation of this work, a CD edition of the Atlas. More students are able to access better teaching in the new facilities planned for this building. Condon Hall was constructed in 1925, expanded in 1966, and currently has in excess of $5.5 million of identified deferred maintenance
items. The project will attempt to address half a million dollars of those items. The project is estimated to cost $6.9 million, half of that amount will come from state issued Article XI-G bonds and half from other funds. We have either in hand or pledged $1 million of the $3.5 million we will need to make the match.

“I would like to turn to our Education building, which will be an expansion and alternations in that complex. This project that you see a diagram of will include a new 100,000 square foot building and renovations to about 18,000 square feet of the existing facility. The additional space will allow the college to consolidate programs and departments that are currently fragmented due to insufficient space within existing buildings or placement in off campus locations. The new facilities will include labs, studios, a resource center, several large…flexible classrooms, new facilities for clinical research and opportunities for expanded technology in offices. The building will support increased faculty effectiveness by reducing the current 21 separate sites that the research is performed to date. This consolidation will also reduce the associated duplication of staffing and equipment now needed to run the various off campus facilities. The college of education provides ongoing professional development for many of the teachers in K-12 teachers across the state. The new facility will allow the college to expand its current efforts to enhance the capabilities and capacity of the state’s public education system. Through its institutes and centers, the college of education works with the most challenged agencies to improve their capacity and performance results. Although through these centers and institutes, it provides direct services to the citizens of the Oregon in the areas of rehabilitation, hearing and speech, and counseling. The new facilities will enable the college to continue and expand on these services throughout the state. And that’s not all. In a recent ranking of education research, faculty members at the university’s college of education were ranked number one in the nation for their productivity. This building will significantly contribute to sustaining competitiveness and the success of this national ranked college in retaining its number one ranking. Some of the college’s programs have been temporarily housed in trailers since the 1970s, which brings a whole new definition to the word temporary. The entire college complex has deferred maintenance totals $6 million and this project will reduce that amount by about a half million dollars. The project is projected to cost a little over $46 million, half of which is expected in the form of proceeds from the sale of Article XI-G bonds. The other half will be raised from private donations and grants. Approximately $10 million of this money is already in hand. It’s important to note here that the extraordinary results that the college has been able to achieve over the last few years will only be sustainable if its facilities will be expanded and upgraded.

“I’d like to turn now to Gilbert Hall, which is again an expansion and alteration project. This is our third phase of this particular building. This winter, the university opened its new $39 million Lillis Hall, a major component of the Lillis Business Complex. All but $4 million, as the president said, was privately funded. The final and essential part of this project is the renovation of the complex’s two oldest elements, originally built in 1916 and 1921, into facilities that will support contemporary education and business. The renovations will include seismic upgrades, classrooms, resource rooms, faculty and administrative offices, a graduate student center, and a computer lab. With enrollment
at a new high, classroom resources are strained. Creating modern technology equipped general university classrooms in Gilbert and Peterson Halls will help ease the shortage of the 25-40 seat rooms that are in most demand. The Lillis Business Complex is built around learning centers designed to increase interaction with faculty with other students. The project will allow two additional centers to be added to the four new centers established when Lillis Hall this fall. With the current shortage of university classrooms, classes are sometimes relegated to inconvenient locations and set at difficult times, negatively affecting a student’s degree of completion effectiveness. Adequate modern classrooms and learning centers will provide the means for the timely completion of quality education. A key element in this project is strengthening of the two historic wings to make them earthquake resistant. We have deferred maintenance totaling about $3 million and this project will reduce that by approximately $2 million. It's expected to cost $6.6 million, half of which will be state supplied Article XI-G bonds. The required $3.3 million in matching funds, of which $2 million has already been identified.

“The Integrative Science project – we’re talking about phase two here. This new building will include 100,000 square feet of space and containing laboratories, lecture halls, meeting rooms, classrooms, and major research instrumentation facilities. Researchers studying bioscience, information science, and neuroscience will be housed within them. The academic disciplines of psychology, biology, computer science, and education will participate. The academic foundation for the project is the University’s brain, biology, and machine initiative that has recently been awarded more than $11 million of congressional funding and $10 million in private gifts, in addition to approximately $20 million from agencies such as NIH and NSF. The goal of this initiative is to address fundamental questions related to human thought and behavior and it builds on the University’s signature research strengths of bioscience, psychology, and education. The Integrative Science complex will dramatically expand available advance laboratory and instructional space. The facility will provide undergraduate and graduate students enhanced access to curricula and expanded research programs. The proposed facility will combine three of the five areas identified by OCKED as top priorities to connect research to Oregon’s future economic development. These include neuroscience and the brain, education and behavior, and information to knowledge. The project will create opportunities to apply advancing knowledge of brain organization and development to enhance K-12 curricular policies and practices. New evidence on brain function is already helping to improve methods to enhance children’s reading skills and reduce reading disabilities. The project is expected to cost in excess of $58 million, of which $29 million we would hope to come in the form of state bonds. The remaining amount, almost $5 million, is already pledged and in hand.

“The Theater Complex expansion and renovation. This project will add about 23,000 square feet and renovate approximately 19,000 square feet in Villard Hall. The addition will consist primarily of a flexible studio theater to seat 150 and the needed supporting spaces. The project will also add or renovate spaces for teaching, acting, theatrical lighting, and costuming. Majors in the theater arts department have almost doubled in the last few years and are now close to 200. Enlarged or better facilities will allow for increased student involvement in productions and will be a strong recruiting incentive.
By constructing a state-of-the-art flexible studio, called a ‘blackbox’ theater, and its accompanying support, production, and teaching spaces, the department will improve the quality of work that students are able to do during their time in school. In 2002-03, students won first place awards in short play competition and lighting design, as well as becoming finalists in acting and performance contests. I should say the image at the top of the screen is essentially the blackbox theater we referenced to but this is one that is here in Ashland right now and was recently constructed by the Oregon Shakespearean theater. We would aspire to have something of the same quality. The new spaces will allow the department to expand its much-appreciated connection between the university and the larger community, showcasing the University’s role in the development of excellence in artistic endeavors. One example of this is the very popular Mad Duckling Theater, a series of children’s theater performances that we have on campus in the summer months. Villard Hall is one of the oldest buildings on campus and has some of the most worn out building systems. The identified deferred maintenance in this building totals about $3.2 million. This project can reduce that amount of deferred maintenance by about a half million dollars. The project is expected to cost $7.9 million, half of which will be state supplied Article XI-G bonds, with the required $3.9 million of matching funds. We have in hand already in excess of $3 million. Some of you who may remember our last round of project proposals will recall that this project was approved by the 2003 legislature as a $6.3 million project funded entirely from gifts and grants. This current request increases the total amount of the project and includes the state funding match component.

“Finally, just a word about auxiliary projects before I return to the president for his summary. They include a renovation to the international area within the Erb Memorial Union, which is to be partially funded from student building fee backed Article XI-F(1) bonds and partially funded by private gifts and other funds. They also include three projects related to housing on campus, the tennis court replacement project, accessibility project to the Earl residence hall complex, and an upgrade to the food service operations. Thank you for your attention and at this point I’d like to ask the president to summarize the presentation.”

President Frohnmayer summarized, “Ladies and gentlemen, we very much appreciate the opportunity to make this presentation today of our capital projects. There is much more detail in your materials about how specifically each one of them meets the detailed criteria that the Board has set out for all capital projects to be evaluated by. I want to close by emphasizing the strategic importance of each of these projects and of these projects collectively. Simply stated, we’re committed to doubling the value of the state’s investment through bonding by private and other funds and I’m proud to tell you today that with respect to these five projects we have in hand over $21.6 million now. I may add parenthetically that we have at least some donors, two I can think of in particular—one an individual, the other a foundation—asking where the state’s participation is because they have already made their commitment. So these clearly are matters that are very much in the minds of those whose philanthropic generosity we count. This is not an effort to replace the private support with state funds. It’s simply a way of leveraging the private support that we are able to find. So obviously we
encourage this Board to approve these projects with the matching bond funding in your capital budget presented to the Governor. We very much appreciate this opportunity to conclude what I’m sure is a long day and many presentations with these and we would be very happy to try to answer our questions if you have them."

Chair Blair asked for questions, and with none, turned to Senior Vice Chancellor Anderes to provide a brief sense of the process on the consideration of capital budget requests. Senior Vice Chancellor Anderes explained his office would try to have a set of Systemwide priorities for the Board the next meeting. He offered, “Beyond that, we’re just hoping to have a lot of discussion because we see that as the point for approval so if there are any questions or concerns, that’s the time to put it out there.” Chair Blair asked when Board members could expect to receive the documentation, and Senior Vice Chancellor Anderes counseled, “I think what we would like to do is share it with the presidents, get any input, kind of have that dialogue in the next week and half and I would say within two weeks we should be able to get that. There is awful lot of material that comes out of this. There’s also the six-year plan and I’m not sure how much people will want to look at that but we will be putting out every project that you’ve heard of here, both auxiliaries and E and G we’ll be putting out in a document that I think would be valuable and we’ll have a discussion paper on the funding strategy for the deferred maintenance proposal.”

Director von Schlegell asked if there was a total summation of all of the capital projects. Senior Vice Chancellor Anderes responded, “We do have that. We are actually, at this point, we are looking for an additional amount on E&G from where we were last time and I guess I don’t want to be too precise in terms of 2005-2007. We are looking at right now for E&G facilities, we’re looking for Article XI-G bonds, General Funds, approximately $320 million. We’re looking for a total of other revenues – gifts, grants – of $535 million. There is also within this Article XI-F(1) bonds or auxiliaries, $237 million.” Chair Blair asked if that was part of the $535 million, or in addition to it, and Senior Vice Chancellor Anderes replied in addition to. Senior Vice Chancellor Anderes summarized, “So that’s just over a billion dollars that we’ll be looking at. That’s E&G and auxiliaries and really the majority of this that we are talking about is auxiliary services, facilities.” Chair Blair inquired if it included deferred maintenance, and Senior Vice Chancellor offered that it included reserves, but did not include deferred maintenance. Anderes stated, “It includes the ongoing deferred maintenance component but not the separate proposal. That will end up being about $100 million, the majority of which will not be Article XI-G bonds or state support.” Chair Blair asked for a comparison of the last budget request, and Senior Vice Chancellor stated it was right around $300 million and was close.

Before adjourning, Chair Blair recognized outgoing Board Secretary Virginia Thompson. He shared, “I have one other thing I want to cover before we adjourn. Virginia Thompson tells me this is her last Finance Committee meeting that she is going to be running here as the Board Secretary and she actually does run the show so I just wanted to thank Virginia very much for the help that she has given the Committee. I’m sure we are going to be recognizing her again tomorrow so you’re going to have to put
up with this again. Certainly, for someone who is very new to the process, this wouldn’t work very well without Virginia so we certainly appreciate your help.”

He added the incoming Board Secretary, Ryan J. Hagemann, was present. Chair Blair noted, “We are extraordinarily lucky to have Virginia’s successor waiting in the wings and I wanted to introduce him. He’s Ryan Hagemann, who’s sitting over here at the front table.

6. **ADJOURNMENT**

The meeting adjourned at 4:40 p.m.

Ryan J. Hagemann
Secretary to the Board

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

A meeting of the State Board of Higher Education was called to order on June 4, 2004, in Room 313 of the Stevenson Union at Southern Oregon University. 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 pending litigation and potential liabilities. Pursuant to ORS 192.660(4), no final action was taken or final decision was made at the executive session.

Vice President Geri Richmond called the executive session to order at 7:35 a.m. Vice President Richmond asked if any members of the media were present, and instructed Shelby Oppel of *The Oregonian* of her statutory rights and responsibilities regarding executive sessions. Vice President Richmond excused herself from the executive session due to a potential conflict of interest. She asked Director Henry Lorenzen to chair the executive session meeting.

On roll call, the following Board members answered present:

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

Absent: Governor Ted Kulongoski, Gretchen Schuette, and Geri Richmond (after excusal).

**System Office staff present:** Neil Bryant, Ryan J. Hagemann, Ben Rawlins, and Denise Yunker.

**Others present:** Shelby Oppel, *The Oregonian*.

2. **DISCUSSION**

Ben Rawlins, OUS General Counsel, informed the Board of possible litigation and its potential impact on the Board, Board members, and the Oregon University System.
3. **ADJOURNMENT**

The executive session adjourned at 8:05 a.m.

Ryan J. Hagemann  
Secretary of the Board

Henry Lorenzen  
Chair, June 4, 2004 Executive Session
1. **Call to Order/Roll Call/Welcome**

President Ted Kulongoski called the meeting of the Oregon State Board of Higher Education to order at 9:15 a.m.

On roll call, the following Board members answered present:

- Don Blair
- Rachel Pilliod
- Bridget Burns
- Geri Richmond
- Kirby Dyess
- John von Schlegell
- Henry Lorenzen
- Howard Sohn
- Tim Nesbitt
- Ted Kulongoski

Absent: Gretchen Schuette (business conflict)

**System Office staff present:** Tom Anderes, Ryan J. Hagemann, Dave McDonald, Ben Rawlins, Virginia Thompson, and Susan Weeks.

**Others:** Presidents Dan Bernstine, Philip Conn, Martha Anne Dow, Khosrow Fatemi, Dave Frohnmayer, Ed Ray, and Elisabeth Zinser.

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

Governor Kulongoski welcomed attendees to the campus of Southern Oregon University and thanked President Zinser and her staff for the warm hospitality. “Those of us who spend some time in Ashland know that this is one of the best kept secrets in Oregon.”

Continuing, Governor Kulongoski acknowledged that this was the last meeting of Board Secretary Virginia Thompson and thanked her for her devotion and dedication. “I’m very grateful, and I know we all are, for her contributions to this Board and to the Chancellor’s Office over the years. We all wish her the best.”

Mr. Ryan J. Hagemann was introduced as the new Board Secretary.

The Governor acknowledged that both student Directors, Rachel Pilliod and Bridget Burns, had received their diplomas from the University of Oregon and Oregon State
University, respectively. They were congratulated on their contributions to their institutions and to the Board. It was also acknowledged that Director Pilliod was resigning from the Board to accept a position in Wisconsin as the head of that state’s student association. “The best wishes of the Board go with her.”

Finally, best wishes were sent to Provost Tim White who had recently undergone heart surgery. “He was due to leave Oregon and take the position of president of the University of Idaho on July 1 and I understand that has been pushed back to August 1. We wish him and his family the best in his new position,” the Governor said.

2. **APPROVAL OF MINUTES**
   - Special Board Meeting, May 4, 2004
   - Regular Board Meeting, May 7, 2004
   - Special Board Meeting, May 14, 2004

Director Burns moved approval of the minutes of the Special Board Meeting of May 4, 2004. Those voting in favor: Directors Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, and Sohn. Those voting no: none. (Governor Kulongoski explained that, as Governor, he would abstain from all voting.)


Director Blair moved approval of the minutes of the Special Board meeting of May 14, 2004. Those voting in favor of the motion: Directors Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, and Sohn.

3. **ACTION ITEMS**
   - Finance/Budget/Audit/Personnel/Real Estate Committee
     - OAR 580-050-0001 Temporary Adoption of New Rules related to Contract Administration (Roll call vote)

**BOARD DOCKET:**

*Purpose:*
The Oregon University System is not subject to Oregon Revised Statute (ORS) Chapter 279, the statutes related to public contracting. Instead, OUS was given specific statutory authority to develop its own procedures for competitively procuring construction and related services. OAR Chapter 580, Division 50 sets out those procedures. It has not been amended since 1996. At that time, the rules were amended to incorporate the changes from SB 271, the first Higher Education Efficiency Act. The Facilities Directors from all the campuses have been meeting for about two years with Wendy Robinson, Department of Justice, to review and revise the rules to deal with problems that have
arisen under the rules and to reflect actual campus operations. The rules went through six versions and at this point all facilities and purchasing staff on all the campuses are comfortable with the changes. The changes also reflect the input from attorneys in the Business Transactions Section of the Department of Justice, who will be using the rules to review contracts for legal sufficiency.

**Summary and Background:**
Staff proposed that the rules be temporarily adopted so that the campuses can take advantage of the changes during this summer's construction season. Temporary rules remain effective for a maximum of 180 days. A public hearing will be conducted prior to the expiration of the temporary rules so that the rules may be permanently adopted by the Board, at a later date.

The major changes to the rules are as follows:

8. In general, the rules were made clearly applicable to the campuses and the Chancellor's Office. Authority was delegated from the Senior Vice Chancellor for Finance and Administration to a person on each campus, the Institution Facilities Planning Official (IFPO). Each campus can further sub-delegate functions to other persons on campus.

9. OAR 580-050-0010: Added traffic signals, sidewalks, streetcars, and other items similar to utilities to the types of easements that can be approved by the Board President and Secretary without Board action. Removed the requirement that only easements for underground utilities could be approved by the Board President and Secretary. This reflects present practice.

10. OAR 580-050-0015: Added leases to the authority to purchase certain types of property delegated to the Senior Vice Chancellor for Finance and Administration. Increased the cost of property that the Senior Vice Chancellor can approve from $100,000 to $500,000 to reflect the increase in property values over the past ten years. Limit lease approval to those leases where the total value over the term of the lease does not exceed $500,000. Rules still need to be developed and adopted for the process to be used to purchase and lease property.

11. OAR 580-050-0020: The definition of Consultants for design, evaluation, and management of construction projects or real property is expanded to include materials testing, hazardous materials evaluation and abatement, engineering, cost estimating, land surveying, appraisal, commissioning, and special inspections.

Subsection (1): Clearly states that Consultants will be chosen on the basis of qualifications, not price. This tracks ORS 279.057, which requires that price only be negotiated after the Consultant is selected and as part of the process for determining the scope of work. Although OUS is not subject to ORS 279.057, at the Legislative hearings on this statute, OUS represented that it chose its professional consultants on the basis of qualifications.
Subsection (2): The advertising process for Consultants wishing to enter into Retainer Agreements may be done electronically. The proposal may also be submitted electronically. The maximum term of a Retainer Agreement is extended from three years to four, the same maximum term as used for construction contractor Retainer Agreements.

Subsection (3): The maximum payable to a Consultant on a single project under a Retainer Agreement is increased from $100,000 to $200,000. The formal procurement process used for contracts in excess of $200,001 only requires a minimum of three proposals. This reflects the reality that often there are not five Consultants who submitted a proposal. Added specific authority to continue with the procurement process even if fewer than three Consultants submitted proposals if the purpose of the rule is still met.

Subsection (5): This new subsection permits sole source contracts in the following situations: (a) if the institution stops a project and decides to restart it and wants to use the same Consultant to continue professional liability insurance coverage on the project, or because a different Consultant will likely not want to do the work, or because the cost will be greater if a different Consultant finishes the work; (b) if the project is a phased project; (c) if the work is an addition or remodel to a project the Consultant has already worked on and there is likely to be a cost saving if the same Consultant does the new work; or (d) if the Consultant is the only person able to do the work.

12. OAR 580-050-0032(1): Distinguish between Construction Trade Services (those services not performed by a construction contractor, usually associated with maintenance or repair) and Public Improvement contracts (construction, reconstruction, major renovation costing more than $25,000 that does not include emergencies, repair, maintenance, or minor alterations).

Subsection (2): Delegates authority from the Senior Vice Chancellor for Finance and Administration to individual campuses.

Subsection (4): The maximum amount payable to a contractor for a single project under a Retainer Agreement is increased from $200,000 to $500,000.

Subsection (6): This new subsection permits sole source contracts in the following limited situations: (a) if there is only one firm that can reasonably do the work; (b) if the work must be done by a particular firm so as not to void a warranty; (c) if the firm is the only one authorized by a supplier to install a certain item; or (d) if the contract will not encourage favoritism or substantially diminish competition.

Subsection (8): Added requirements prohibiting contracts with a firm that is not properly licensed or which has been determined ineligible by the Bureau of Labor and Industries or OUS.
Subsection (9): Added a requirement for a 100 percent performance and payment bond on all contracts in excess of $100,000. This protects OUS in the event the contractor does not pay its subcontractors or suppliers or fails to complete the work and OUS has to have another contractor finish the work.

Subsection (11): Retainage (the withholding of 5 percent of each payment draw until the contract is completed) is not applicable to projects performed under Retainer Agreements.

Subsection (13): Omitted the incorporation, by reference, of certain 1995 Attorney General Model Rules regarding the contracting process. These are replaced by the new rules the Board will be temporarily adopting. This further distances OUS from DAS control in accordance with the Higher Education Efficiency Act.

Subsection (15): This new subsection creates exemptions from the competitive procurement process for the following types of contracts: (a) contracts with the federal government or another public agency; (b) emergency contracts; and (c) if the IFPO finds that an exemption will not encourage favoritism or substantially diminish competition and will result in cost savings. These exemptions track those in ORS 279.015.

Retainage Rule: Five percent retainage is required on all projects except those less than $500,000, where it is permissible. Retainage may be released on phased projects as each phase is completed.

Negotiation When Bids Exceed Cost Estimates Rule: This rule permits institutions to negotiate with the lowest bidder or best proposer when their bid or proposal exceeds the institution’s cost estimate. This saves an institution from having to go through the solicitation process all over again.

The following minor changes were made in the rules:

9. Changed references from OSSHE to OUS throughout the rules.

10. OAR 580-050-0005: This rule requires all conveyances of interests in real property to be approved by DOJ and executed by the President and Secretary of the Board. The change brings the rule into conformity with ORS 351.150. Interests in real property include purchases, sales, leases, and easements.

11. OAR 580-050-0020(2): Changed the rule to conform to the process actually used.

12. OAR 580-050-0032: In general, distinguished between Invitations to Bid, Requests for Proposals, and design-build processes.
13. OAR 580-050-0033: Changed the title to refer to amendments because the body of the rule refers to amendments.

14. OAR 580-050-0041(11) and 580-050-0042(10): Removed the requirement for the Board to review the effect of the rules regarding Emerging Small Businesses and Minority/Women Business Enterprises participation in OUS contracts because this review has not been occurring.

15. Definitions Rule: This rule defines terms used throughout OAR Chapter 580, Division 50. It will be placed at the beginning of the Division.

16. Deleted the rule incorporated by reference in OAR 580-050-0032(14) that referred to electronic data interchange because it has never been used. Instead, added references to electronic advertisement and submission of bids or proposals electronically to the rule regarding facsimile submissions.

**Staff Recommendation to the Board:**
Staff recommended the Board amend OARs 580-050-0001 through 580-050-0100, as described above and temporarily adopt the rules titled: Retainage; Negotiation When Offers Exceed Cost Estimate; Definitions; Bids or Proposals are Offers; Facsimile and Electronic Offers; Offeror Submissions; Pre-Offer Conferences; Solicitation Protest, Request for Change, Request for Clarification; Addenda to a Solicitation Document; Pre-Closing Modification or Withdrawal of Offers; Receipt, Opening, and Recording of Offers; Late Offers, Late Withdrawals, and Late Modifications; Time for Institution Acceptance; Extension of Time for Acceptance of Offer; Low Tie Offers; Rejection of an Offer; Rejection of All Offers; Protest of Contractor Selection, Contract Award; Disqualification of an Entity; Cancellation of Solicitation; Disposition of Offers if Solicitation Canceled; Foreign Contractor; Contract Suspension, Termination Procedures; Institution Payment for Unpaid Labor or Supplies.

**BOARD DISCUSSION AND ACTION:**
Director Blair reported that the Committee had raised a number of questions concerning the temporary rule. “One of the requests we made for the group working on this is that as soon as possible the process would begin of developing a permanent rule. Further, I would also encourage the staff of the Chancellor’s Office, as well as the Attorney General’s office that is working on this, to seek input from Board members on those rules since there were a few key questions raised,” Director Blair explained.

It was moved by Director Blair that the Board approve the adoption of the temporary rule, OAR 580-050-0001. On roll call, the following voted in favor of the motion: Directors Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, and Sohn. Those voting no: none.
b. PSU, Northwest Center for Engineering, Science, and Technology—Bond Issuance Authority

BOARD DOCKET:

Summary:
Portland State University (PSU) sought Board approval to authorize the Senior Vice Chancellor of Finance and Administration, or designee, to report to the Legislative Emergency Board, as required by Chapter 890, Oregon Laws, 2001, to allow a phased issuance of Article XI-G bonds for the Northwest Center for Engineering, Science, and Technology Project, prior to receiving 100 percent of the matching funds.

Staff Report to the Board

Background:
PSU has been in the process of raising the funds (through gifts, grants and contracts) needed to match Article XI-G bonds that were approved in the 2001 Legislative Session in order to begin the construction of the Northwest Center for Engineering, Science, and Technology. This facility will be a 130,000 square foot, silver (perhaps gold) LEED rated building that will include classrooms, faculty offices, 49 laboratories, and some ground floor retail space. This facility is to be built upon a pre-existing subterranean structure that houses the balance of PSU's engineering programs on the PSU campus, creating a comprehensive engineering complex that will support teaching and research in this college. The design, construction, and furnishings for this tower are estimated to cost approximately $44.5 million and will be funded with $21.9 million in Article XI-G bonds, $21.9 million in matching gifts, grants, and contracts, and $700,000 in Article XI-F(1) bonds (to fund the retail portion of the facility).

The capital budget authorization for this project is for a multi-phased project that includes the tower (as described in the paragraph above), followed by renovation of space in the existing 4th Avenue facility that is currently either leased to third parties or is space that will be impacted by the construction of this tower. The final phase of the project, assuming the funding can be raised before the authorization expires in June 2007, will be to renovate and furnish this existing space in order to serve the growing space needs of the University.

Statement of Need:
PSU's enrollment and funded research continues to grow to historic high levels and classroom, office, and research spaces are in short supply. This past fall term, PSU's overall enrollment grew to approximately 24,000 students. It is imperative that PSU acquire facilities to accommodate this growth in students with concurrent demands for added classrooms, research, and faculty office space.

In accordance with the goals and directives adopted by the Engineering and Technology Industry Council (ETIC), PSU has been diligently striving to double its enrollment and engineering graduates, and to increase its funded research in
engineering areas. Although the University is well on its way to meeting these goals, this facility is absolutely critical to the successful completion of these objectives, as it will provide the space needed to grow the faculty, teach the students, and obtain the laboratories needed to increase research. One key example is that this building will house PSU’s Intelligent Transportation Systems Laboratory. The region’s transportation agencies and leaders support PSU’s work in the area of transportation research and have worked with the University to gain funding for this new construction. The need is clear—agencies are challenged to solve complex transportation problems and look to PSU faculty and students for research assistance. Additionally, this new Laboratory will support the preparation of new transportation engineers and planners to meet the growing labor force needs. Estimates are that more than half of the transportation employees will retire in the next 15 years.

The 2001 Legislature approved Senate Bill 5525 (subsection 3[h]) that included an authorization to issue $26.5 million in Article XI-G bonds, $7.2 million in Article XI-F(1) bonds, and $26.5 million in other funds to construct the Northwest Center for Engineering, Science, and Technology at Portland State University. Section 15 of this senate bill states, “(1) Notwithstanding any other law, the State Board of Higher Education may not issue bonds for projects listed in section 2 (3)(h), (4)(f), (5)(n), (6)(j), and (8)(b) of this 2001 Act until the total amount of other revenues, including federal funds but excluding proceeds from lottery bonds, identified for the project in the expenditure limitation has been received by the board. (2) Notwithstanding subsection (1) of this section, the State Board of Higher Education, after reporting to the Emergency Board, may issue bonds for a project listed in section 2 (3)(h), (4)(f), (5)(n), (6)(j), and (8)(b) of this 2001 Act if the total amount of other revenues, including federal funds but excluding proceeds from lottery bonds, identified for the project in the expenditure limitation has not been received by the board.”

In order to proceed with this project, in accordance with subsection (2) above, a report to the Emergency Board must be presented and accepted, which acknowledges that bonds may be issued for the project even though the total amount of other revenues identified for this project in the expenditure limitation has not been received by the Board.

Today, PSU has either cash in the bank, been awarded federal grants, or has pledges sufficient to finance the construction of the tower. A current breakdown of funding for this facility is as follows:

- Cash Received and Deposited to Date $8,338,237
- PSU Foundation Gifts and Pledges 5,420,494
- Other Matchable Gifts, Pledges, Grants/Contracts 8,607,000
- Total Matchable Funds $22,365,731
- Other Non-Matchable Revenues $ 124,392
- Article XI-F Funding $ 700,000
Article XI-G Funding $22,365,731

Total Funding Available for this Project $45,555,854

Funding Needed for Tower Design, Construction, and etc. $44,499,593

Funding for Phase II $1,056,261

As many of the pledges for this project are to be paid over a multi-year period and the federal grants are cost-reimbursable, one of the challenges for this project will be to have cash available to meet the estimated disbursement schedule on this project. PSU officials, working with officials in the OUS Facilities and Controller's Divisions, have come up with a solution to this challenge by using inter-fund loans (or lines-of-credit) of other institutional cash balances to meet the expected cash flows of this project. Depending on the timing of the bond sales, these loans could reach a maximum of approximately $18 million by spring 2005 if a spring 2005 bond sale is used ($12 million if a fall 2004 bond sale is used). Institutional officials estimate that cash funds will be adequate to fund this line-of-credit for the duration of the project. Attached is a draft of an Inter-fund Loan/Line of Credit Agreement that could be used to document these transactions.

These cash flow challenges/risks can be mitigated by the following actions:

4. Asking the legislature to accept a report acknowledging a plan to issue bonds for the project even though the total amount of other revenues identified in the expenditure limitation has not been received by the Board;

5. Acknowledging the use of a reimbursement resolution to use future bond proceeds to repay line of credit advances used to meet the cash needs of the project; and

6. Authorizing multiple bond sales to comport with the pledge payment and grant expenditure schedules.

PSU believes that these challenges/risks are justified and can be overcome for the following reasons:

5. The bulk of the pledges are from blue-chip donors, such as the founders of Intel and Tektronix, the Miller Foundation, and Fariborz Maseeh, thus likelihood of payment is high;

6. More than $1.1 million in surplus pledges/funding is available to cover contingencies;

7. Fund raising will continue until the total Phase I and Phase II financing goals are met, thus there is a high probability that there will be additional funds for possible contingencies; and

8. Institutional unrestricted cash balances are more than sufficient to fund project advances (unrestricted cash balances have averaged $30.9 million since July 1, 2000 and the maximum advance is $12 million with an average advance of $3.5 million.
**Staff Recommendation to the Board:**
Staff recommended that the Board approve PSU’s request to report to the Legislative Emergency Board, to allow the issuance of bonds for the Northwest Center for Engineering, Science, and Technology Project, even though the Board has not received the total amount of other revenues identified for the project in the expenditure limitation.

**BOARD DISCUSSION AND ACTION:**
Director Blair stated that, following discussion with officials from Portland State University, the Committee voted to recommend adoption of the request. However, the Committee wanted to underscore that this request was viewed as an exception. “It was the quality of the donors involved and the financial resources of Portland State University that made us feel comfortable that the recommendation be approved,” he stated.

Director von Schlegell asked how this message would be conveyed to the E-Board and Chief Operations Officer Yunker assured him that, in the presentation, this would be made very clear.

Director Blair moved approval of the PSU request by the full Board. Those voting in favor of the motion: Directors Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, and Sohn. Those voting no: none.

c. Budgeted Operations Fund Balances Policy

**BOARD DOCKET:**

**Background:**
Responsible fiscal management requires adequate reserves to mitigate current and future risks. Adequate reserves are essential to offsetting cyclical variations in revenues and expenditures and to protect against 1) catastrophic events, 2) unforeseen revenue declines and expenditure gaps, 3) unexpected legal obligations, and 4) failures and health/safety/code issues in infrastructure or major business systems.

These risks can result from a number of factors such as uncertainty in the economic or political climate and volatility in revenue streams and expenditure requirements. The appropriate level of reserves is likewise dependent on a variety of factors: liquidity, the predictability of revenues and expenditures, the availability of resources in other funds, and the level of bona fide commitments against the reserves.

Although resources in Other Funds should be considered in assessing the adequacy of reserves, the focus for OUS should properly be on budgeted operations funds, which are the primary operating funds through which all basic instruction and institution administration occur. Budgeted operations funds include state General Funds and Other Funds Limited, made up principally of student tuition and fees and also including educational department sales and services, indirect cost recovery, and other operating
revenues. Particular attention should be paid to Other Funds Limited balances since campuses are prohibited by statute from carrying state General Fund balances forward across biennia. In other words, any state General Fund ending balances automatically revert to the state at the end of each biennium.

For the purpose of gauging their relative value, budgeted operations fund balances can be expressed either as a percentage of annual budgeted operations revenues or as budgeted operations expenditures sufficient to fund a specified period. The Government Finance Officers Association, for example, recommends that fund balances be maintained at a level that represents 5 to 15 percent of operating revenues, or is sufficient to fund no less than one to two months of operating expenditures.

Obviously, the level of budgeted operations fund balance should be related to the likelihood of need. Given the timing of tuition assessments, revenue cycles at OUS institutions tend to spike quarterly while expenditures remain relatively flat. When combined with the volatility of state funding over the past several biennia—as well as fluctuations in enrollment and tuition dollars—the need to maintain fund balances sufficient to stabilize the operating revenue stream for short periods is clearly imperative. The institutions, for example, are particularly vulnerable to shortfalls in revenue collections during the first quarter of each biennium.

Responsible fiscal policy, then, suggests that the institutions should maintain ending biennial budgeted operations fund balances sufficient to stabilize the operating revenue stream and cover unforeseen contingencies equal to approximately one month’s operating expenditures, or about 10 percent of their annual budgeted operations revenues.

At the same time, because state General Funds are either spent down completely prior to the end of the biennium or revert to the state, the principal source of revenues available to provide budgeted operations fund balances is student tuition and fees, and any excess balances could be interpreted to represent unwarranted tuition and fee rates. Consequently, ending biennial budgeted operations fund balances should not exceed approximately two months of budgeted operations expenditures, or about 15 percent of annual budgeted operations revenues.

_Budgeted Operations Fund Balances Policy Proposal:_
OUS institutions shall develop budgets that target an ending biennial budgeted operations fund balance of approximately 10 percent of annual budgeted operations revenues. For purposes of this policy, budgeted operations funds are defined as all funds included in Fund Type 11 (Education and General) in the Oregon University System accounting records. Budget operations balances will be monitored as part of the quarterly projections included in the Managerial Reports provided to the Board; and institution presidents shall advise the Board in the event projected or actual ending balances for the biennium either fall below 5 percent or rise above 15 percent of revenues. Included in the information provided by the presidents will be an explanation for the variance and a plan to rebalance
the budgeted operations fund balances over time to approximately 10 percent of annual budgeted operations revenues.

**Staff Recommendation to the Board:**
Staff recommended that the Board adopt the Budgeted Operations Fund Policy as proposed.

**BOARD DISCUSSION AND ACTION:**
Director Blair reported to the full Board that the Committee had an extended discussion on the topic, and at this point, there was no recommendation for adoption.

“There seems to be some ambiguity regarding the precise definition of fund balance,” he said, “but essentially, these are cash balances not required to fund the operations of the individual universities or of the Chancellor’s Office in a given period (fiscal year or biennium).

“The proposal by the staff yesterday was that there be a target established of about 10 percent fund balance number, and that the fund balances be managed in a range of 5 to 15 percent. I think, if I were to summarize the conversation, the Committee acknowledged the wisdom of maintaining some level of fund balance to manage the timing of cash flows over the course of a year, and also to maintain a hedge against revenue shortfalls or other unanticipated expenses. But, the Committee also believes, very strongly, that it’s inappropriate to maintain excessive fund balances beyond what’s required to cover known costs and a reasonable hedge against uncertainty. In a time of tight resources, we think that asking students in the state to invest more than what is required is not appropriate.

“In particular, the Committee is very concerned about the level of fund balances at Western Oregon University as well as at the Chancellor’s Office. And the Committee did request the administration of Western Oregon University and also the staff at the Chancellor’s Office to provide a much more detailed explanation of the origins of the fund balances and specific plans for the deployment of funds. So, from the discussion yesterday, we’re going to need to hold over the decision of the fund balance policy for a future date. I do believe the staff has done very good work and the Committee recognizes the importance and the wisdom of holding appropriate level of fund balances, but we need to hold over the item for future actions of policy. And for Western Oregon and for the Chancellor’s Office, we want to look in more detail at the plans for those fund balances,” Director Blair concluded.

Other members of the Committee agreed with the analysis provided by Director Blair.

Director Nesbitt added that there was a need for uniformity in the methodology and definition of fund balances so that all campuses and the Chancellor’s Office are making computations in the same way.
• Full Board

a. Selection of Executive Vice Chancellor and Chief Operations Officer
Director Blair noted that the statement he was going to present was being made on behalf of Director Lorenzen and himself.

Our purpose today is to propose to the Board the direct appointment of Mr. George Pernsteiner as permanent Chief Operations Officer for the Oregon University System. We recognize that such senior level administrative positions are normally filled through an open search process, considering a broad slate of candidates. However, in consideration of current circumstances, we believe this appointment is in the best interest of the Oregon University System and the people of Oregon.

Let me provide you with some background on how we've reached this conclusion and our reasons for making this recommendation.

Last fall, Governor Kulongoski outlined a bold new direction for higher education in the state of Oregon, focused on four key priorities:

1. Significantly improving access to higher education for all Oregonians;
2. Improving the delivery and productivity of higher education services in Oregon by eliminating barriers to graduation within the public university system and aligning the efforts of public and private universities, community colleges, and the K-12 public education system;
3. Continuing to deliver academic excellence at Oregon’s public universities and leveraging the higher education system to drive economic development in Oregon; and
4. Building support within the Legislature and across the state for reinvestment in the Oregon University System.

In order to realize this vision for higher education in Oregon, in January, Governor Kulongoski appointed, and the Legislature confirmed, seven new members and one continuing member to the 11-member Board.

As the new members assumed their duties in February, the Board faced other significant challenges. The failure of Measure 30 required that the Oregon University System identify $7.5 million in cost reductions for the remainder of the 2003–2005 biennium. Both the Governor and the legislature indicated their desire to minimize the impact of these reductions on the cost and quality of education delivered to students. In addition, in the course of the 2003–2005 biennial budget process, the legislature asked the Legislative Budget Office to review the operations of the Oregon University System Chancellor’s Office, with the objective of identifying potential efficiencies. As a result, the Board also undertook a review of the Chancellor’s Office with the objective of streamlining that organization and identifying cost savings to reduce the amount of Measure 30 cost reductions that had to be absorbed by the universities.
As the Board began its work on this ambitious agenda, the new Board members began to seek advice and counsel from individuals with the knowledge and experience to both understand the current state of the Oregon University System and help develop a vision for the future. One such individual was George Pernsteiner. George had served the Oregon University System for over 13 years, both at the University and the System level. As an Oregon University System Associate Vice Chancellor for Administration, George developed an understanding of the issues and capabilities of the System as a whole. Later, as Vice Provost and Chief Financial Officer at the University of Oregon and more recently as the Vice President of Finance and Administration at Portland State University, he built a robust base of knowledge and a strong record of accomplishments at the campus level.

As the conversations progressed, it became evident that George was uniquely qualified to provide an objective view of the current state of the Oregon University System and also grasp the possibilities of what the System could become. In February, the Board President began to discuss with Mr. Pernsteiner a more permanent appointment with the Oregon University System.

As you know, on March 30, Chancellor Jarvis announced his resignation. The Board had to consider what kind of transitional leadership was needed in a time of change and great uncertainty for both the Oregon University System and the Chancellor’s Office. In April, the Board formally approved the creation of the position of Chief Operations Officer and appointed Jon Yunker to the position on an interim basis. You will recall that Jon Yunker’s appointment was a half time appointment, and his intention was to serve no more than six months.

As a result of these events, discussions with Mr. Pernsteiner took on added specificity and urgency. At this point, the Board President arranged for small groups of Board members to meet with Mr. Pernsteiner and assess his qualifications for Chief Operations Officer of the Oregon University System. He also asked Henry Lorenzen and me to negotiate terms under which Mr. Pernsteiner would be willing to accept the position.

As a Board, we now face a number of extraordinary challenges. Our goals are ambitious: developing and realizing a new vision for higher education in Oregon. Many of us are new to higher education and are working very hard to climb the learning curve while making progress on our agenda of fundamental change. We are in the midst of changes in leadership at the Board level and are currently operating without a permanent Chancellor. And we are about to embark on the budgeting process for the 2005–2007 biennium, a process that will either begin the process of improving higher education in Oregon or contribute to continued decline.

Under these circumstances, we need senior leadership within the Oregon University System that can provide an immediate, positive impact. Ideally, such a leader would:
• Have a strong track record of performance at the System and campus levels, in order to demonstrate the ability to effectively lead a large system of universities and earn the confidence of university leaders;
• Understand the current strengths and weaknesses of higher education in Oregon, but recognize the need for change and have the ability to develop a vision for the future;
• Have a firm grasp of the current administrative and financial operating structure of the Oregon University System and its institutions, as well as an objective perspective on potential alternative approaches to managing these functions; and finally,
• Have existing relationships with other key leaders within the Oregon University System, the Executive Branch, and the Legislature.

We believe that George Pernsteiner has these qualifications. We have also discussed his candidacy and qualifications with his current supervisor at the University of California, Santa Barbara, as well as a number of Oregon leaders, including:

• President Dan Bernstine of Portland State University;
• State Senator Margaret Carter;
• President Dave Frohnmayer of the University of Oregon;
• Former Senator Lenn Hannon, now a member of the State Board of Parole and Post-Prison Supervision; and
• Duncan Wyse, President of the Oregon Business Council.

All of these individuals are highly supportive of Mr. Pernsteiner’s candidacy for this role.

We recognize that normally the Board would conduct an open search for a leader at this level. However, given George’s specific and unique qualifications, we believe that a general search would be misleading for both potential candidates and the public. Moreover, we believe that under current circumstances, the time and money that would be spent on a general search could be better invested elsewhere.

Recommendation to the Board:
Director Blair and Director Lorenzen recommend that the Board appoint George Pernsteiner as Chief Operations Officer of the Oregon University System, effective July 6, 2004, under the following contract terms:

• A two-year initial contract term, renewable for additional one-year periods;
• A salary of $219,500 per year, which is consistent with what his current employer has offered him as of August 2004;
• A housing allowance of $1,500 per month;
• A cash payment of $950 per month to be contributed to an Oregon tax deferred retirement plan (For the Board’s benefit, our analysis with the Oregon Attorney General’s office suggests that that is about half to two-thirds of what is required
to make him whole for what he has available to him at the University of California System);

- A state vehicle for business use;
- OUS unclassified benefit package; and
- Normal moving and storage expenses to relocate George and his family from California.

Governor Kulongoski added that he had been involved in the process of identifying and recruiting Mr. Pernsteiner. “I had a conversation with George for over an hour about a month ago in actually trying to get him to accept the position. I think everything that Don said is true. I think this is what we need to move this process forward. It is still, as all of you know, my top priority. I want to get the person in there that I think can actually help us move the agenda forward, but at the same time manage the System and the legislative process and legislators who have a great respect for him and will actually be able to work with them.

“What we ultimately do as the Board, he will be the driver with me in the legislative process and I think he is going to be a great partner of all of us. I'm very, very supportive of this and I think it is a tremendous step forward,” the Governor concluded.

Director Blair moved acceptance of Director Lorenzen’s and his report as the Board’s justification for the appointment of George Pernsteiner as Executive Vice Chancellor and chief Operations Officer of the Oregon University System, effective July 6, 2004.


Director Blair continued that he was informed by both OUS legal counsel as well as the Attorney General’s office that there are certain statutory responsibilities that are the responsibility of the Chancellor. “Their recommendation,” he stated, “is that we appoint someone as acting Chancellor for the period of time following the effective date of the resignation of former Chancellor Jarvis. That effective date is June 30, so as of July 1 we would need to appoint someone as acting Chancellor.

“I believe that our current interim Chief Operations Officer, Mr. Yunker, has agreed to serve in that capacity, so the second motion is that, in consideration of the fact that Richard Jarvis’ duties as Chancellor of the Oregon University System end as of June 30, 2004, and in consideration of the advice of counsel that the duties of Chancellor should be continuously assigned, I move that the Board designate Jon Yunker as interim Chancellor effective July 1, 2004, through July 5, 2004.”


Director Blair continued that his third motion is that, as of July 6th, it is appropriate to appoint George Pernsteiner as the acting Chancellor for the Oregon University System.
One item I do want to make sure the Board is aware of is that, and I would assume this applies for Mr. Yunker as well, is that traditionally there has been a $20,000 allowance for professional expenses incurred incident to the performance of the duties of Chancellor that go with the position.

“Therefore, with respect to Mr. Pernsteiner, in consideration of the fact that the state requires the responsibilities of the Chancellor be continuously assigned, and in consideration of the ending of Jon Yunker’s appointment as interim Chancellor, which will expire July 5, 2004, I move that the Board designate George Pernsteiner as interim Chancellor effective July 6, 2004.”


Mr. Pernsteiner was introduced to the Board and the audience. He thanked the Board for its support.

“This is an exciting day for me,” Mr. Pernsteiner said, “and I hope it’s the start of an exciting relationship among all of us. The first thing that I want to say is that perhaps the biggest enticement that could be offered to me was to work with this Board. This Board is excitement personified with respect to higher education as it goes forward in Oregon. And I have to tell you, after having met with each of you at one time or another over the last few weeks, you’re dynamite. So, thank you for this opportunity to work with you.

“Thank you, Governor, for your vision. A vision that will animate this state, I believe, for generations to come. Now I know that sounds pompous, but let me tell you what we’re talking about here. Because you all know it and I know it, and I hope that everybody in this room gets as excited about it as I am. We are talking about making higher education – a college education – accessible and affordable to every qualified Oregonian and that’s exciting. We’re talking about creating a System in which students are assisted to succeed – students are assisted to their degrees. And we don’t have artificial impediments set up that block their ability to attain degrees. We have only a 60 percent completion rate in six years in this state. We’re going to come up with a System that changes that, and I’m excited about that.

“The third thing is another one of your initiatives will take the research and knowledge creation that Oregon faculty and students are engaged in and put it right front and center in Oregon economic development—and that is going to make for an economic vitality in this state for generations to come. So I thank you for that.

“And the fourth thing that you’ve talked about is creating an environment in which this state will want to reinvest in higher education. And it’s really exciting to think about being part of that with all of you. I look forward to working with the Board members, with you, Governor, with your staff, with the presidents, with the provosts, the faculty, the students, the staff of the Oregon University System; with all of our educational partners in the community colleges, the independent colleges, and K-12; with the business and
community leaders; and especially with the members of the Oregon Legislative Assembly, to help make this vision a reality. Higher education is, yes, about the future, but it’s about a future of abundance and it’s about a future of optimism. We are in the optimism business because we are in the business of the future. And what I hope, coming out of all of this, is that more than any individual programs, we wind up with Oregonians believing their birthright is higher education. And that’s the exciting part, and I thank you, Governor, for that vision, and I thank the Board members for giving me a chance to help make that happen. I’m really happy to see all of my old friends in the audience and I look forward to renewing those friendships and to making new ones. So, thanks again.”

b. Proposed Opportunities for Chancellor’s Office Further Reduction (CORWG)

Director Richmond, referring to a paper prepared following a meeting of the Chancellor’s Office Review Working Group on June 3, 2004 (a copy of the paper can be found at http://www.ous.edu/board/dockets/ddoc040602-CORWG.pdf), offered that the Group was continuing to study ways to achieve savings through reorganization and downsizing of units within the Chancellor’s Office. “Progress to date has included the recommendation, accepted by the Board, in restructuring the System’s Academic Affairs unit that will result in $1 million in savings,” she reported.

Continuing, she highlighted that the Working Group was recommending reductions of $400,000 in the Finance and Administration area. “We have consulted extensively with Tom Anderes and Jon Yunker on the feasibility of doing those reductions in the Information Technology (IT) area over a longer period of time. Nevertheless, we also need to see if we can recoup any near term savings in that area and given the coincidence of the release of the fund balances in the Chancellor’s Office and trying to determine a constructive way of using those fund balances, we thought it would be prudent to go forth with taking a recurring cut in the IT area of approximately 15 percent of the $3.4 million operating budget of $500,000. That would not be an immediate cut in the sense that it would occur a year from now and, in the meantime, we would use the fund balance in the Chancellor’s Office to keep operations going as they are. That puts a target on IT to reduce a year from now by 15 percent. We realize that may need to be extended into the second year.”

Curt Pederson, Vice Provost, Information Services at Oregon State University, has concurred that it is feasible to consolidate the IT functions of OSU and the Chancellor’s Office. It has been agreed that an outside consultant would be retained to assist in the planning stages.

A portion of the fund balance of the Chancellor’s Office has been targeted to assist the regional campuses in getting appropriate training and/or software or system needs in the transition.

The additional million dollars in savings would come from the realigning of OCATE and CAPTIAL Center with Portland State University. This would allow them to grow and
expand the markets in the regional area and give them increased flexibility. “The deal is not finalized yet with PSU,” Director Richmond stated, “to achieve a seamless transition of those important courses for people in the Beaverton area to continue but also allow us to get out of the business of running that operation and have a campus assume it.”

Director Lorenzen added his thanks to Mr. Pederson, sharing that he had been “impressed both with his sense of understanding of what can be done and also his sensitivity with regard to the needs of the regional universities as well as the personnel involved. I look forward to assisting to the extent I can, but I do want to acknowledge him and OSU for taking on this task.”

In response to a question by Director Nesbitt about the amount of savings to be accrued from these reorganization steps, Director Blair stated that the $3 million is a permanent savings. “We may need to use some fund balances to bridge us to transition costs and so on, but the idea here is for the next biennium, there is a $3 million reduction each year in the Chancellor’s Office cost structure.”

Director Richmond asked Vice Chancellor Anderes to identify some of the commitments for use of the fund balance. “Part of what we have to do in the Chancellor’s Office,” Dr. Anderes suggested, “is to identify what other commitments might be there both in an operational sense and in then, obviously, what can be freed up for other purposes so that will be part of what we do over the next couple of months.”

Referring to a handout given to the Board (available at the Board’s Office), Vice Chancellor Anderes highlighted that it attempts to show two things. First of all, the fund balance in the Chancellor’s Office by June 30, 2004, will be $7.1 million. To date, there are additional commitments of $2,135,500, which is subtracted from the $7 million. It is for a variety of purposes. The most significant one is reorganization costs. There are multiple things that have been happening over the last couple of months that contribute to that,” Dr. Anderes stated.

“When you look at the second section, the additional possibilities tie in with ITS and a one year replacement of General Fund. That would be $500,000. On the one hand, we’re taking it out of the General Fund permanently this year at ITS, but we’re backfilling it with $500,000 in temporary money this year, so for one year they remain whole. $350,000 would go for the regional universities support. That is a very rough estimate, which really will depend, in part, on what the consultants tell us and also on other input. So that is really a placeholder. We have estimated the cost of the consultants at $100,000. The combination of those two—the $2,135,500 and the $950,000—that’s a total of $3,085,500. If you work that against the balance that we see where we'll be at the end of June 30, we’re down to $4 million.

“The discussion that I’ve had, to some degree, with Director Blair and some others, is that if you look at the policy as we had laid it out, and you’re looking at an operational amount of funding that’s needed in the Chancellor’s Office, that will be somewhere in the range of $1-$1.5 million, depending on where the budget ends up. So you can then
see about a $2 to $2.5 million availability of funds. The point that I tried to make yesterday is that there certainly will be available dollars for discretionary purposes as it relates to the reorganization and other uses, perhaps even with the initiatives. We just need to clarify what additional operational needs we might have and the roles of the Chancellor’s Office that would dictate anything more than what the reserve policy would suggest."

Director Nesbitt noted that when "you first undertook this effort, you were hoping to find about half of $7.5 million, or about $3.25. This computes to about $6 million on a biennial basis, so I knew we were picking a target out of the air. I’m happy to see that you’ve actually exceeded the target and I think a lot of credit goes to all of you who worked on this. I’m a little bit worried that the magnitude of effort that went into developing this kind of a revised budget is going to be lost in other matters, so I just want to call attention to it."


c. Amendment of OAR 580-040-0040, 2004-05 Academic Year Fee Book

DOCKET ITEM:

Background:
Staff requested approval of proposed OUS tuition and fee rates and related policies for the 2004-05 academic year.

In April 2003, the Board approved tentative tuition plans from the universities 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 this action, the 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 Board for approval.

In April 2004, campuses presented updated preliminary tuition proposals to the Board for 2004-05, to allow time for discussion and public comment prior to Board adoption of tuition and fees at the June Board meeting. Institutions have made minor adjustments to their tuition proposals since the April 2004 meeting, all resulting in small reductions to the proposed tuition increases.
Public Hearing on Academic Year Fee Book
A public hearing on the 2004-05 Academic Year Fee Book was held Tuesday, May 11, 2004, from 10:00 a.m. to 11:00 a.m., in Room 358 of Susan Campbell Hall on the University of Oregon campus. Approximately 20 students attended the public hearing. Oral and written testimony was presented at that time on the proposed changes outlined in the 2004-05 Academic Year Fee Book and a summary of the testimony is attached.

Tuition and Fee Proposals
The proposals in the 2004-05 Fee Book include proposed rate changes and tuition plateau changes. The various fee proposals submitted by each institution undergo a review by Chancellor's Office staff to assure that the proposals comply with related statutes, Board policy, and Legislative expectations. The enclosed 2004-05 Draft Academic Year Fee Book contains:

1) a summary of the tuition and fee proposals and changes from 2003-04 rates,
2) updated OUS fee policies,
3) detailed tuition and fee tables for each campus, and
4) housing policies and proposed rates.

Since the 2004-05 Draft Fee Book was printed, campuses have submitted revisions to the initial draft that are outlined in the attached document, Amendments to the 2004-05 Draft Academic Year Fee Book. Also attached to this report is a survey of representative universities comparing expected 2004-05 tuition and fees with 2003-04 rates.

Alternatives to Tuition Proposals in the 2004-05 Fee Book
The Board has requested that staff present information on possible alternatives to the tuition proposals contained in the 2004-05 Draft Fee Book as follows:

Plan A – Current proposals as contained in the 2004-05 Draft Fee Book as amended, including tuition rate changes and plateau modifications.

Plan B – No plateau changes beyond those approved by the Board in 2003-04. Tuition rates would increase sufficiently to generate the same amount of revenue for each campus as Plan A.

Plan C – No plateau changes beyond those approved by the Board in 2003-04. Campuses may increase tuition by the percentage rate increases approved by the Board in April 2003. Projected revenues would decrease.

Plan D – Implement a tuition plateau from 15–18 credit hours at each campus with rate increases as approved by the Board in April 2003.

A summary of the impact of these plans on tuition rates and campus revenues is included in the docket.
Oregon University System Fee Policies
The OUS Fee Committee, comprised of OUS staff 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 initiated in 1999-00. The revised policies have been reviewed by the OUS Councils for Academic Affairs, Student Affairs, and Administration and were provided to the Board for information in April 2004.

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 and Management 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 summary section of the 2004-05 Draft Fee Book.

Staff Recommendation to the Board:
Staff recommended that the Board amend OAR 580-040-0040 as follows: (Underlined material is added; brackets denote deletion.)

OAR 580-040-0040 Academic Year Fee
The document entitled Academic Year Fee Book, dated June 4, 2004 [July 18, 2003] is hereby amended by reference as a permanent rule. All prior adoptions of academic year fee documents are hereby repealed except as to rights and obligations previously acquired or incurred there under.

Through the amendment, the Board adopts the document entitled Academic Year Fee Book, the memo of attachment amending the draft document, and attached schedules noted in this agenda item. The Executive Vice Chancellor will be permitted to authorize minor clerical adjustments to the final document, if necessary.

(Board Action: roll call vote required.)
Plan A – Current Proposal
Amendments to the 2004-05 Draft Academic Year Fee Book

Staff recommended the following revisions to the 2004-05 Draft Academic Year Fee Book:

**Health Fees**
The estimated rate for student health insurance premiums in the Draft Fee Book was $13.40 per term. The actual premium rate is $15.60 per term. Based on the change, SOU is proposing a $2.20 increase in the health fee and WOU is proposing a $2.00 increase since the Draft was printed. The changes are included in Attachments #1 and #2, which are summary tables, pages ii and iii from the draft, and will be made in the applicable detail tables in the Fee Book.

**Eastern Oregon University**
Tuition will increase for Nonresident Graduate students by 10 percent above the current rate. This change corrects the tuition increase proposed in the Draft, which was 22 percent above 2003-04 rates from 9-16 credit hours. The revision below will be made to page 22. See Attachment #2, revised summary page iii.

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**University of Oregon**
Increase housing rates for 2004-05 by 5 percent above current rates. The Draft Fee Book included no increase for UO housing rates. See Attachment #3, page v and Attachment #4, replacement page 77.

**Fee Policy Change**
The proposed policy change is for Graduate Assistant Fee Remissions on page 9 of the 2004-05 Draft Fee Book. The policy would be modified as follows:

"Graduate students appointed by the institution and paid at established institutional salary rates as graduate teaching assistants, graduate research assistants, or graduate fellows are exempt from the payment of the tuition up to first 16 credits per term subject to institutional policy."
The purpose of the change is to give campuses the discretion to determine the number of hours that qualify for graduate fee remissions. Given the proposed tuition plateau changes and the legislative cap on graduate assistant fee remissions, this change should give campuses the flexibility needed to operate within the cap. The OUS Fee Committee, with representatives from each campus, and the Academic Council concur with the proposed change.
### Plan A Amendment - Attachment #1

**2004-05 Tuition and Fees**

Full-Time Undergraduate - 15 Credit Hours

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**Total Tuition and Fees**

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**Percentage Increase over Prior Year**

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*Excludes Resource Fees. Amounts are rounded to nearest dollar.

Changes since Draft Fee Book are in bold
Plan A Amendment - Attachment #2

### Table 3

**2004-05 Tuition and Fees**

Full-Time Graduate - 12 Credit Hours

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<td><strong>Total Fees</strong></td>
<td><strong>$417</strong></td>
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<td>$360</td>
<td><strong>$363</strong></td>
<td>$471</td>
<td><strong>$364</strong></td>
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**Total Tuition and Fees***

<table>
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<tr>
<th></th>
<th>EOU</th>
<th>OIT</th>
<th>OSU</th>
<th>PSU</th>
<th>SOU</th>
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<tr>
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<td>$2,907</td>
<td>$3,115</td>
<td>$3,048</td>
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**Percentage Increase over Prior Year**

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<th>OSU</th>
<th>PSU</th>
<th>SOU</th>
<th>UO</th>
<th>WOU</th>
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<tr>
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<td>0%</td>
<td>0%</td>
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<td>0%</td>
<td>0%</td>
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<td>Building</td>
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<td>0%</td>
<td>0%</td>
<td>0%</td>
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<td>0%</td>
<td>0%</td>
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<td>4%</td>
<td>3%</td>
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<td>2%</td>
<td>5%</td>
<td>10%</td>
<td>6%</td>
<td>5%</td>
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<td>Other</td>
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<td>-</td>
<td>0%</td>
<td>-</td>
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<td><strong>Total Tuition and Fees</strong>*</td>
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<td></td>
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<td></td>
</tr>
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<td>32%</td>
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<td>16%</td>
<td>20%</td>
<td>3%</td>
<td>20%</td>
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</tbody>
</table>

*Excludes Resource Fees. Amounts are rounded to nearest dollar.

Changes since Draft Fee Book are in bold
Plan A Amendment - Attachment #3

Residence Hall and Food Service Charges

Institutional residence halls and food services operate as auxiliary services. As such, auxiliary fees and charges are expected to cover the cost of their operations. In recommending residence hall room and board charges for 2004-05, institution administrators estimated residence hall occupancy in relation to enrollment projections and present occupancy patterns.

Recommended changes for 2004-05 in room and board rates will increase between 0 percent and 6.6 percent percent.

Not included in the comparison table below are rates for Portland State University. PSU recently began to manage the operation of its residence halls, after contracting for management services with Student Services Northwest, Inc., a private corporation. Monthly rents for rooms and apartments range from $211–$804 with an average increase of 2.5 percent above prior year rates.

Table 5
Room and Board Comparisons

<table>
<thead>
<tr>
<th>Institution</th>
<th>2003-04</th>
<th>2004-05</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
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<td>Eastern Oregon University</td>
<td>5,725</td>
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<td>Basic multiple, 19 meals</td>
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</tr>
<tr>
<td>Oregon Institute of Technology</td>
<td>6,135</td>
<td>5,935</td>
<td>-3%</td>
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<tr>
<td>Basic multiple, 19 meals</td>
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<td></td>
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<tr>
<td>Oregon State University</td>
<td>6,258</td>
<td>6,627</td>
<td>5.9%</td>
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<tr>
<td>Basic multiple, 19 meals</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Southern Oregon University</td>
<td>6,039</td>
<td>6,351</td>
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<tr>
<td>Basic multiple, 19 meals</td>
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<td></td>
<td></td>
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<tr>
<td>University of Oregon</td>
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<td>5%</td>
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<td>Basic multiple, 19 meals</td>
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<td></td>
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<tr>
<td>Western Oregon University</td>
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<td>5,860</td>
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<tr>
<td>Basic multiple, 19 meals</td>
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</table>

Revisions from Draft Fee Book in Bold
Plan A Amendment - Attachment #4

UNIVERSITY OF OREGON

2004-05 Academic Year Room and Board Rates

<table>
<thead>
<tr>
<th>ROOM AND BOARD RATES</th>
<th>Standard Package 80 meal points / 7 days (approximates 16 meals)</th>
<th>Premium Package 95 meal points / 7 days (approximates 19 meals)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Residence Halls</strong> 1</td>
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</tr>
<tr>
<td>Double</td>
<td>6,894.00</td>
<td>7,331.00</td>
</tr>
<tr>
<td>Deluxe Double</td>
<td>8,272.00</td>
<td>8,709.00</td>
</tr>
<tr>
<td>Small Single</td>
<td>7,194.00</td>
<td>7,631.00</td>
</tr>
<tr>
<td>Single</td>
<td>8,531.00</td>
<td>8,968.00</td>
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<tr>
<td><strong>Barnhart Hall</strong> 2</td>
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</tr>
<tr>
<td>Double</td>
<td>8,272.00</td>
<td>8,709.00</td>
</tr>
<tr>
<td>Small Single</td>
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<td>10,676.00</td>
</tr>
<tr>
<td>Large Single</td>
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<td>11,658.00</td>
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<tr>
<td><strong>East Campus Graduate Village</strong> 3</td>
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<td></td>
</tr>
<tr>
<td>Studio Apartment</td>
<td>$459-$469 per month</td>
<td></td>
</tr>
<tr>
<td>1 Bedroom Apartment</td>
<td>$540-$555 per month</td>
<td></td>
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</table>

1 Includes linen service, local telephone service, basic cable TV service, and internet access. Includes required social fee ($11 Fall, $8 Winter, and $5 Spring term).

2 Includes linen service, maid service, local telephone service, basic cable TV service, and internet access. Includes required social fee ($11 Fall, $8 Winter, and $5 Spring term).

3 Includes unfurnished apartment (range and refrigerator provided), internet access, local telephone service, water, and garbage service. Rates do not include TV cable service, electricity, or meals.
**Summary of Testimony at Public Hearing**

OAR 580-040-0040
2003-04 Academic Year Fee Book
May 11, 2004

A public hearing was held on Tuesday, May 11, 2004, from 10:00 a.m. to 11:00 a.m., in Room 358 of Susan Campbell Hall on the University of Oregon campus to provide an opportunity for comment on the proposed amendment to OAR 580-040-0040 to adopt the 2004-05 Academic Year Fee Book. Approximately 20 students attended the public hearing. Oral and written testimony was presented at that time and is summarized below.

Ximeng Yang, *UO Freshman*: Spoke in opposition to elimination of the tuition plateau, which will unfairly increase tuition. He is a science student enrolled in pre-med courses and the Honors College and has to take 17-18 hours per term to graduate in four years and fulfill the requirements of the major. Requests that tuition plateau not be eliminated.

Maddy Melton, *ASUO President*: Described a lack of participatory process regarding the tuition plateau elimination at UO. Student representatives are absolutely opposed to tuition plateau elimination and were told what tuition would be—they were not consulted. There is a need to reframe the discussion around the participatory process.

Sonia Aouriri, *UO student*: Has seen the impact of increasing tuition on students and realizes the need for tuition plateaus. One of her peers works three jobs and 11 hours a day while taking 15 credits so that she can graduate on time. Without tuition plateaus, she will be forced to pay $150-$300 more per term, forcing her to drop her full-time load, despite her passion and dedication to learning. Elimination of the plateau will also be eliminating the amazing potential that students offer to campus and the community.

Yuka Murai, *UO international student*: Described how elimination of the tuition plateau affects international students. To graduate in four years, international students need to take 16 or more credits per term because they usually take English classes before other course work. Many international students are suffering financially due to the economic recession and they usually cannot get financial aid from their governments. Fall term, she took the ASUO internship class, but had to drop it because she could not afford the two extra credits. She is hurt by the lost opportunity to be involved with student leadership groups and attend workshops.

Kristen Clardy, *UO student*: With a 12 percent tuition increase, her family will pay $686 more next year. To put the increase in perspective, it is equal to groceries for 13 weeks, eight classes worth of books, or one term of housing. Her family saved for her education and she is on a fixed budget. When tuition goes up, the money comes from her budget for food, books, and housing. Now with the tuition plateau changes, staying in college is a hard choice. A good student who is on the Dean’s list, she should not be turned away because she cannot afford to pay.
Adam Petkun, ASUO President-Elect: Believes that tuition plateau elimination undermines the Board’s goal of more, better, faster. Presented data from three different states (Minnesota, Missouri, and Indiana) showing that removing the plateau leads to smaller student course loads, longer time to completion, and diminished revenue to universities. A tuition plateau allows students to take classes for educational enrichment and to explore ideas outside their majors. Another concern about per-credit hour systems is that it really hurts low-income students the most. Urges the Board to move from a finance-driven discussion to a student-driven discussion. The financial pressure could lead to a policy with lasting negative consequences for students.

Ashley Rees, ASUO Executive Committee: Has dreamt of attending law school and takes heavy course loads, achieving a 3.9 GPA. Will have to borrow heavily to pay $27,500 per year for law school and needs to save money as an undergraduate. If the Board changes the tuition plateau, it could be devastating to her plans and hopes of affording law school.

Amy DuFour, ASUO Co-Legislative Associate, and Mike Martell ASUO Finance Coordinator: Did not receive adequate hearing notice and would like additional time for public comment until May 19th in the event that additional issues arise. ASUO continues to object to the elimination of the tuition plateau. The encroachment on the plateau continues to hurt students. The proposed increase follows a trend and is highly burdensome. This system acts as a disincentive for students to enroll in classes, which broadens the depth of their liberal arts education, which is contrary to the mission of the UO. Increased charges through the refund policy also cause more expense. Recommends establishing a tuition plateau for 12-16 credit hours. Also objects to the $20 per term energy surcharge charged only at UO and EOU, which is outdated and unjustified.

Eddy Morales, Vice-President ASUO: Spoke against modifying the tuition plateau, which is bad policy for universities and students. It contradicts the Board goal to make education better for students. A per-credit hour system forces students to take the minimum requirements and does not allow them to benefit from all that a university has to offer. And tuition increases are just too high—students cannot be looked at simply as a revenue source. There must be a more balanced approach to tuition increases.

Mary Fletcher, PSU student: The current tuition proposal will price many students out of an education. As a low-income student, she is an Opportunity Grant recipient and works every day. She wants to graduate on time to decrease her debt load and cannot afford the increases. She must now choose between working an extra ten hours per week to pay for another class or staying in school longer. The university cannot continue to balance the budget on the backs of students.

Kelly Thoen, PSU student: Spoke against the proposal to modify or eliminate the tuition plateau. Eliminating the plateau will force students to take fewer credits and spend more time in school, further deteriorating access to education. Encourages the Board to come
up with alternatives and not to create long-term policy because of a current revenue shortfall. The current plateau proposal is bad policy with long-term effects.

Kristy Harper, PSU Student Body President: Tuition increases mean that she must take out an enormous amount of loans. Taking away plateaus is taking away the Board goals of more, better, faster education for students. Requests that the Board reconsider making changes to the tuition plateaus.

Taraneh Foster, UO transfer student: Transferred from the University of California System and is a five-year student in journalism, due to the transfer. Has to enroll for an additional term because her capstone course was full. She plans to start a business in Eugene after graduation and would like to take three business courses in the fall as well as the journalism course. But she will be unable to afford it with the plateau changes. Has already had to drop dance and yoga classes due to tuition increases beyond 18 credits. Urges the Board to make a commitment to tuition plateaus.

Bruce Miller, retail advisor: Stated that tuition increases are unnecessary and suggested reading Prof Scam, a book with information on how to reduce tuition. Said that he paid tuition per credit hour when he went to school. Recognized that universities have higher costs for science and other classes and have to pay more for high quality instruction.
### Annual Tuition and Fees in Representative Institutions 2004-05*

*In Descending Order of Resident Undergraduate 2004-05 Rate*

Selected Comparator Public Colleges/Universities in the West

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Year</th>
<th>Res U/Grad</th>
<th>Nonres U/Grad</th>
<th>Res Grad</th>
<th>Nonres Grad</th>
</tr>
</thead>
<tbody>
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<td>Eastern Oregon University</td>
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<td>5,508</td>
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<td>20.5%</td>
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<td>-100.0%</td>
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<td>7.7%</td>
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<td>5.4%</td>
<td>1.6%</td>
<td>8.6%</td>
<td>3.1%</td>
</tr>
</tbody>
</table>
### Annual Tuition and Fees in Representative Institutions 2004-05*

**In Descending Order of Resident Undergraduate 2004-05 Rate**

**Selected Comparator Public Colleges/Universities in the West**

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Year</th>
<th>Res U/Grad</th>
<th>Nonres U/Grad</th>
<th>Res Grad</th>
<th>Nonres Grad</th>
</tr>
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<tr>
<td>Western State College Colorado</td>
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<td>3.3%</td>
<td>5.9%</td>
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<td>-31.3%</td>
</tr>
</tbody>
</table>

*Note: Many of the 2004-05 numbers are tentative pending approval by policy setting body.*

### Annual Tuition and Fees in Representative Institutions 2004-05*

**In Descending Order of Resident Undergraduate 2004-05 Rate**

**Selected Comparator Public Universities in the West**

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Year</th>
<th>Res U/Grad</th>
<th>Nonres U/Grad</th>
<th>Res Grad</th>
<th>Nonres Grad</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Colorado Boulder</td>
<td>2004-05</td>
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<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
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<td>2003-04</td>
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<tr>
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<td>2004-05</td>
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<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>2003-04</td>
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<td>18,512</td>
<td>6,078</td>
<td>17,656</td>
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<td>4,968</td>
<td>16,122</td>
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<td>19,854</td>
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</table>
### Annual Tuition and Fees in Representative Institutions 2004-05*

In Descending Order of Resident Undergraduate 2004-05 Rate

**Selected Comparator Public Universities in the West**

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Year</th>
<th>Res U/Grad</th>
<th>Nonres U/Grad</th>
<th>Res Grad</th>
<th>Nonres Grad</th>
</tr>
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<tbody>
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<td>9,345</td>
<td>15,582</td>
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<tr>
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<td>1.1%</td>
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<td>57.6%</td>
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<td>14.9%</td>
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</table>
### Annual Tuition and Fees in Representative Institutions 2004-05*

In Descending Order of Resident Undergraduate 2004-05 Rate

Selected Comparator Public Universities in the West

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Year</th>
<th>Res U/Grad</th>
<th>Nonres U/Grad</th>
<th>Res Grad</th>
<th>Nonres Grad</th>
</tr>
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<tbody>
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<td>8.0%</td>
<td>-14.8%</td>
</tr>
<tr>
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<td>7,232</td>
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<td>-31.8%</td>
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<td>8,838</td>
<td>2,302</td>
<td>8,648</td>
</tr>
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<td>6.8%</td>
<td>28.2%</td>
<td>7.7%</td>
<td>29.0%</td>
</tr>
<tr>
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<td>8,571</td>
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<td>3,996</td>
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<td>%Change</td>
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<td>23.7%</td>
<td>10.4%</td>
<td>-1.1%</td>
</tr>
<tr>
<td>University of Alaska Fairbanks</td>
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<td>3,658</td>
<td>9,422</td>
<td>4,996</td>
<td>9,312</td>
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<tr>
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<td>7,032</td>
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<td>7,074</td>
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<td>0</td>
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<td>2003-04</td>
<td>2,486</td>
<td>8,838</td>
<td>2,302</td>
<td>8,648</td>
</tr>
</tbody>
</table>

*Note: Many of the 2004-05 numbers are tentative pending approval by policy setting body.
# Annual Tuition and Fees in Representative Institutions 2004-05*

In Descending Order of Resident Undergraduate 2004-05 Rate

Selected Shared Peer List of OUS Large Universities: OSU, PSU, UO

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Year</th>
<th>Res U/Grad</th>
<th>Nonres U/Grad</th>
<th>Res Grad</th>
<th>Nonres Grad</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Memphis</td>
<td>2004-05</td>
<td>0</td>
<td>0</td>
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<td>0</td>
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<tr>
<td>University of Colorado Boulder</td>
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<td>0</td>
<td>0</td>
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<tr>
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<td>18,700</td>
<td>6,092</td>
<td>18,700</td>
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<td>15,799</td>
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<td>2004-05</td>
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<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Oregon State University</strong></td>
<td>2004-05</td>
<td>5,328</td>
<td>17,892</td>
<td>9,345</td>
<td>15,582</td>
</tr>
<tr>
<td><strong>University of Oregon</strong></td>
<td>2004-05</td>
<td>5,670</td>
<td>17,646</td>
<td>9,918</td>
<td>14,211</td>
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<td>16,866</td>
<td>9,144</td>
<td>15,480</td>
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<td>University of California Davis</td>
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<td>13,077</td>
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<td>11,869</td>
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</table>

*Note: Many of the 2004-05 numbers are tentative pending approval by policy setting body.
Oregon University System

Tuition Increase Alternatives

PLAN A - Tuition Proposals for 2004-05
Increase Rates per Credit Hour at or below rates approved by Board in April 2003
Plateau changes as proposed in 2004-05 Fee Book

PLAN B - Tuition Alternative for 2004-05
Increase Rates per Credit Hour to raise same amount of revenue as Current Plan
No plateau changes beyond those approved in 2003-04

PLAN C - Tuition Alternative for 2004-05
Increase Rates per Credit Hour as approved by the Board in April 2003
No plateau changes beyond those approved in 2003-04

PLAN D - Tuition Alternative for 2004-05
Increase Rates per Credit Hour as approved by the Board in April 2003
Plateau: 15-18 Credit Hour Undergraduate Tuition; 12-15 Hour Graduate

Percentage Increases per credit hour

<table>
<thead>
<tr>
<th></th>
<th>Resident Undergraduate</th>
<th>Nonresident Undergraduate</th>
<th>Resident Graduate</th>
<th>Nonresident Graduate</th>
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<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
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<tr>
<td>OIT</td>
<td>3.1%</td>
<td>15%</td>
<td>9%</td>
<td>-11%</td>
</tr>
<tr>
<td>OSU</td>
<td>5%</td>
<td>11%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>PSU</td>
<td>0%</td>
<td>0%</td>
<td>8%</td>
<td>0%</td>
</tr>
<tr>
<td>SOU</td>
<td>12%</td>
<td>17%</td>
<td>12%</td>
<td>8%</td>
</tr>
<tr>
<td>UO</td>
<td>12%</td>
<td>15%</td>
<td>12%</td>
<td>3.5%</td>
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<tr>
<td>WOU</td>
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<td>12%</td>
<td>6%</td>
<td>0%</td>
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Tuition Increase Alternatives

**Plan A Proposed Plateau Changes**

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<th>Nonresident Undergraduate</th>
<th>Resident Graduate</th>
<th>Nonresident Graduate</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOU</td>
<td>None*</td>
<td>None*</td>
<td>None*</td>
<td>None*</td>
</tr>
<tr>
<td>OIT</td>
<td>Eliminate Fall Term 2004</td>
<td>Eliminate Fall Term 2004</td>
<td>None*</td>
<td>None*</td>
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<tr>
<td>OSU</td>
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<td>$50 per credit hr for 13-16 hrs</td>
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<td>No change</td>
</tr>
<tr>
<td>PSU</td>
<td>None*</td>
<td>None*</td>
<td>None*</td>
<td>None*</td>
</tr>
<tr>
<td>SOU</td>
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<td>$145 per credit hr for 13-16 hrs</td>
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<td>$175 per credit hr for 10-16 hrs</td>
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<tr>
<td>UO</td>
<td>$40 per credit hr for 14-16 hrs</td>
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<td>No change</td>
<td>No change</td>
</tr>
<tr>
<td>WOU</td>
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<td>Eliminate Fall Term 2004</td>
<td>Eliminate Fall Term 2004</td>
<td>Eliminate Fall Term 2004</td>
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**Plan B and Plan C Plateau Status - Same as Winter/Spring 2003-04**

<table>
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<tr>
<th>University</th>
<th>Resident Undergraduate</th>
<th>Nonresident Undergraduate</th>
<th>Resident Graduate</th>
<th>Nonresident Graduate</th>
</tr>
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<tr>
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<td>12 - 15 hours</td>
<td>12 - 15 hours</td>
<td>9 - 15 hours</td>
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</tr>
<tr>
<td>OSU</td>
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<td>9 - 16 hours</td>
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<tr>
<td>PSU</td>
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<td>None**</td>
<td>None**</td>
<td>None**</td>
</tr>
<tr>
<td>SOU</td>
<td>12 - 16 hours</td>
<td>12 - 16 hours</td>
<td>9 - 14 hours</td>
<td>9 - 14 hours</td>
</tr>
<tr>
<td>UO</td>
<td>$20 per credit hr for 13-16 hrs</td>
<td>No change</td>
<td>No change</td>
<td>No change</td>
</tr>
<tr>
<td>WOU</td>
<td>12 - 15 hours</td>
<td>12 - 15 hours</td>
<td>9 - 12 hours</td>
<td>9 - 12 hours</td>
</tr>
</tbody>
</table>

**Plan D Plateau Status**

<table>
<thead>
<tr>
<th>Resident Undergraduate</th>
<th>Nonresident Undergraduate</th>
<th>Resident Graduate</th>
<th>Nonresident Graduate</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>15 - 18 hours</td>
<td>15 - 18 hours</td>
<td>No change</td>
</tr>
</tbody>
</table>

*Plateau elimination approved by State Board July/October 2003

OUS BAM 5/2004
## Oregon University System

### 2004-05 Tuition Alternative Plans - Undergraduate Resident Tuition per Term

<table>
<thead>
<tr>
<th>Credit Hours</th>
<th>Plan A</th>
<th>Plan B</th>
<th>Plan C</th>
<th>Plan D</th>
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</thead>
<tbody>
<tr>
<td>Credit</td>
<td>Tuition</td>
<td>Increase</td>
<td>Amt./ Credit</td>
<td>Tuition</td>
</tr>
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<td>851</td>
<td>10%</td>
<td>95</td>
<td>851</td>
</tr>
<tr>
<td>9</td>
<td>1,135</td>
<td>10%</td>
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<tr>
<td>12</td>
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<td>10%</td>
<td>95</td>
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<tr>
<td>15</td>
<td>1,703</td>
<td>10%</td>
<td>95</td>
<td>1,703</td>
</tr>
<tr>
<td>OIT</td>
<td>864</td>
<td>3%</td>
<td>95</td>
<td>963</td>
</tr>
<tr>
<td>9</td>
<td>1,152</td>
<td>3%</td>
<td>95</td>
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</tr>
<tr>
<td>12</td>
<td>1,440</td>
<td>29%</td>
<td>95</td>
<td>1,283</td>
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<tr>
<td>15</td>
<td>1,728</td>
<td>24%</td>
<td>95</td>
<td>1,604</td>
</tr>
<tr>
<td>OSU</td>
<td>918</td>
<td>5%</td>
<td>102</td>
<td>969</td>
</tr>
<tr>
<td>9</td>
<td>1,224</td>
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<tr>
<td>12</td>
<td>1,374</td>
<td>11%</td>
<td>95</td>
<td>1,375</td>
</tr>
<tr>
<td>15</td>
<td>1,628</td>
<td>18%</td>
<td>90</td>
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</tr>
<tr>
<td>PSU</td>
<td>910</td>
<td>0%</td>
<td>90</td>
<td>810</td>
</tr>
<tr>
<td>9</td>
<td>1,080</td>
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<td>90</td>
<td>1,620</td>
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<td>15</td>
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<td>85</td>
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<tr>
<td>UO</td>
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<td>12%</td>
<td>103</td>
<td>952</td>
</tr>
<tr>
<td>9</td>
<td>1,236</td>
<td>12%</td>
<td>103</td>
<td>1,270</td>
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<tr>
<td>12</td>
<td>1,419</td>
<td>15%</td>
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<tr>
<td>15</td>
<td>1,665</td>
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<td>93</td>
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<tr>
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<td>0%</td>
<td>90</td>
<td>909</td>
</tr>
<tr>
<td>9</td>
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<tr>
<td>15</td>
<td>1,620</td>
<td>20%</td>
<td>90</td>
<td>1,359</td>
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Oregon University System

2004-05 Estimated Tuition Revenue Increases
Estimated Revenues generated by Proposed Rate Increases and Plateau Changes

**Plans A - Current Plan Revenues**
Plan B generates the same total amount
*(in 000's of dollars)*

<table>
<thead>
<tr>
<th></th>
<th>Rate</th>
<th>Plateau</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOU</td>
<td>544</td>
<td>544</td>
<td>544</td>
</tr>
<tr>
<td>OIT</td>
<td>268</td>
<td>601</td>
<td>869</td>
</tr>
<tr>
<td>OSU</td>
<td>2,300</td>
<td>2,685</td>
<td>4,985</td>
</tr>
<tr>
<td>PSU</td>
<td>5,954</td>
<td>5,954</td>
<td>5,954</td>
</tr>
<tr>
<td>SOU</td>
<td>1,972</td>
<td>853</td>
<td>2,825</td>
</tr>
<tr>
<td>UO</td>
<td>6,947</td>
<td>1,406</td>
<td>8,353</td>
</tr>
<tr>
<td>WOU</td>
<td>(515)</td>
<td>1,623</td>
<td>1,108</td>
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<tr>
<td>Total</td>
<td>$11,516</td>
<td>$13,122</td>
<td>$24,638</td>
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**Plan C Revenues**
No Plateau Changes beyond those approved in 2003-04
Rates Increase at April 2003 Approved Rates
*(in 000's)*

<table>
<thead>
<tr>
<th></th>
<th>Rate</th>
<th>Plateau</th>
<th>Total</th>
<th>Decrease*</th>
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</thead>
<tbody>
<tr>
<td>EOU</td>
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<td>544</td>
<td>544</td>
<td>-</td>
</tr>
<tr>
<td>OIT</td>
<td>737</td>
<td>737</td>
<td>737</td>
<td>(132)</td>
</tr>
<tr>
<td>OSU</td>
<td>2,300</td>
<td>2,300</td>
<td>2,300</td>
<td>(2,685)</td>
</tr>
<tr>
<td>PSU</td>
<td>5,954</td>
<td>5,954</td>
<td>5,954</td>
<td>-</td>
</tr>
<tr>
<td>SOU</td>
<td>1,972</td>
<td>1,972</td>
<td>1,972</td>
<td>(853)</td>
</tr>
<tr>
<td>UO</td>
<td>6,947</td>
<td>6,947</td>
<td>6,947</td>
<td>(1,406)</td>
</tr>
<tr>
<td>WOU</td>
<td>637</td>
<td>637</td>
<td>637</td>
<td>(471)</td>
</tr>
<tr>
<td>Total</td>
<td>$13,137</td>
<td>$5,954</td>
<td>$19,091</td>
<td>$5,547</td>
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</table>

*Decrease from Current Plan A

**Plan D Revenues**
Plateau from 15 - 18 Credit Hours
Rates Increase at April 2003 Approved Rates
*(in 000's)*

<table>
<thead>
<tr>
<th></th>
<th>Rate</th>
<th>Plateau</th>
<th>Total</th>
<th>Change*</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOU</td>
<td>544</td>
<td>(845)</td>
<td>(301)</td>
<td>(845)</td>
</tr>
<tr>
<td>OIT</td>
<td>737</td>
<td>(93)</td>
<td>644</td>
<td>(225)</td>
</tr>
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<td>OSU</td>
<td>2,300</td>
<td>8,189</td>
<td>10,489</td>
<td>5,504</td>
</tr>
<tr>
<td>PSU</td>
<td>3,902</td>
<td>3,902</td>
<td>3,902</td>
<td>(2,052)</td>
</tr>
<tr>
<td>SOU</td>
<td>1,972</td>
<td>596</td>
<td>2,568</td>
<td>(257)</td>
</tr>
<tr>
<td>UO</td>
<td>6,947</td>
<td>(3,129)</td>
<td>3,818</td>
<td>(4,535)</td>
</tr>
<tr>
<td>WOU</td>
<td>637</td>
<td>1,480</td>
<td>2,117</td>
<td>1,009</td>
</tr>
<tr>
<td>Total</td>
<td>$13,137</td>
<td>$10,100</td>
<td>$23,538</td>
<td>(1,100)</td>
</tr>
</tbody>
</table>

**Change from Current Plan A**

OUS BAM 5/2004
BOARD DISCUSSION AND ACTION:
Ms. Nancy Heiligman, Assistant Vice Chancellor for Budget Operations, briefly reviewed the items that staff proposed to the Board. She stated that the process the Board has undergone in reviewing tuition and fees began at the April 2004 Board meeting, at which time the campuses presented preliminary tuition proposals to the Board. Those proposals contained proposed tuition rate increases that were either at or below the rates that had been approved by the Board in April 2003 in the biennial tuition planning process.

“We have analyzed the proposals very carefully and compared the proposals and the tuition that were approved by the Board in July 2003 and that were in place at the time that the legislature approved the budget. We’ve compared those proposals to the current plans and we believe that there is about $9 million in room below that cap. As noted by Director Nesbitt, the plateau increases amount to about $5.5 million. With the recent clarification from the Legislative Fiscal Office that they are looking at an overall dollar target, we also tried to isolate the increases from any enrollment changes that are expected. So we do believe that we are well within that cap. The other issue that we looked at, in terms of legislative limits, was resource fees. Staff did determine that there was no room for any increases in resource fees from any of the campuses based on the legislative limits that had been set.

“Several other actions have taken place. First, the campuses have continued to confer with student groups and then submitted their tuition proposals to the OUS budget office. We published the Academic Year Fee Book, which you have, and again, that is based on Plan A. A public hearing was held on May 11 at the Chancellor’s Office. Approximately 20 students attended that hearing and provided testimony. A summary of their testimony is included in the written materials in the Board docket. The other issue is that we did clarify in writing with the Legislative Fiscal Office the parameters of the tuition limits set by the legislature.

“Just briefly, I’ll go through Plan A. First, the proposed increases in rates per credit hour. These are very close to the rates that you saw in April; there have been just a few minor changes but these are the rate increases. In addition to the rate increases, the plateau change proposals – Eastern has eliminated their plateau; OIT, PSU, and WOU are all requesting elimination of the plateau in fall term; and OSU, SOU, and UO are requesting modified plateaus in Plan A. The result of that, if you consider the student enrolled for 15 credit hours, is a range from $1,292 per term to $1,440 per term, increases ranging from 10 percent to 29 percent. As you heard at the earlier session, there is much variability among students based on the credit hour carrying load and we chose 15 hours because that’s the number of hours a student would have to be enrolled, on the average, to graduate in four years.

“One other point of information. We did survey peer universities and other public universities in the West and I do have to say that the rates are preliminary at many of the universities that we were surveying and some had not yet reported their changes.
But the rates at OUS ranked at the top compared with the public universities in the West and the large university peers based on the limited data we have today," Ms. Heiligman highlighted.

"After the Fee Book was put together and Plan A was completed, the Board asked us for some other alternatives and we developed Plans A, B, C, and D. Plan A is the current proposal. Plan B calls for no plateau changes from those previously approved in the current year and then to increase the rates per credit hour to generate the same amount of revenue at each campus so it was basically a revenue-neutral proposal. Plan C also called for no further plateau changes and then suggested increasing the rates as approved at the April 2003 meeting of the Board. That had a variable impact on the campuses and produced approximately $5.5 million less in revenue than Plans A and B. Plan D suggested plateaus at every university at a standard plateau and increasing the rates as approved in April 2003. This generated less revenue and had an extremely variable impact on the campuses because of where they are at this time.

"The impact of each of those plans on tuition rates and on total revenues are included in the written materials in the docket. I would like to mention also," Ms. Heiligman inserted, "that up to this point, I've talked about Plan A. However, in the past week, OSU has been reviewing their proposals and talking with their campus community and are proposing basically to move to Plan B, which would mean that they would need to increase undergraduate resident tuition by 11 percent and leave their plateau where it is currently, which is a modified plateau."

Continuing, Ms. Heiligman stated that the total revenues generated “under Plans A and B, $24.6 million, 7.7 percent across the System. The increases vary widely based on the number of hours of carrying load so it would affect different student groups differently. But overall, these are the amounts of revenue that are projected to be generated. I also did want to show you in Plan A what amounts are generated by the rate increases and what amounts are projected to be generated by the plateau changes: $11.5 million from rate increases, $13.1 million from the plateaus, and you can see the variability based on each campus proposal and their requirements.

"To summarize, I just wanted to be clear about the Board action requested. This would be an amendment to OAR 580-040-0040 to adopt the 2004-05 Academic Year Fee Book with amendments included in the docket. The Fee Book adoption, as proposed in the docket, would include 2004-05 tuition rates as proposed in Plan A, with the plateau changes, fees, housing rates, and updated fee policies," Ms. Heiligman concluded.

Director Nesbitt observed that the issues were not about rate increases so much as they were about the changes in plateau and that includes some philosophical and practical issues about the incentives. "As I understand the plateau, I see it as kind of a volume discount. In a retail establishment, you tend not to think of that as a subsidy, you think about that as an incentive or enticement. I think the more positive way of looking at this is as an incentive to take a full course load and complete your education, get your
four-year degree in four years. I am concerned about the complete elimination of that incentive,” he said.

“Going back to impact, if we think there is reason to start moderating the discount, moderating the plateau, I’m very concerned about suddenly eliminating it. For full-time students, that produces the kind of sticker shock we’ve seen with gasoline prices in the past few months,” Director Nesbitt observed. “We’re seeing now, because some of the larger institutions like UO and OSU are going to retain some plateaus, a real compression of differential for full-time students in tuition between the smaller schools and the larger schools. I don’t know if that is an unintended consequence or not, but it is one we should look at.”

Continuing, Director Nesbitt pointed out that General Fund balances have to be returned at the end of the biennium. “So, if we’re looking at fund balances, no matter where they exist, it really is tuition and fees left over. And that includes a large amount that originally came to the Chancellor’s Office, as I learned yesterday, when the System went to the RAM in 1999. I think we should take a serious look at how to retain, or at least moderate, some of these proposals and their impact on those 15-hour students, with some of the available fund balances, either at the institution level or at the Chancellor’s Office level,” he emphasized.

“I think this needs to be done to some extent with one eye on the available fund balances in the Chancellor’s Office and another eye on the differential fund balances at each institution, so I hope we can look at this institution by institution. I would also carve out an exception for PSU because they got their approval last October to do in 2004-05 what we see in this document. So, I look at that in a different light; they also have a different student population and they’ve also negotiated with the student population. All the other changes for 2004-05 are new. They weren’t part of what had been adopted when the legislature adopted the budget and wrote the Budget Note. They haven’t really been blessed by this Board or our predecessor Board and I think we should really look carefully at them and do what we can to moderate these extreme impacts here with available fund balances in the 2004-05 year,” Director Nesbitt concluded.

Governor Kulongoski observed that if there were to be a fighting fund for faculty salaries, there should also be a good faith effort made of the same amount for relief of tuition increases. He also remarked that these were policy choices, which were not easy to make. “I understand as well as you all do that at some point, we just take existing dollars and move them around. I do think this access issue is so critically important that I would like to see if there is some way we could reduce the total number of dollars that we are trying to raise out of the tuition side of this and maybe we can look at a proposal on the plateaus.”

It is the cost of education, not tuition or plateaus that is at issue, Director Sohn added. “My sense is that the plateau concept is something of an inherited concept from another era. It used to be the case that most students went from high school to college and spent four years there and graduated,” he pointed out. Continuing, he stated that he
was “particularly sensitive to the equity issue. I think that, by inheriting a plateau from a different era and applying it now as a significant way of setting the cost of education, that we have created an equity problem and I think President Bernstine has articulated it well, and I think it is a problem.”

Continuing, he stated that he differed with Director Nesbitt in the bulk-purchasing example. “I always had problems with bulk purchasing from an equity standpoint in that the people who can afford more money up front are being subsidized by the people who have to buy things in small quantities over time and ultimately pay more for the same amount of goods because they can’t afford the bulk discount. A lot of discounts in the marketplace are taken advantage of by the people who can most afford to have those discounts and that’s kind of the way the incentive in the economy works and I think it is misapplied here.”

Directors Lorenzen and Dyess agreed with Director Sohn that the per credit hour tuition charge is probably the most fair way of assessing tuition and that the “plateau does, in fact, shift the burden among students. There is no such thing as free classes,” Director Lorenzen emphasized. Director Dyess cautioned that the Board should be fairly careful. “The plateau allows people to explore opportunities that they would have never explored and found an area that may be an area of expertise that will make the biggest difference in Oregon in the future. I am very concerned that we take this opportunity away without replacing it with something else. Having said that, I am a very staunch believer in that the campuses need to have some freedom to do the right thing on their own as opposed to having us dictate exactly what everyone should do.”

Director Burns acknowledged that it was encouraging to see that OSU had decided not to go with Plan A, but has reconsidered the original proposal. “It is an increase in tuition,” she observed, “but I think it moves closer toward the goals that we have articulated. I think that a thing that is important is that we still never seem to get over the assumed argument that we are trying to stop students from dropping loads and that makes this an attractive policy because I think that if the prize is students graduating on time and getting out of each university and freeing up more space for other students to move in, I think it is less of a deterrent from that prize if you have fees that happen as a result of dropping classes or you change your refund schedule rather than stopping a student from ever taking a class because they know they can never afford it. I think there are better ways that we can implement policies that really actually achieve our goals that we put forward.”

Continuing her comments, Director Burns shared appreciation for Governor Kulongoski’s commitment to trying to eliminate some of the burden that would be placed on students. However, she suggested that another option that should be considered is one that would be institutionally based and need-based, similar to a program OSU offered two years ago. Finally, Director Burns said that if the Board were really committed to “protecting students and promoting equality, there is a recognized student voice in this state and it’s the Oregon Student Association. If we really want to preserve access for students, we should actually consult those students and listen to their issues
and their ideas. You have not heard one single argument that has supported this policy from students that are affected," she emphasized.

President Frohnmayer argued for a modicum of institutional self-determination. First, he stated that each of the institutions has a different incentive system at the present time and to mandate a uniform policy would destroy them. Second, each institution serves a different mix of students with differing circumstances. "That economic mix has been considered by us in the best available way we can analyze the data in terms of what our students can afford, the financial aid we can afford to give, the tuition remissions we assign to our students already to ameliorate their tuition issues," he highlighted.

“Our only way of dealing with a reduction in revenue that would be occasioned by telling us we can’t do the plateau change that we have proposed to you, which by the way is not an elimination of the plateau, but simply a substitution of the credit hour change, is to reduce classes or to cut enrollment,” President Frohnmayer pointed out. “Each of the institutions are differentially affected, each of them has impacts that have been carefully considered.”

Director Blair made three points. First, he stated that there is a governance question involved in the discussions as to what the Board’s responsibilities are and what the institution’s responsibilities are. “We’ve been talking about the changing model of higher education, that people are, in many cases, using a menu of community colleges and four-year universities, and part time course work and essentially assembling their careers and their higher education experiences from a number of different places.”

Secondly, he observed, there was an analogy concerning sticker shock. “A principle we would probably want to articulate is that you can make changes over time but you have to make sure that you give people some time to adjust. Let’s make sure that as we look at the implications of the changes we make in the System, we consider how people adjust to that over time and how we can bridge the gap.” Finally, Director Blair counseled that the Board should think about “setting some boundaries as to what we consider to be appropriate funding decisions by the universities. We’ve spent a lot of time in the last two days talking about fund balances. I think that gets to a fundamental question of whether the policies have been appropriate. What we as a Board, I would suggest, need to do is first decide a principle that says what our role is and what is the role of the university presidents. Then my suggestion is that we set principles and the universities operate within those principles and find the solution that makes the most sense for their institution.”

It was pointed out by President Dow that “at this late stage in producing a budget and revenue opportunity for fall term, we are at a crisis threshold. So if there is some avenue that you are going to go down that requires us to rebalance our fund balances, which, in fact, are cash flow and a very small amount of actual operating reserve, we need to sit down with you immediately.”
Oregon State University was the only institution that opted to go with Plan B. President Ray read a message that he had sent to the campus community regarding the tuition plans. In summary, the proposal was an 11 percent increase in tuition for in-state undergraduate students and no increases in tuition rates for non-resident undergraduates, or professional or doctoral students, and no changes in the 13-16 plateau range for the next year. “The financial impact from these recommended changes will mean that OSU will have slightly less revenue than would have been.” Discussion will be on-going throughout the year regarding what options to pursue in the future.

President Conn opined that while there is a relationship between fund balances and tuition charges, “we’re going way too far in confusing one-time money with what we need to build a long-term educational institution with faculty hopefully with multi-year employment.” He mentioned the concept of a potential rebate, if it were determined that students had been overcharged in the past. However, he reiterated his hope that fund balances would be used wisely to take care of one-time needs.

Referring to minutes of April 2003, Director Nesbitt pointed out that the previous Board had expressed a goal of “limiting tuition increases at a predictable, minimal level to maintain access for Oregonians and allow students to better plan and manage costs. I think that word ‘predictable’ is just as important as the word ‘minimal’ and I think that gets to the argument for fairness in the adjustment period. I think the best measure of impact here is what we are charging now vs. what we will charge a year from now, not different versions of what we propose to charge a year from now. And it is those impacts that get to the level of 19 or 25 percent above current levels that are so concerning.”

It was suggested by Director Richmond that a subcommittee of the Board be set up to look at a proposal that might be put forward to utilize some of the Chancellor’s Office fund balance to offset the tuition increases. President Ray reminded the Board that there is a limit on fee remissions that can be provided to students and that the cap has been reached.

Director Blair said that it would be helpful if the institutions had time to look at the cohorts of students and determine where the increases for individual groups of students might be higher than for others and return to the Board with that information. Various arguments were put forth both in support of the notion and also indicating that it would be a very difficult task and costly to implement.

Governor Kulongoski, attempting to bring closure to the discussion, suggested that first, the Board needed to know “how much money we think we can actually put forward, how much that would cost, and then find out at the institutional level how we would actually administer such a program. . .If we have $4 million, instead of trying to reorganize this, it would be a program that you would actually be able to develop a refund to those students who are going to be hit the hardest. That is how I would like to approach it.
“There’s one other issue that I want you to know came out today that I think is critically important. I now speak to you, not as the Chairman of the Board but as the Governor of this state. The issue in the exchange between President Frohnmayer and Director Blair, I think is at the heart of it. At some time, this Board is going to have to sit down and come to an understanding on the governance issue. If I had to give you one of the reasons why I picked this issue it is that I actually went to a Board meeting shortly after I became Governor and what I found out is that the issues they were discussing and were going around about I remember them arguing 15 years before. I concluded that nothing ever changes in this System and it just goes around and around and around and we do the same thing. At the heart of it, I think, is an understanding of this Board and the relationship of the Chancellor to the Board and the Chancellor to the university presidents. It is critically important and part of that understanding is the role of the presidents in this System. I think the Board, and whether it’s guidelines or whatever, that debate among this Board must occur because all these things we do if we can’t get a fundamental structure in this line of governance, I don’t think we’ll ever be successful, to tell you the truth because I’ll get this push/pull all the time from the individual presidents. I think you have to get to this and whether it’s at a retreat or whether we can do that under a public meeting, I’m willing to facilitate that if, in fact, we can actually get an understanding and a written policy that gets us to that so I don’t want to walk away from that.”

Continuing, Governor Kulongoski stated that another item he would be following very closely are the ending fund balances. “If you think we’re going to walk away from it, you have another think coming because the legislature isn’t going to let us walk away from this issue and I’m not going to walk away from it when I present another budget to the legislature. This issue is going to stay alive. To be very frank with you, I’m going to be very blunt, that on Western Oregon, and I don’t mean to be cruel about this, what I see right now, if this were me, by myself, you’d never get a tuition increase at Western Oregon right now. I wouldn’t do it. You’ve got a 29 percent ending balance and I don’t see why there should be a tuition increase at that institution. So, I’m telling you what I’m going to be looking at and you’re going to see it again from me.”

Director Lorenzen moved adoption of the Academic Year Fee Book for 2004-05.

Director Nesbitt amended the motion to indicate that special consideration should be given to the plan from Western Oregon University.

On roll call the following voted in favor of the amendment: Directors Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, and Sohn. Those voting no: none.

Director Sohn moved to amend the primary motion to approve it assuming that the Board do so in view of a mitigation plan for the most affected students.
On roll call the following voted in favor of the second amendment: Directors Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, and Sohn. Those voting no: none.

Director Sohn moved that the primary motion be amended to accept the modification proposed by Oregon State University to what was presented in the fee book.

On roll call the following voted in favor of the third amendment: Directors Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, and Sohn. Those voting no: none.

On roll call, the following voted in favor of the original motion as amended: Directors Blair, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, and Sohn. Those voting no: Burns.

Director Richmond added that, no later than the next Board meeting in July, the presidents should be notified of any changes the Board would recommend. She also noted that the resident graduate tuition rates are “way above our peers and we are talking about students that desire to pursue graduate education at a time when they realize the financial benefits. We need to start paying attention to this.”

President Ray responded that the OSU plan begins to address these concerns. “We have, in fact, been pricing ourselves out of the out-of-state undergraduate and professional and doctoral program markets and we need to moderate what has gone on in the past.”

It was acknowledged by Director von Schlegell that the appropriate role for the Board is governance and that needs to be addressed. “When you talk about affordability and access, there are only two or three variables – tuition levels, financial aid, and competitive factors and I’ve gotten a lot of different answers over the last several months on how high our tuition is. Oregonians’ ability to pay is another factor. If we’re going to operate at the right level, we need to look at the information we have to set policies so that the presidents can run their institutions. I don’t know if it’s a history of micro-managing. . . but I think we have to get away from that model and start looking at the real affordability issues – tuition, financial aid, and net income of Oregonians.”

Governor Kulongoski expanded on Director von Schlegell’s comments by offering that “the System has suffered a lot in the legislative process through a lot of its own doing. It is this lack of credibility on numbers and data. Now, I understand with the large institutions and seven independent bodies that this happens. But ultimately, somebody has to show up and make a presentation that the legislators can say, ‘I believe this.’”

Explaining her negative vote on the Tuition Fee Book, Director Burns stated it was not to “suppress the good moves that we’ve made in the past few moments towards what I believe to be a positive end. I just disagree with the idea of the elimination of the tuition plateau as previously articulated and I couldn’t, even though these are really
encouraging steps, and I totally agree with the amendments, I just couldn’t on principle vote for something that I didn’t necessarily support on the foundation level.”

Ms. Heiligman asked for clarification on the WOU proposal. Western had asked for fee increases in some of their self-supporting programs, including housing rates and health fees. She questioned if these were included or not in the motion about WOU. WOU was asking for a $2.00 increase in their health fee and housing rates which are self-supporting programs. It was agreed that these requests stand as presented.

President Conn stated that WOU was requesting elimination of the tuition plateau, a rate reduction for out-of-state students and graduate students, and no rate increase for in-state students and questioned if those proposals were accepted or not. Governor Kulongoski stated that everything would remain status quo until the Board had resolved the ending fund balance issue.

Director Richmond recommended that the Audit division of the Chancellor’s Office review the finances for WOU in a manner that can be done in a short period of time to assure that monies are not being spent unwisely in an attempt to lower the fund balance. Director von Schlegell added that perhaps some outside audit assistance would be helpful as well.

d. Adoption of OAR 580-040-0300, Surplus Property Disposal

BOARD DOCKET:

Summary:
The purpose of this rule is to establish parameters governing the disposal of surplus property by the Chancellor’s Office and the institutions of the Oregon University System (OUS).

Background:
In 2003, Senate Bill 437 gave OUS authority to dispose of surplus property independent of the regulations that govern other state agencies. The Chancellor’s Office Legal Affairs Office created a rough draft for discussion purposes and a conference call was held on October 23, 2003, with the campus purchasing managers and surplus property disposal staffs for initial input on the draft. The attorneys at the University of Oregon and Oregon State University had significant input thereafter into the draft that was revised to include campus input. On December 12, 2003, a copy of the revised draft was sent to the campus Directors of Business Affairs and the purchasing managers. Additional input was received from campus attorneys, and a final draft was sent out to the Directors of Business Affairs on March 23, 2004, with no further direction for change received.

The rule as proposed provides optimum latitude to the campuses in disposal of surplus property and scrap materials. Campuses may adopt their own rules in accordance with the OUS rule.
On May 14, 2004, OUS held a public hearing. No testimony or further input was received.

Staff Recommendation to the Board:
Staff recommended that the Board adopt OAR 580-040-0300 as presented below.

SURPLUS PROPERTY DISPOSAL

580-040-0300
Purpose
These rules establish, for the Institutions of the Oregon University System (OUS) and the Chancellor’s Office, a process for disposal of surplus and scrap property that safeguard’s state assets, creates efficiency in surplusing or scrapping, maximizes the value received for property that is surplus to institutional or the System needs, and is attentive to environmental impacts.

580-040-0301
Definitions
For purposes of OAR 580-040-0301 through 580-040-0311, unless context requires otherwise:
(1) “Board” means Oregon State Board of Higher Education.
(2) “Chancellor’s Office” means the offices that provide direct administrative support to the Chancellor and the Board, and are not part of an OUS institution.
(3) “Employee” means a person who, within the last twelve months, has been paid a wage for full-time, part-time, or temporary work by an institution or the Chancellor’s Office.
(4) “Federally Funded Surplus Property” means personal property, vehicles, and titled equipment, purchased with federal grant or other federal funds and that is worn-out, obsolete, or excess to the Chancellor’s Office or an institution’s needs, or otherwise unsuitable for intended use, the disposal of which would be to the financial benefit of the institution or Chancellor’s Office.
(5) “Institution” means any of the institutions of the Oregon University System.
(6) “President” means the chief executive officer of an Oregon University System campus or designee.
(7) “Scrap” means materials, including lost, mislaid, or abandoned property having no financial value or such low financial value as to make sale not cost effective.
(8) “Surplus Property” means all personal property, including lost, mislaid or abandoned property, vehicles and titled equipment that is worn-out, obsolete or excess to the Chancellor’s Office or an institution’s needs, or otherwise unsuitable for intended use, the disposal of which would be to the financial benefit of the institution or Chancellor’s Office.
580-040-0302
General
(1) The Chancellor’s Office and Oregon University System institutions may, in accordance with these rules, dispose of any worn out, obsolete, scrap, or otherwise unsuitable surplus property, the disposal of which would be to the benefit of the Chancellor’s Office or the institution, except as set forth in subsection (2).
(2) These rules do not apply to any equipment, goods, supplies, material, information technology or other personal property encumbered by a certificate of participation that will be disposed of in accordance with applicable law.

580-040-0303
Delegations
These rules apply to the Chancellor’s Office. An institution may follow the procedures set out herein or adopt its own rules, which rules will conform to the purposes set out below. Prior to adoption, the OUS Senior Vice Chancellor for Finance and Administration must approve the rules developed by the campuses. In addition, the State Board of Higher Education delegates to each president responsibility for implementing these rules or rules adopted by that institution.

Purposes: Rules developed for surplus and scrap property will:
(1) Safeguard state assets;
(2) Create efficiency in surplusing or scrapping;
(3) Maximize the value received for property to the extent consistent with efficiency; and
(4) Attempt to reduce negative environmental impacts.

580-040-0304
Environmental Standards
Disposal of surplus property and scrap will be accomplished in accordance with all state, federal, and local regulations regarding environmental health and recycling. If ownership of surplus property or scrap is transferred to another party, the institution, or Chancellor’s Office transferring the property must document passing of title. The acquiring party assumes environmental responsibility when title transfers.

580-040-0305
Maintenance of Proper Inventory Records and Justification of Sale or Disposal
(1) The Chancellor’s Office and institutions will each set thresholds and standards that identify by value or type, for personal property for which disposal records must be maintained.
(2) Disposal records for assets, whether or not capitalized, will include the following information:
(a) Description of property and, if capitalized, asset number; and
(b) Reason, date, and method of disposal.
**580-040-0306**  
*Disposition of Federally Funded Surplus Property*  
Federally funded property will be disposed of in accordance with applicable federal law or federal grant terms, if any. Otherwise, such property will be disposed of in accordance with these rules, or institution rules adopted hereunder.  
*Stat. Auth: ORS 351.210*

**580-040-0307**  
*Disposition of Property Acquired by Gift*  
Disposition of property acquired by gift will be in accordance with the Internal Revenue Code and any restrictions applicable to the property. Otherwise, the property will be disposed of in accordance with these or institution rules adopted hereunder.  
*Stat. Auth: ORS 351.210*

**580-040-0308**  
*Exchange or Trade-in Option.*  
The Chancellor’s Office or institution may exchange or trade-in property when such exchange or trade-in is in the best interest of the Chancellor’s Office or institution and is otherwise in compliance with applicable rules or policy. Exchange or trade-in will be considered disposal for purposes of these rules. Records will be kept regarding the valuation methodology used in evaluating the relative benefits of trade-in, exchange or sale.  
*Stat. Auth: ORS 351.210*

**580-040-0309**  
*Transfer of Property to a Collaborating Government or Non-Profit Institution*  
Transfers of surplus property or scrap may be made to a collaborating government or other non-profit institution when intended for institution purposes and consistent with restrictions on its transfer.  
*Stat. Auth: ORS 351.210*

**580-040-0310**  
*Method of Disposal; Eligibility to Acquire*  
(1) The Chancellor’s Office or institution will use a method of disposal that is cost-effective, taking into account the costs of disposal and the potential for financial return. Disposal methods include, but are not limited to, exchanges, trade-ins, auctions, sealed bid sales, scrapping, fixed price retail sales, donation to other state agencies, Oregon political subdivisions, public non-profits, web-based auctions or sales and, for scrap, transfer for no valuable consideration.  
(2) No current or former employee or agent for such will be granted any benefit or opportunity not granted the general public in acquisition of items through the disposal process.  
(3) All property is conveyed “AS-IS, WHERE-IS” with no warranty, express or implied, of merchantability or fitness for a particular purpose, or any other warranties or guarantees. A purchaser or disappointed bidder will have no recourse against the State
of Oregon, the Oregon University System, an institution, or any of their officers, employees, or agents. All sales will be final.

(4) The Chancellor’s Office or institution may provide that payment may be made by credit card, cash, cashier’s check, personal check, wire transfer, or money order.

(5) Surplus property paid for, but not claimed with the time specified in the sales terms and conditions will be conclusively considered the property of the Chancellor’s Office or institution and may be disposed of in compliance with these rules.

(6) Title to surplus property or scrap is transferred to the purchaser when the Chancellor’s Office or institution makes the item available to the purchaser either by the purchaser, purchaser’s agent, or purchaser’s or institution’s designated shipper taking possession of the item. Surplus property must be paid for in full before the institution or Chancellor’s Office will make it available to the purchaser. Purchaser assumes all responsibility, including risk of loss or damage, for the item when title is transferred.


580-040-0311
Disposal of Computer and Other Electronic Storage Devices and Media
Prior to disposal of any computer, computer peripheral, computer software, electronic storage device, or storage media device, the Chancellor’s Office or institution will, as applicable, completely erase or otherwise render unreadable all information, data, and software residing on the Device, unless the information, data, or software is to be conveyed and may be conveyed lawfully.


BOARD DISCUSSION AND ACTION:
Governor Kulongoski turned to Vice Chancellor Anderes for an explanation of the surplus property disposal rule. Vice Chancellor Anderes asked OUS General Counsel and Deputy to the Chancellor Benjamin Rawlins to make a brief presentation. General Counsel Rawlins noted the draft administrative rule was the result of the passage of SB 437, which authorized OUS to dispose of surplus property independent of the rule of the Department of Administrative Services. He offered the rule was drafted after consultation with the directors of business affairs, campus counsel, and purchasing and surplus personnel on each of the campuses. He stated: “The intent of the rule is to allow the campuses and the Chancellor’s Office the greater flexibility in disposing of surplus and scrap property while remaining cognizant of environmental concerns, ethics, efficiencies, and the need to maximize value received from these properties.”

Governor Kulongoski acknowledged his conflict, but asked General Counsel Rawlins if DAS was aware of the rule. General Counsel Rawlins replied DAS was aware of the draft rule, as there were discussions and the new draft rule parallels the DAS rule. Governor Kulongoski asked if DAS knew the rule was coming, and Rawlins replied yes. With no discussion, Governor Kulongoski called for a motion to adopt the rule.

Director Burns moved to adopt the rule, and Director Sohn seconded the motion. With a roll call vote, those favor in favor: Directors Blair, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, and Sohn. Those opposed: none. Motion passed.
e. Request to the Emergency Board for Salary Adjustments for Selected Faculty

BOARD DOCKET:

Purpose:
The Department of Higher Education sought approval of a pilot program to retain faculty members who are considering leaving the Oregon University System. The program would establish a “fighting fund,” generated from savings in the Chancellor’s Office budget, to offer compensation increases to a limited number of tenure and tenure-track faculty whose work generates significant economic benefit to Oregon. The pilot program is intended to prevent further loss of top quality faculty members during the remainder of this biennium. If successful, the Board will consider extending the program to deal with legislatively determined salary restrictions.

Background:
The 2003 Legislature, at the Governor’s recommendation, adopted a wage freeze for all state employees for the 2003-2005 biennium. House Bill 5077 included the following Budget Note for the Department of Higher Education:

The adopted budget does not support any increases in salaries, wages, or benefits for the employees of the department during the 2003-2005 biennium, and the Committee expects no such increases to be awarded.

The current biennium wage freeze compounds long-standing concerns regarding the level of faculty salaries in Oregon compared with universities in other states. According to a survey released by the American Association of University Professors for the 2003-04 academic year, Oregon salaries for full professors were 15 to 24 percent below the national average for similar types of institutions. Oregon salaries for associate professors were 6 to 20 percent below the national average; assistant professor salaries were 5 to 19 percent below the nationwide average.

Higher education operates in a truly national labor market, particularly for top quality academics. The Department is concerned that an increasing number of faculty members are leaving the state due to compensation issues. The Board conducted a faculty retention survey in February 2004 and found that 21 faculty members had recently left, an additional 19 were believed to be negotiating with other institutions, and 26 more were considered highly likely to be approached within the next six months. Many of these faculty members, in addition to their teaching and public service, bring significant amounts of grant funds to the state. Of the 21 faculty members who have already left the System, eight had grants in the current academic year totaling an estimated $3.5 to $4.3 million.

Faculty Salary Proposal:
1. Establish a pilot program that will allow the Board of Higher Education to increase compensation for faculty members whose continued employment in Oregon has
significant economic development implications. (Establish as a pilot program in case the state’s salary freeze is extended or the Board wants to establish a “fighting fund” for retention purposes.)

2. Reserve $0.5 million in state General Funds (available from reductions in the Chancellor’s Office budget) to fund the pilot program. Universities will contribute Other Funds Limited revenues to fund compensation increases in proportion to the campus General Fund split. Universities will provide all funding for employees funded by gift, grants, and contracts.

3. Using these funds, authorize the Board to grant salary increases of up to 10 percent for a maximum of 200 tenured and tenure track faculty members prior to the end of the 2003-2005 biennium, if the faculty member has an offer of employment from another organization at a salary in excess of the faculty member’s current salary. Also, faculty members that have recently been awarded a prestigious prize or award, been elected as a Fellow or member of a prestigious academy, or honored for meritorious activities denoting a national or international reputation in the faculty member’s field may be considered for an increase.

4. In order to request a salary increase from the Board, a university president must provide the following information to the Chancellor’s Office:

   a. The identity of the faculty member;
   b. Current salary and requested increase;
   c. Source of the funds that will be used to fund the proposed increase;
   d. To the extent possible, information regarding the offer from the outside organization including salary and non-salary components;
   e. Any non-salary components of the proposed OUS counter offer;
   f. The impact, if any, of the salary increase on other faculty members at the institution;
   g. Where appropriate, a list of grants and contracts awarded in the current academic year, including the amount of each and their expiration date;
   h. Documentation of recent awards, prizes, elected positions, or meritorious activities demonstrating the national or international reputation of the faculty member;
   i. Assurances of the sustainability of gift or foundation funds intended to permanently fund the proposed increase; and
   j. A description of the benefits to the institution and the state resulting from the increase.

5. The Chancellor’s Office shall provide appropriate forms for the presidents for submission of requests for salary increases. The Chancellor’s Office shall report to the Department of Administrative Services (DAS) and the Legislative Fiscal Office quarterly on faculty salary increases approved by the Board.
6. The presidents shall also prepare a report to the Chancellor on all faculty promotions to higher rank. The report shall include the salary before and after the promotions. The Chancellor’s Office shall include this information in its report to DAS.

Staff Recommendation to the Board:
Staff recommended the Board approve the salary adjustment proposal and submit it to the Legislative Emergency Board.

BOARD DISCUSSION AND ACTION:
Chief Operating Officer Yunker reviewed the proposal and stated that the difference between this request and others that have gone forward for a “fighting fund” is that this is occurring at a time when there is a salary freeze in the state. “This is a ‘one-time’ emergency fighting fund concept for this year to get us through June 30, 2005. We will go to the Emergency Board and talk to them about the proposal in late June.” He shared that he had talked to at least half dozen legislators who are on the Emergency Board or in leadership positions and they stated that, while they are open to the concept, they have questions they would want to discuss.

Vice Chancellor Anderes reminded the Board that these are “non-recurring funds” in the sense that faculty receive these dollars one year and either they or the institution would be responsible for identifying additional resources.

Reflecting on the meeting the previous day with the Interinstitutional Faculty Senate, Director Sohn reminded the Board that there was a plea not to do this on the grounds of fairness to other faculty. “The pitch basically was that, in terms of faculty morale, everybody is pulling together in difficult circumstances right now and that singling certain people out for this kind of treatment, when everybody really deserves a raise, is problematic. I don’t mean everybody, but I mean on a performance basis. Everybody’s being paid, in a sense, under a salary freeze, nobody is being recognized for their performance contributions—there are not merit or other raises. And that there’s a broader group of meritorious faculty out there that this will not address.”

Although unable to attend the IFS meeting, Director Nesbitt stated that he likewise had concerns. Adding that he would support a very strong, very robust fighting fund in a better time and a better context, he could not support it now in the context of a salary freeze for all state employees, for all higher education staff. “I think this heightens the normal conflicts that might arise about who qualifies or who doesn’t qualify for this kind of increase when everybody’s sharing the burden equally up to now with the salary freeze.

“We also have at least a couple of faculty units that have settled contracts for this biennium with the understanding and the good faith expectation that we’re all in this together when salaries are frozen,” he pointed out.
In addition, Director Nesbitt shared concern about a "fighting fund" for faculty when the Board is still struggling to come to some sort of equity in terms of tuition and fees for students.

Directors von Schlegell, Dyess, and Burns voiced their support for the proposal, cautioning utmost discretion on the part of presidents in implementing the plan.

President Ray reminded the Board that we frequently "talk about how the faculty are the heart and soul of our universities. If we can't retain the best and the brightest, we can never even approach the kinds of aspirations that we have for our institutions, in fact, not even sustain the level of excellence that we're able to sustain at this point."

Continuing, President Ray stated that he and the other presidents would be ready to provide any information, follow any guidelines that the Board would set. "We're willing to be held accountable," he emphasized. President Frohnmayer echoed President Ray's remarks and stated, "Oregon is one of the five now remaining states of the union, perhaps fewer, that has a biennial budget. So the effect of a two-year salary freeze is particularly pernicious vis-à-vis all of our competition for other state universities that are beginning to see their states come out of the economic recession and are beginning to be in a competitive position again. So the frenzy that we already saw this last year and significantly warded off will last another year—the feeding frenzy on the availability of Oregon's best faculty—and it will only be more intense next year."

President Frohnmayer added that keeping productive faculty is also a key component of economic development.

Governor Kulongoski reminded the Board that he was the author of the salary freeze. “For a variety of reasons, I insisted that the Budget Note be put in and that it would be applied to everyone. . . . I don’t have a vote (on the Board), but I am going to appear before the Emergency Board in support of this because this is going to be a tough call since I am asking them to amend a policy that I sought very, very hard." He offered support since maintaining excellence at the institutions depended so heavily on the quality of the faculty.

Director Burns moved approval of the staff recommendation. Those voting in favor: Directors Blair, Burns, Dyess, Lorenzen, Pilliod, von Schlegell, and Sohn. Those voting against the recommendation: Director Nesbitt. Director Richmond abstained because of a potential conflict of interest.

f. **ASET Initiative**

**BOARD DOCKET:**

Access & Affordability Working Group (AAWG) STATUS REPORT
Introduction
A higher level of educational attainment is critical to achieving prosperity and economic security for Oregonians and to effectively positioning our state within the globally competitive economy. The educational attainment level of the adult working-age population is linked to a state’s economic health (e.g., average personal income, poverty levels, unemployment rate) and capacity to develop a workforce with the skills for high-wage knowledge work and innovation.

For these reasons, the Oregon Progress Board has established ambitious goals as a key public policy “benchmarks” for Oregon by 2010
- 80 percent of Oregon adults (25 and older) will have completed some college;
- 45 percent of Oregon adults (25 and older) will have completed a four-year degree (compared to just 26 percent in 2000).  
But the ability to complete a college education is, for many Oregonians, dependent on their ability to pay for a college education. Many wonder if their children and grandchildren will be able to attend college at all. According to a recent study, more than 70 percent of Oregonians rated college affordability as “very important.” Yet, higher college tuition and fees and the total cost of a college education have created an “affordability gap” in Oregon – the difference between what a student can afford to pay and what a student must pay to go to college.

Findings:
The affordability gap represents a financial obstacle for young adults from low-income and middle-income families to secure the post-secondary education they hope for and need. It also represents a lost opportunity for those individuals to realize their potential, and for our state to maintain and grow a successful and sustainable Oregon economy. It is estimated that 12,000 Oregon high school graduates did not go on to college in the 1990s because rising tuition and stagnant family incomes discouraged their participation and another 9,000 may have the same fate in this decade. Our state economy cannot recover the economic and social benefits that would have flowed from having more citizens with college degrees.

The affordability gap in post-secondary education is worsening throughout our nation, but it has widened to a chasm in Oregon. Oregon’s state-level higher education policies received an ‘F’ in affordability in Measuring Up compared to California (which rated an ‘A’) and Washington (which rated a ‘C’). The reasons for this poor rating are higher-

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2 The US Census Bureau reports that 25.9% of Oregon’s population 25 years and over has at least a bachelor’s degree.
4 Oregon University System, Office of Institutional Research Services (2003). Projections based on freshman participation rates and community college transfer rates before and after Measure 5 and assuming current persistence and completion rates for each cohort to yield a cumulative total number of students who would have been expected to enroll and complete degrees in the 1990s.
than-average tuition rates at Oregon’s public, two-year colleges and four-year universities compared to median family income, lower-than-average incomes (exacerbated by the severity of the recession in Oregon), and lower-than-average state-funded financial aid.

The last factor is most telling. State-funded, need-based financial aid for higher education students in Oregon averaged only $133 per enrolled undergraduate student in 2002-03, before further retrenchments in the Oregon Opportunity Grant6.

- Nationally, states contributed more than twice that amount for such financial assistance at $354 per enrolled student in the same academic year.
- In California and Washington, state-funded need-based financial aid totaled $367 and $483 per enrolled student, respectively, in 2002-03.
- Across the nation, spending on state-funded, need-based financial aid has increased more than 70 percent over the last five years.7 (See Appendix A, available in the Board’s Office.)

Tuition and fee policies based on median family income and state support for need-based financial aid are critical for increasing the success rates of students at the four key transition points spanning the period from high school to completion of a college degree (i.e., high school graduation, entry into higher education, persistence in higher education, and completing higher education).8 The success rate of the traditional “educational pipeline” varies widely by state indicating state-level educational policies make a difference to educational outcomes.

- Only 15 of every 100 ninth-grade students in Oregon are progressing successfully from ninth grade to completing a college degree within a continuous and progressive educational cycle, ranking 35th out of 50 states.
- The U.S. average completion rate is 20 percent better than Oregon’s – with 18 of every 100 ninth-graders securing a two-year or four-year degree within the same time frame.9
- The average success rate of the top 25 percent is almost double that of the bottom 25 percent. Massachusetts ranks first with 29 out of 100 ninth graders completing a college degree.

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6 The Oregon Opportunity Grant, formerly the Oregon Need Grant created in 1971, is the state’s assistance program designed to reduce barriers to postsecondary education for low-income students. For 2004-05, the award amounts vary by sector for the publics and by institution for the eligible private colleges. The award level for recipients going to Oregon’s community colleges is $1,257, to OUS institutions is $1,487, and to OHSU is $2,064. For students attending eligible private institutions, the award level averages about $3,200. The award level is set at 11% of the annual cost of attendance (tuition and fees, books, room and board).


The highest performing states are almost three times as productive in college degree attainment as the lowest performer. ¹⁰

Albeit colleges and universities are accommodating student demand for different pathways to college, more students could be more focused and efficient with adequate financial assistance. According to an increasing number of policy experts, developing effective education policies is a state’s primary tool for gaining high numbers of knowledgeable, skilled workers in the workforce. Oregon’s financing policies for postsecondary education have created a situation in which only the most well-off Oregonians are assured of a path to college. Other qualified Oregonians will require some assistance to attend.

In November 2004, Governor Kulongoski called upon the Oregon State Board of Higher Education (OSBHE) to reconnect postsecondary education to its statewide mission – access – and better align higher education with state priorities. In a recent speech, the Governor called upon the postsecondary education community to work collaboratively to design an access program that would benefit all Oregonians:

*I’m asking all Oregonians to join me in creating a fund that will support access to college for every eligible Oregonian – and to put this fund in the Constitution where it will serve as an economic engine for generations to come.*

The OSBHE responded by creating the Access & Affordability Working Group (AAWG), one of three work groups tasked to develop strategic directions for postsecondary education linked to advancing Oregon’s economy. OSBHE charged AAWG with drafting policy goals and objectives, proposing basic policy elements for access scholarships, costing policy alternatives in relation to the objectives, drafting an amendment to the Oregon Constitution, and proposing performance measures or yardsticks to demonstrate successful outcomes.

**OSBHE Access & Affordability Working Group Process**

*Tim Nesbitt, OSBHE Director, and Nan Poppe, Campus President, Portland Community College, Extended Learning Campus, serve as co-chairs to the OUS Board Access & Affordability Working Group (AAWG). Other members include two OSBHE Directors, Bridget Burns and Howard Sohn; Paul Bragdon, President, Lewis & Clark College; Samuel Brooks, President, Oregon Association of Minority Entrepreneurs; Randy Choy, Program Officer, Oregon Community Foundation; Vanessa Gaston, President and CEO, Urban League of Portland; Roman Hernandez, Attorney, Schwabe, Williamson, & Wyatt, PC; and Kate Peterson, Student Financial Aid Director, Oregon State University.*¹¹

¹⁰ The top ten performing states include Massachusetts (29%), Pennsylvania (28%), Iowa (28%). New Hampshire (27%), Connecticut (26%), North Dakota (25%), Minnesota (25%), New Jersey (25%), Wisconsin (25%), Rhode Island (23%). Performance of western states include Colorado (20%), Wyoming (20%), California (19%), Arizona (17%) Washington (15%), New Mexico (10%), and Nevada (10%).

¹¹ Non-voting “Resource Experts” participated in the meetings. These experts include Cam Preus-Braly, Commissioner, Oregon Office of Community Colleges and Workforce Development (OCCCED); Julie Suchanek,
Since March 2004, The Access & Affordability Working Group has held six public meetings and completed a series of fact-finding and development activities. The AAWG has reviewed data and information about the cost of attending college as well as policies that increase the affordability of college used by higher-performing states. The AAWG is in the process of developing a proposal for increasing need-based financial aid for students entering postsecondary education for a first bachelor’s degree.

This status report to OSBHE reflects the deliberations of the working group, resource experts, and interested parties attending the public meetings. Other stakeholder groups were contacted about this effort prior to the June meeting of the OSBHE including the directors of student financial aid in Oregon’s private and public sectors, presidents of OUS campuses, presidents of Oregon’s community colleges, presidents of private/independent, non-profit four-year colleges in Oregon (OICA members), and a joint legislative higher education working group convened by Senator Kurt Schrader, Senator Frank Morse, Representative Susan Morgan and Representative Betsy Johnson.

Before advancing the legislative concept in the policy development process, the OSBHE’s feedback to the overall direction represented in ASET’s objectives and proposed policy elements is needed.

**Draft Policy Goals and Objectives**

The goals and objectives include:
- To expand access and make postsecondary education more affordable for all Oregonians.
- To increase the number of Oregonians who are successful in achieving their individual postsecondary goals.
- To ensure the well-educated workforce required by Oregon's current and potential employers (Oregon Benchmark target of 45% of Oregon adults with at least bachelor’s degrees and 80% with some college by 2010.)

To achieve these goals, Oregon policymakers must address the needs of both current and future generations of students. In the short-term, better funding of the Oregon Opportunity Grant (OOG) is needed to reach the current generation of students and provide a bridge to the ASET program. But ASET is a longer-term promise designed to give hope and incentives to students that they will be able to attend college if they work hard and do well. Therefore, implementing ASET also requires the creation of a constitutionally protected endowment for the longer-term. The full-effects of ASET would be realized in the next generation.
Further, in seeking to increase state-funded need-based financial aid for post-secondary students, the AAWG noted its intention that such aid should not be viewed as a trade-off for direct state support for its community colleges and public universities and for keeping tuition affordable for all.

Finally, in seeking to identify appropriate resources for the long-term endowment, the AAWG recommends that existing General Fund revenue sources should not be carved out for the proposed endowment, because of the continuing pressures on the state’s fiscal capacity to meet existing obligations for K-12 education, human services and public safety.

**Proposed Policy Elements:**
Throughout AAWG deliberations it was obvious that the Oregon Opportunity Grant (OOG) is perceived as a good, cost-effective program with high value. However, the pressure to fund more eligible students without corresponding increases in revenues has resulted in fewer qualified students receiving an award and accounts, in part, for the “F” in affordability in Measuring Up 2002. Eligibility for an Oregon Opportunity Grant is based on Oregon’s median family income (MFI) by family size and student status (dependent or independent according to federal definitions).

- For a family of four with one dependent student in college the MFI is $56,987. To be eligible for need-based assistance, this family would have to earn no more than 55% of the MFI or $31,340.
- For a single, independent student, the income threshold is $8,890 or less. (See Appendix B for Eligibility Tables for 2004-05 [available in the Board’s Office].) The numbers of students eligible for the grant far exceeds the revenue capacity.

  - Fifty percent of the students eligible to receive an OOG received one in 1998-99 (15,710 of the 30,954 eligible students). Only 27% of the students eligible to receive an OOG received one in 2003-04 (14,491 of the 53,175 eligible students) before funds ran out at a much lower threshold than in previous years.  

Instead of creating a new or parallel grant program, the AAWG recommends using the brand name “Oregon Opportunity” for the access scholarships. The committee estimates it would take at least ten years to create an endowment with a corpus sufficient to generate interest income to support access scholarships. If the Board concurs that this is a critical need today, bridge funding would be needed in this biennium and the next several biennia to support the increased demand for an Oregon Opportunity Grant.

The design specifications for a redesigned and better-funded access scholarships include five elements:

1. Better align the OOG with the federal Pell Grant.  

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| 12 The threshold for qualifying |
| 13 The federal Pell Grant, established in 1972 with an amendment to the 1965 Higher Education Act, is the foundation program for federal student financial aid and is the largest grant program. In 2002-03, 23% of all undergraduates received a Pell Grant. The federal need formula is set in statute and the program is structured as an entitlement—if you qualify you get an award. But, it is funded through the annual appropriations process by estimating the number of |

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• Streamline administrative processes related to determining eligibility and setting award levels;
• Include income and assets in determining eligibility (excludes primary dwelling and automobile);
• Replace income eligibility cut off (cliff) with a graduated income cut off (slope);
• Extend eligibility to students from middle-income families.

2. Base eligibility of students on acceptance into an academic program leading to a degree (associate’s or bachelor’s degree) or certificate, maintaining full- or half-time enrollment, and making adequate academic progress. (Current OOG policy.)

3. Allow students to use the access scholarships at any eligible two- or four-year college or university in Oregon of their choice, excluding majors in theology or ministerial studies. (Current OOG policy.)

4. Set the maximum grant amount available to any eligible student equal to no more than the average resident undergraduate tuition and fees of the seven OUS universities, with the award not to exceed the tuition and fees charged by the institution in which the student chooses to enroll.¹⁴ (Varies from OOG policy.)

5. Providing other criteria are met, the length of eligibility would extend to 150% of published length of time to complete a first bachelor’s degree (six years for a 4-year bachelor’s and three years for a 2-year associate’s degree).¹⁵

With the better alignment with the Pell Grant (particularly the level of the grant graduated according to family income level) and a larger Opportunity Grant tied to the level of average tuition and fees at OUS institutions (also graduated according to family income), qualified students who cannot afford the rising costs of attending college would not remain untapped resources for Oregon’s economy. (See Appendix C for the effect of proposed grant funding on unmet need for three Oregon institutions, available in the Board’s Office.)

Proposed Amendment
In order to establish a protected endowment to achieve these stated goals in the long-term, a constitutional amendment must be presented to the voters for their approval.

The intention is to present a proposal for such an amendment to the 2005 legislature for referral to the voters at some date thereafter.

¹⁴ The student must be full-time to be eligible for the average full-time tuition and fee grant. If the student were enrolled half-time, the grant amount would be calibrated against the tuition and fee charges for the average half-time tuition and fees at OUS universities.  
¹⁵ This reflects total time and would preclude resetting the clock for subsequent degrees. It would cover the first certificate degree, the first associate’s degree, and the first bachelor’s degree. It would not cover students who completed a first bachelor’s degree and then go back to complete a certificate program. Employers and federal workforce programs are other support options for training needs throughout careers.
A sample draft of an amendment is offered below, with the understanding that the purpose of such an amendment is to authorize, fund, and protect an endowment for its stated purposes, while leaving flexibility for program design to be incorporated in statute.

**Preamble:**
Postsecondary education has become the gateway to economic opportunity, just as a high school diploma used to be. We the people of Oregon believe that a higher level of educational attainment for all Oregonians is critical to the prosperity and security of the state and its people. Therefore,

The people of the State of Oregon add the following new section to the Constitution:

The Oregon Opportunity Trust is hereby established to make college education more affordable for all Oregonians and to increase the number of Oregonians who hold college degrees.

The program shall provide grants to residents of Oregon who have demonstrated the interest and ability to pursue higher education programs that lead to an associate's or bachelor's degree or qualifying certificate program. Such grants shall be designed to reduce financial barriers to the pursuit and completion of such degree programs in Oregon's public colleges and universities and in eligible private colleges and universities in Oregon.

The grants shall be distributed to students in a manner that maximizes the successful participation of all income groups in higher education in Oregon in a cost-effective manner.

In addition, up to ten percent of the funds awarded in any year may be used to enhance need-based assistance to attract and retain students in programs needed to advance Oregon's competitiveness in the global economy.

**Extraordinary Needs and Competitiveness Goals**

The overall emphasis of AAWG has been on reducing financial barriers as a first priority. In addition to access, the Governor also noted other higher education priorities when he reconstituted the OSBHE:

We must spend state dollars effectively by targeting investments to programs that drive economic growth and that give us return on our investment that aligns with our goals of access and excellence.

Two other work groups, Academic Excellence & Economic Development and Excellence in Delivery & Productivity, are addressing programs that align with access and excellence that could be addressed within ASET. Among the suggestions offered for targeted investments include loan forgiveness programs for critical occupations contingent on Oregon employment (e.g., health care, information technology), scholarships for talented students (“merit within need”), incentives for community college students to transfer in the
junior year to a four-year institution. The OSBHE will be receiving reports from these committees that have potential for shaping this aspect of ASET. To permit the greatest flexibility, the specific programs should not be fixed in Constitutional or statutory language.

**Administrative Agency**
The Oregon Student Assistance Commission (OSAC) has responsibility for administrative oversight of the Oregon Opportunity Grant among other scholarship and loan programs. The intention is not to establish a second agency to administer the Oregon Opportunity Trust—or ASET.

**Performance Measures**
Among all the barriers to postsecondary education, financial ones show up consistently in access research. Other important barriers include adequate preparation to do college-level work, the focus of Excellence in Delivery & Productivity Working Group. Possible indicators of realizing the access and affordability objectives identified include:

1. Number of additional associate’s and bachelor’s degrees and certificates produced.

2. Number of community college students that transfer successfully to a four-year institution and complete bachelor’s degrees.

3. Percent of lower-income students that enroll in postsecondary education in Oregon following high school graduation and complete a degree (reduce gaps with students from middle and upper income groups).

4. Average number of terms it takes to complete degrees or percent of students completing bachelor’s degrees within four years (by racial/ethnic group, income group, age, gender).

If access scholarships are adequate to remove financial barriers, one would expect freshmen persistence rates to go up, community college transfers to increase, graduation rates to increase, and average borrowing to go down. In fact, Senator Schrader indicated that if access scholarships were funded, OUS would be expected to set targets higher for performance measures than those approved by the 2003 Legislative Assembly. Given that students could take the access scholarships to other institutions in Oregon, all eligible institutions should share in demonstrating accountability for delivering a return on this important investment.

**Next Steps**
A college education is a major investment today. Currently, state and federal governments, colleges and universities, employers, and philanthropic organizations are concerned about optimizing equity and diversity in postsecondary education opportunities (e.g., economic, racial/ethnic, geographic). The next phase of the work includes refining projections of funds needed, developing a broad base of support

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16 Several of these yardsticks are already included as performance measures for the Oregon University System (OUS) and are reported annually to the Department of Administrative Services (DAS) aggregated for the seven OUS universities. See the OUS website for performance data, trends, and targets.
needed to advance an access and affordability agenda, communicating with Oregonians about how they will benefit from more people completing bachelor’s degrees, and identifying a new source of revenue for ASET.

**Conclusion**

Many states have created strong need-based student financial aid programs that approach or exceed the value of the Pell Grant in order to build human capital assets through support of students’ degree attainment. Some states have enacted policies to maintain balance among direct support of public institutions (state appropriations per student), tuition and fee charges, and student financial assistance. These include requiring state aid program adjustments for tuition and fee increases; setting aside a proportion of tuition and fee increases as fee remissions or tuition discounts for low- and moderate-income students, basing tuition and fee charges on median family income, and/or basing annual tuition and fee adjustments on an independent economic indicator (e.g., such as the CPI). As Oregon contemplates finding a new revenue source to expand need-based assistance, the OSBHE may want to consider how to align other financing policies with an improved state financial aid policy.

These policies are designed to create stability, predictability and choice for students and their families by providing the conditions for students to make better enrollment choices that have long-term consequences – taking on reasonable debt loads they can comfortably afford to pay back, working fewer hours to focus on academics and getting started earlier on careers, attending full-time instead of part-time or attending part-time consistently, and holding on to aspirations for a college education.

Many Oregonians, including the Governor, recognize that a college education deeply changes a person’s prospects for a better life, and, in turn, contributes to a better Oregon. Children from minority and low-income groups in Oregon do not have the same opportunities to go to college that they have in other states. Yet, these children are a growing share of Oregon’s future workers, parents, taxpayers and citizens. In a recent speech, the Governor called upon the postsecondary education community to work collaboratively to design an access program that would benefit all Oregonians. This report summarizes the work completed to date and represents the thinking and work of many individuals.

**BOARD DISCUSSION AND ACTION:**

Director Nesbitt, chair of the Working Group, provided a detailed overview of the preliminary ASET program. One area he highlighted related to how grants would be awarded. “Currently, at a community college, an Oregon Opportunity recipient would get a little over $1,250, $1,480 at Oregon State University, and over $3,000 at some of the private colleges. We, instead, are proposing to raise the bar at the seven OUS universities, with a caveat that we don’t want our Oregon Opportunity Grant to exceed the tuition and fees charged by the institution where the student chooses to attend. So, it’s one formula to determine the amount, which will be a much greater amount now

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17 The University of California system requires UC campuses to set aside 30% of tuition and fee increases for need-based assistance. The System is currently considering a reduction to 20%.
than is currently affordable under the Oregon Opportunity Grant, and the other saying if you choose a community college, you want to make sure that your grant doesn’t exceed tuition and fees and our assessment of public support for this tells us that’s an important caveat, that the voters would be much more likely to support a grant which does not exceed tuition and fees than one which does. And, then, providing other criteria—the length of eligibility would extend to 150 percent to the length of time to complete your degree, therefore six years for a four-year degree or three-years for a two-year degree."

Director Blair asked for clarification if the public universities’ standard was going to be the cap. “So, if someone wants to go to a private university that is much more expensive, the cap on the support is the public university number.”

It was confirmed that was correct. “By doing this, we’re raising the target amount for the Oregon Opportunity Grant high enough that it should match a lot of the grants now provided in the private colleges,” Director Nesbitt explained.

“So, it is this redesign of the Oregon Opportunity Grant, coupled with the goal of putting in the constitution a protected fund – an endowment – for funding this kind of program in the longer term that we’re recommending to you today and it will be incorporated into legislation to go forward,” he asserted.

The Working Group also proposed allowing 10 percent of the fund to be structured in a way other than like the Oregon Opportunity Grant to increase flexibility. Discussion has been that the Oregon Student Assistance Commission, the group that currently administers the Oregon Opportunity Grant, would likely administer the new program.

Finally, there will be performance measures included in the plan to assure that it is serving the intended audiences and achieving the desired results. The Working Group will bring forward Phase II of planning that will include detail on how to fund the plan both in the short and long term.

Governor Kulongoski added that this is an issue that must be looked at with an eye to the long term. “I’m absolutely convinced that Oregon’s future in 10, 15, 20 years, its stable economy, its quality of life – all are dependent upon its investment in higher education. . .I have a sense that in some respects we’re reverting back to the way we were before WWII and that higher education is becoming the benefit of those with means and wealth.

“The other piece of this that I hope we won’t lose sight of is the fact that Oregon looks at its education system in this bifurcated fashion of K-12, community colleges, and higher education. And the very truth of it is that the K-12 system has a tremendous advantage in that it has a constitutional footing in the requirement that the state provide a common and uniform system of schools. And what we have right now is this belief that postsecondary education is a luxury and it isn’t something that the state has to do,” the Governor emphasized.
He also highlighted that there isn’t anything more important than trying to actually implement the present proposal and get it into the Constitution. He explained that it would take a corpus of somewhere between $2 and $3 billion to generate interest income to provide the benefit that is established in this particular proposal. “I know that one thing that is of great concern is the capital gains tax. And I cannot think of a better investment for the business community than if a percentage of the capital gains tax were directed to this fund until it builds the corpus up, because an investment in higher education is an investment in business.”

Another idea put forth by the Governor was the establishment of a common school fund. He explained that it would take some statutory changes to do it, but it could be established with the same principle that would provide interest income for higher education.

In response to a question from Director von Schlegell about other models in other states, Director Nesbitt responded that there are a number of states that have bigger and better programs. Some states, he stated, have loan forgiveness programs. Illinois, Washington, and Georgia were given as examples.

Governor Kulongoski observed that another way to look at the loans was to provide help to students “on the back end of this. There has to be a way that we can actually make the investment here in Oregon and provide the same opportunity by staying here in Oregon, whether it’s public service or something else.”

Director Blair asked if the Working Group had considered other models such as loan forgiveness. Ms. Goldschmidt stated that it didn’t make a lot of difference how students got the assistance – it is that grants matter to people for sustaining and completing a degree and need-based aid seems to work most effectively.

Continuing, Director Blair expressed the belief that, “if you have a program that has the support tied to the actual completion of the degree, then you have an even stronger incentive, theoretically, to actually complete the work.” Director Blair explained further that he was totally supportive of the need to provide support. “I’m just wondering if there are ways to tie this to specific outcomes and encourage certain types of, first of all completion, but then I think another great point is how we encourage people to reinvest in the state of Oregon and really drive economic development in the state.”

When asked what voting in favor of the recommendation meant, Director Nesbitt responded that the Board would be “agreeing to the design of the program as outlined, with subsequent report back on the magnitude of the financial effort that we’re going to be proposing in the next legislative session and the further quantification of the constitutionally protected fund. How we fund it, over what period of time, how much it gets to, what it pays for, eventually – those pieces are yet to come.”

Director Blair stated that the Board was not going to re-engineer the proposal at the meeting, so agreed that there be a caveat that there is still some flexibility to talk about
how to best link this back to the Board’s agenda around economic development and connect it to the results the Board is trying to achieve. He stated that the present 10 percent set-aside in the proposal did not achieve the goals he was after.


g. Legislative Concept—Optional Retirement Plan

BOARD DOCKET:

The Oregon State Board of Higher Education on April 2, 2004, approved submission of a placeholder legislative concept to amend ORS 243.800 that governs the Oregon University System (OUS) defined contribution Optional Retirement Plan (ORP). The intent of an amendment is to decouple the ORP from the Oregon Public Employees Retirement System (PERS) for employer contribution rate setting and membership rules for adjunct faculty. Historical fluctuations in PERS employer contribution rates, along with uncertainty about future PERS plan and rate changes, pose fiduciary concerns about contribution rate volatility for ORP participants if the plans are not separated for purposes of contribution rate setting.

Discussions with a faculty stakeholder coalition began in December 2003, to outline criteria that stakeholders indicated are needed to guide action by the Board in setting employer contribution rates. These criteria are that an alternate rate statute would provide metrics describing a rate-setting method that makes ORP rates 1) competitive, 2) stable, and 3) sustainable. Campus Vice Presidents for Finance and Administration began discussing the concept of decoupling ORP and PERS contribution rates in March 2004.

Legislative Concept Options:
Recent PERS events, including the 2003 establishment of a PERS hybrid plan and the state’s $2 billion bond sale for rate reductions, indicate that the ORP statute should be amended either to (A) retain the linked contribution rates and align statutory language with funding and eligibility provisions suitable for the defined contribution plan participants, or (B) decouple the contributions rates of the two plans.

<table>
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<tr>
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<th>THEN</th>
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<tbody>
<tr>
<td>A. Continue contributions linked to PERS Total Employer Contribution Rate</td>
<td>A1. Revise ORS 243.800(8) and (9) to permit &quot;indirect&quot; contributions, e.g., debt service paid to DAS rather than to PERS</td>
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<tr>
<td></td>
<td>A2. Revise eligibility criteria for adjunct faculty and part-time employees to eliminate retroactive contributions and lost earnings requirements.</td>
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</table>
B. Establish a fixed rate at current PERS employer contribution rate with an option for the Board to adjust for competitive market rates

B1. Requires budgetary support for divergent ORP and PERS rates
B2. Requires periodic adjustment to total compensation benchmarks in relevant labor markets

Discussion
Continued linkage to the PERS Total Employer Contribution Rate (ORS 243.800(9)) creates contribution rate uncertainty for ORP participants in the near and long-term. The combination of regular biennial rate adjustments, based on PERS’ plan valuations, uncertainty in future PERS benefits design, pending amortization policies for three separate PERS plans, and the outcome of legal challenges to 2003 PERS reform, create a contribution rate volatility unusual in money purchase pension plans. Decoupling the employer contribution rates eliminates these problems. Staff evaluation of the two contribution rate options is shown in Tables 1 and 2.

Table 1. ORP Linked to PERS Total Employer Cost Rate

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Analysis</th>
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<tbody>
<tr>
<td>Stable</td>
<td>Poor historical rate stability</td>
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<tr>
<td>Competitive</td>
<td>Provides highly competitive contribution rates</td>
</tr>
<tr>
<td>Sustainable</td>
<td>Questionable. Employer rates are projected to return to rate levels near those that stimulated PERS reform in 2003</td>
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Pro
- Employer total cost rate was in effect when current participants made their irrevocable elections for the ORP; avoids “contract rights” litigation
- Cost neutrality between ORP and PERS
- Favored by faculty stakeholders until PERS reform litigation is completed

Con
- PERS plan management, normal cost factors, and investment performance create a volatile employer total contribution rate
- Effects of PERS’ amortization policies among three plans remains to be determined, but could cause PERS employer rates to decline to near zero over time due to the state agency surplus from Measure 29 bond proceeds
- Affected by alternative funding decisions related solely to PERS benefits, e.g., the Measure 29 rate reduction
- Inapplicability of past service cost payments for defined contribution plan participants, i.e., PERS and ORP benefits and contributions are not comparable

Table 2. Fixed Contribution Rate, Set at Current PERS Rates and Adjusted for Market

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Analysis</th>
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<tbody>
<tr>
<td>Stable</td>
<td>Best option for stability in predicting participant accruals and employer costs</td>
</tr>
<tr>
<td>Criterion</td>
<td>Analysis</td>
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| **Competitive** | - May be established with reference to labor market comparator rates  
- Rate comparison to PERS contribution is immaterial in that member benefits are not directly impacted by employer funding levels |
| **Sustainable** | Presumes a fixed rate would be established at a rate determined to be sustainable by OUS institutions over extended periods of time |
| **Pro** | - Provides participants a definite determinable retirement contribution for recruitment communications and retirement planning  
- Provides predictable funding requirements for budgeting  
- Eliminates the effect of PERS fiduciary decisions on ORP participants.  
- Insulates ORP participants from the effects of legislative changes to PERS  
- Permits rate-setting to be tailored to ORP demographics and experience  
- Allows adjustments as wage benchmarks are attained  
- Favored by six of seven OUS campuses; one campus response pending |
| **Con** | - Requires OSBHE and OUS Institutions’ commitment to sustained funding levels  
- Requires rate setting structure and process be transparent with quantifiable and measurable metrics used in rate setting to address faculty concerns  
- May be precluded by contract rights question similar to PERS challenge |

**Staff Recommendation to the Board:**
At a minimum, housekeeping items related to indirect contributions (A1) and eligibility requirements for adjunct faculty and part-time employees (A2) should be proposed as a legislative concept to amend ORS 243.800 if the PERS Total Employer Cost Rate is retained.

In the best interests of the Oregon University System and Optional Retirement Plan participants, the ORP employer contribution rates should be decoupled from PERS employer contribution rates. The fixed rate option allows the OUS to adapt eligibility rules to the ORP to eliminate retroactivity of contributions and protects ORP participants from PERS funding arrangements unanticipated by the current statutory language.

**BOARD DISCUSSION AND ACTION:**
Ms. Denise Yunker, Plan Administrator for the Optional Retirement Plan, reviewed the aspects of the Legislative Concept and stated that there would need to be continuing discussion around the issue as the Legislative session approaches.

“The options are outlined in the Board docket item,” Ms. Yunker explained. “There are two choices: one is the status quo with minor statutory amendments that will strengthen the plan against difficulties that we’ve encountered with the linked plan rates; the other option is the staff recommendation and that is to direct staff to prepare language for submission to DAS that would decouple the contribution rates from PERS and the ORP so that those would be set independently for the defined benefit and defined
contribution plan. I do want to note that we had active engagement with the faculty coalition. The Interinstitutional Faculty Senate has been active in these discussions and does support staying with the PERS rate rather than the decoupled rate. The question before you today is: should we take the option of minor amendments and maintain the status quo or should we go forward and decouple the linked rates in statute and set a fixed rate for the Optional Retirement Plan separate from the PERS rates?"

When asked by Director Blair what the position of the faculty members was, Ms. Yunker replied that their position has been consistent and they concur that, at a minimum, some statutory changes need to be made to prevent the type of problem that occurred with the Measure 29 correction. Their concerns are:

1. The affiliation with PERS offers some protection from having plan provisions change either by the legislature, by the Board, or by OUS. It is a “strength in numbers” type of protection that faculty believe would exist by staying linked with PERS.
2. Faculty are uncertain how the Board, which would have discretion to set rates, would deal with the retirement plan contribution issues if there are more budget restrictions and whether or not there would be adverse impact on the ORP participants.
3. The IFS position, and the other faculty coalition members as well, is that they want to see an explicit methodology about how rates would be set if the Board established a fixed rate.

Dr. Peter Gilkey, president of IFS, stated that Ms. Yunker had correctly stated the position of both the IFS and other faculty who had participated in discussions.

It was pointed out that the position of the faculty and that of the staff were diametrically opposite and that was the reason staff had come to the Board to get a sense of what its position was.

Director Lorenzen mused that this was a very technical issue and that the Board should support the staff decision. However, Director Blair’s response is that it is not a good indicator if there is no agreement. “I wonder if there is a way to find some middle ground here, putting some more parameters around how the ORP contributions are made so that we can get the faculty to feel a bit more comfortable that this is not going to be a total black hole that they have no visibility to, and at the same time, we don’t get ourselves stuck with a PERS program that is in constant motion.”

Director Burns opined that the item should be tabled until the next Board meeting, if Board members didn’t feel they could make an informed decision.

There was discussion around the time frame for getting the Legislative concept to DAS. Mr. McGee, Budget Analyst, Oregon Department of Administrative Services, stated that, “from a timing standpoint, Legislative Council has to have information to draft this for July 15 – which, I believe is before your next Board meeting or about the same time as
the Board meeting. If you had an option to move forward with at least part of this for the drafting portion, you would have an opportunity to see it once again before it is drafted in final form and again for the Governor to make a decision to move forward toward the legislative session. So, if you can move something forward, at least to make the initial Legislative Council’s July 15th deadline, that would be helpful and you would have some opportunity to have some additional conversations then.”

Providing further guidance, Director Blair stated that option A-1 would be very easy – it could be done immediately. “I guess the thing I’d like the staff to do is sit down with the faculty and see if you can come up with something that is, at least to some degree, addressing the mutual concerns. Now we have a deadline—we’ve got to sit down and listen a little bit to each other and try to find something in the middle. I don’t relish the idea of going to war over this, because I don’t think that makes any sense.”

There was consensus that the item would be set over until the next meeting. If necessary, a special meeting could be called to resolve the language of the proposal.

4. **CONSENT ITEMS**

   a. **SOU, Master’s of Music (Conducting)**

**BOARD DOCKET:**

Southern Oregon University proposed to offer its existing American Band College program as a “stand-alone” degree program, effective summer 2004. Since its initiation in 1989, the American Band College has been housed within the framework of options that constitute the interdisciplinary Master of Arts/Science in the School of Arts and Letters. As part of the academic program of SOU’s Department of Music, the American Band College is accredited by the National Association of Schools of Music (NASM). In its most recent accreditation review, NASM recommended renaming the degree awarded for completion of the American Band College program to become a master’s in music since its curriculum closely resembles that of a music degree versus an interdisciplinary degree.

The American Band College is unique; its curricular design does not replicate master’s programs elsewhere in the region or country. SOU’s mission encompasses excellence in the fine and performing arts and education. Preparation and continuing education for music teachers and band directors relate directly to these mission strengths.

The Master of Music (Conducting) offers 18 credits of band director pedagogy, 9 credits of practical applications, 9 credits of research, and an additional 9 credits of non-music electives, for a total of 45 required credits. This highly structured yet customized program spans a three-year (three-summer) period. All students are tested upon entry in 40 areas of required knowledge. Based on assessment outcomes, students focus on improving their knowledge and skills in unmastered areas via the practical applications courses. They play instruments each day in large ensembles where they sight-read new music and present several public performances conducted by six internationally known
conductors. In addition to these activities, students complete exit exams in which they demonstrate teaching proficiency in woodwind, brass, and percussion. They also conduct a diagnostic band that is coached to perform certain errors that must be identified and corrected.

From 40 to 60 new students enter the program each summer, for a current running level of approximately 170 students. They are drawn from middle school (45 percent), high school (45 percent), and postsecondary (10 percent) band directors representing over 40 states.

Six SOU music faculty anchor the program. In addition, and distinctive to this program, American Band College has attracted to date over 100 short-term faculty from the U.S. and Europe who are music faculty at other universities and conservatories, orchestra musicians, and directors of famous bands. These visiting faculty, who are outstanding performers and teachers, rotate on a three-year plan.

Leading musical instrument manufacturing companies, such as the Selmer/Ludwig Company, provide valuable donations of equipment each year. One of the most significant program resources is the vast collection of recordings and musical scores (over 35,000 items) contributed continuously by publishers to the American Band College library. This collection is open as well to the Department of Music and for special purposes.

Since its inception, the American Band College has been funded by student tuition paid to the Western International Band College, a non-profit corporation. SOU’s Extended Campus Programs division handles administrative arrangements for the program, which operates on a self-support basis. Transitioning the program to a new degree title will require no new resources and will have no adverse effect on SOU’s resources.

All appropriate University committees and the OUS Academic Council have positively reviewed the proposed change in program status and degree title.

**Staff Recommendation to the Board:**
Staff recommended the Board authorize SOU to change the status of the American Band College program from inclusion within the Master of Arts/Science in Arts and Letters to the Master of Music (Conducting), effective summer 2004.

**BOARD DISCUSSION AND ACTION:**
This was part of a consent vote. The results of the vote are on page 283.

**b. OSU, Veterinary Medicine Small Animal Hospital—Revised Expenditure Authority**

**Summary:**
The Oregon State University (OSU) sought Board approval to authorize the Senior Vice Chancellor for Finance and Administration, or designee, to seek an additional
$3.2 million of spending authority from the Legislative Emergency Board and increases the overall project cost by the same amount. Funds from donations and grants are currently available. The increased authorization will allow for reinstatement of project elements that were removed due to budgetary concerns and to allow some new elements to be added to the small animal hospital project to improve the overall effectiveness of the facility.

**Staff Report to the Board**

**Background:**
In June 2003, the legislature approved $10.2 million in spending authorization for the project. Based on budgetary concerns, many aspects of the project were either eliminated or reduced. However, fundraising efforts have been very successful and additional funds have been raised. The Veterinary Medicine program seeks to add back those items that were removed from the project scope due to an anticipated budget shortfall as well as add some new elements to the project that will allow the Teaching Hospital to operate more effectively.

The items added back into the project scope include a food preparation room, completing the “fit-out” of operating room #3 and a seminar_break room, and the relocation of administrative offices and research lab. Items not included within the initial project scope but that are now proposed to be added to the project include: a fluoroscopy room; necropsy cooler; an enlarged surgical teaching area; upgrades to the lecture hall, including an AV system and new seating to accommodate increased student enrollment; replacement of the Central Services autoclaves; remodeling of the pharmacy dispensing area to comply with current standards; and some additional interior work and safety improvements. Also, the City of Corvallis is requiring street improvements adjacent to the project site that were not part of the original project scope.

**Statement of Need:**
This project is to implement the legislative approval given in 2001 for the expansion of the veterinary medicine program at OSU to a full four-year program. In order for the program to provide for the full veterinary training, a treatment facility for small animals is necessary. Preliminary design identified a facility that was more expensive than available funds allowed. In order to meet budgetary constraints, a number of components were removed from the project, even though they were important to the quality of the program. Corporate interest in donating equipment and program support funds has increased substantially since the expansion of the Veterinary Medicine program was authorized by the legislature. The completion of currently shelled space will allow donations of imaging technology and surgical equipment to be placed into service, complete research space necessary to attract the top faculty to the College, and expand ongoing research in human/animal infectious diseases and surgical technologies. Additional fundraising has been very successful and private donations and grant funds have been secured to allow these components to be reinstated.
Schedule:
The project has been designed, bid, and construction is underway for those elements included within the $10.2 million dollar authorization. Construction is anticipated to be complete in August 2004. Additional spending authorization is being requested to include the removed elements back into the project and add additional improvements to the small animal hospital facility to be more effective. If spending authorization is granted, then these improvements will be completed by December 2004.

Financial Considerations:
Funds for the additional work have been raised through additional private donations and grants. The College of Veterinary Medicine is asking for authorization to spend those funds already received.

Staff Recommendation to the Board:
Staff recommended that the Board approve OSU’s request to authorize the Senior Vice Chancellor for Finance and Administration, or designee, to seek additional legislative spending authorization for an additional $3.2 million to allow expenditure of monies received in gifts and grants for the veterinary medicine small animal hospital project and isolation facility.

BOARD DISCUSSION AND ACTION:
This was part of a consent agenda. The results of the vote are on page 283.

c. PSU, Millar Library Project—Revised Expenditure Authority

BOARD DOCKET:

Purpose:
Portland State University (PSU) sought Board approval to authorize the Senior Vice Chancellor for Finance and Administration, or designee, to obtain approval from the Legislative Emergency Board for an additional $268,000 of Other Funds expenditure limitation for the Millar Library Project. If this request is approved, the total Other Funds expenditure limitation will be increased to $1,905,766.

Background:
Other Fund revenues received for this project have exceeded the approved legislative limitation. Due to the Article XI-G Bond and Federal Grant restrictions, revenues are locked in these plant fund accounts and cannot be moved elsewhere.

At this time, project construction is on hold until PSU receives approval to expend the remaining fund balances. PSU’s intent is to use the remaining fund balances for construction activities falling within the scope of this approved project, with no plans to request release of these funds for use on other projects.

Additional legislative limitation approval is required to expend the remaining $268,000 of gift and Federal Grant funds.
Staff Recommendation to the Board:
Staff recommended that the Board approve Portland State University’s request to authorize the Senior Vice Chancellor for Finance and Administration, or designee, to obtain approval from the Legislative Emergency Board for an additional $268,000 of Other Funds expenditure limitation for the Millar Library Project. If this request is approved, the total Other Funds expenditure limitation will be increased to $1,905,766.

BOARD DISCUSSION AND ACTION:

5. REPORT ITEMS

a. 2005-2007 Budget Development Status Update: Policy Package, Budget Reductions, and Tuition Rate Increases

BOARD DOCKET:

Legislative Concepts Proposed by the Academic Excellence/Economic Development Working Group

One of the aims of the Academic Excellence/Economic Development (AE²D) Working Group is to collaborate with other agencies, sectors, and organizations on the shared goal of enhancing the economic vitality of the state, especially as that goal can be advanced through partnerships with postsecondary institutions. To that end, the legislative concepts recommended by AE²D in this first phase of its work will focus on reinforcing selected concepts and policy packages proposed by the Oregon Council for Knowledge and Economic Development (OCKED), the Engineering and Technology Industry Council (ETIC), the Oregon Economic and Community Development Department (OECDD), other working groups of the Board of Higher Education and individual OUS campuses.

More than a dozen proposals are currently under review by AE²D. These include proposals related to governance and agency coordination in economic development; promotion of research commercialization; growth of knowledge based businesses; capacity building in engineering and technology; continued support of Oregon’s nanotechnology signature research; product development in the areas of sustainability, agriculture, and natural resources; rural economic development; and increasing the supply of medical personnel. As the AE²D review proceeds, there may be other agency or campus proposals added to the list.

The AE²D anticipates completing its review during June and including a specific set of legislative concept or policy package recommendations for the July Board budget presentation.
**Update on 2005-2007 Budget Development**

**Preliminary Essential Budget Level Estimate:**
The preliminary 2005-2007 OUS Essential Budget Level (EBL) is estimated at $1.6 billion for the Education and General Program, with an approximate $100 million increase above the 2003-2005 Legislatively Approved Budget (LAB) required to maintain the current program levels into the next biennium. The state General Fund portion would need to increase by $43 million (8 percent) and Other Funds Revenues, made up largely of tuition and fees, by $57 million (6 percent) for the EBL.

The EBL is developed according to Department of Administrative Services requirements and includes adjustments above the 2003-2005 LAB for projected cost increases as follows:

(In millions of dollars)

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERS</td>
<td>$50</td>
</tr>
<tr>
<td>Health Benefits (2003-05 rollup costs)</td>
<td>10</td>
</tr>
<tr>
<td>Classified Staff Merit Increase</td>
<td>1</td>
</tr>
<tr>
<td>Inflation</td>
<td>13</td>
</tr>
<tr>
<td>New Building Operations</td>
<td>6</td>
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<tr>
<td>State Government Service Charges</td>
<td>16</td>
</tr>
<tr>
<td>Other Adjustments</td>
<td>4</td>
</tr>
</tbody>
</table>

The Essential Budget Level does not include 2005-2007 cost increases for employee salaries and health benefits, which are budgeted separately by the Governor’s Office. Also excluded from EBL are funding for enrollment growth and for any additional faculty salary increases that may be proposed.

Once the Essential Budget Level is calculated, policy package requests may then be submitted for budget increases above the EBL to support high priority initiatives. For 2005-2007, agencies are also required to submit reduction scenarios equal to 10 percent and 20 percent of the EBL due to the state revenue shortfall.

Staff will request Board approval of the 2005-2007 Agency Request Budget at the July 2004 Board meeting.

**Other Funds Revenue Estimates:**
Campuses are projecting that tuition revenue increases ranging from 6 percent to 10 percent in 2005-06 and from 3 percent to 8 percent in 2006-07 will be required to maintain current programs, cover salary and benefit increases, and avoid budget reductions. These estimates are based on the assumption that the state General Fund would cover the $43 million in cost increases identified above as well as the state-funded portion of salary and benefit increases.

*Note: All of these estimates are preliminary and are subject to changes as OUS staff work with Department of Administrative Services and campus staff to refine the estimates over the next three months.*
b. Standing Committees
   i. Finance/Budget/Audit/Personnel/Real Estate (Don Blair)

There was no further report from the Committee.

c. Working Groups
   i. Academic Excellence/Economic Development (Kirby Dyess)

It was reported that the Working Group had completed campus visits to all of the OUS campuses and OHSU. There is also a visit planned to Clackamas Community College. It is anticipated that subcommittee reports will be completed by the end of June, in anticipation of a first-phase report to the Board in July.

   ii. Access/Affordability (Tim Nesbitt)

No further report was made.

   iii. Chancellor’s Office Review (Geri Richmond)

No further report was given.

6. Reports
   • Interinstitutional Faculty Senate (IFS) President

Peter Gilkey, President of the IFS, thanked members of the Board who participated in the discussion the previous day. In summary, three topics were covered: Quality and the removal of unnecessary impediments to student progress and other issues related to “more, better, faster;” faculty compensation in the context of retention and recruitment; and ORP.

   • Oregon Student Association (OSA) President

Mr. Ben Sappington, student body president of Western Oregon University, spoke on behalf of OSA.

“First of all, we would like to express our thanks for the collaborative work that has been done by the Access and Affordability Working Group. We appreciated the opportunity to provide input to the committee and be part of the discussion on the proposed student-aid endowment program.

“It’s exciting to see the postsecondary education community coming together to support a program that will open up access to college and benefit the entire state. We believe that many of the committee’s recommendations – including a flat-grant structure, a need-based focus, and sufficient funding for the Oregon Opportunity Grant until the new program is established – are crucial elements for expanding access to as many
students as possible. We look forward to continuing collaboration and dialogue as the proposal moves forward.

“We especially would like to thank Tim Nesbitt and Nan Poppe, who co-chaired the Access Working Group and guided its work; Howard Sohn and Bridget Burns, who represented the OUS Board on the committee; and Nancy Goldschmidt, who staffed the Working Group and provided critical research, structure, and support through the entire endeavor.

“While we can’t extend thanks to all those who participated and brought great insight to this discussion, we would also like to thank Kate Peterson, OSU’s financial aid director, for providing her wealth of expertise to the discussion.

“Most of all, we would like to Governor Kulongoski for making postsecondary education a priority and for re-focusing the state’s attention on college access. With his vision for a dedicated student-aid fund, Governor Kulongoski has provided the leadership that will help ensure college access for Oregonians well into the future. Thank you, Governor, for your commitment to students and postsecondary education.

“On that note, we would like to present you with more than 2,000 postcards that we’ve collected from students in appreciation. The postcards read:

Dear Governor Kulongoski,

Thank you for prioritizing the key to access by prioritizing need-based aid and keeping tuition low. Your support for need-based aid will unlock the door to success for thousands of Oregonians. As Oregon moves forward with your vision for need-based aid, we urge you to fully fund the Oregon Opportunity Grant.

“These cards were collected from students across the state. You might notice that they’re key-shaped. This is because they represent the first stage of a grassroots ‘Key to Access’ campaign that students kicked off last month and we plan to continue running through the 2005 legislative session.

“The ‘Key to Access’ campaign incorporates several issues that we believe are vital to college access. Specifically, we want to focus on making college more accessible through affordable tuition, more state funding for postsecondary education, and increased student aid. The student-aid component includes both existing programs like the Oregon Opportunity Grant and the Student Childcare Block Grant and future programs like the student-aid trust.

“These are the issues we’ve chosen to prioritize for the upcoming year and we look forward to working on them with the Governor, the OUS Board, and Oregon’s universities at the 2005 legislative session.

“Thank you again for the opportunity to speak here today.”
Board Secretary Thompson shared that Mr. Sappington had been a student member of the Eugene 4J School Board. Further, Ben is the first freshman ever to be elected student body president at WOU.

Director Sohn expressed his appreciation for the students' acknowledgement of other people. “But I think it is also appropriate to acknowledge the role that the student representatives play on the Working Group. They have made tremendous contributions. John Wykoff and others who were there made a huge contribution in substantive ways to getting us to where we are. They were active and fully contributing members of the effort.”

7. **Chief Operating Officer and University Presidents’ Report**

President Conn announced the appointment of Dr. Jem Spector as the new provost and vice president for Academic Affairs at WOU. Dr. Spector is currently an associate provost at the University of Scranton, Pennsylvania.

He also recognized the service of Dr. John Minahan who is retiring after 18 years as provost. “We are greatly appreciative of his contributions.”

Because of the press of time, there were no further reports.

8. **Public Input**

“My name’s Felicia Hagins, I represent the Services Employees International Union. SEIU Local 503 represents the classified staff at the seven universities. I wanted to talk a little bit about our philosophy of the faculty salary increases that you will be taking to the Emergency Board. We feel it’s only fair to come to you first with our concerns before we start going to the Emergency Board with our concerns there. We understand that it’s tough times for the University System, and our classified staff understands that there has been a wage freeze and a step increase freeze for them that has been mandated for them by the Governor across-the-board. So, we just wanted to express that our staff may feel that this is unfair and a violation of that wage freeze and step increase freeze. So, I just wanted to make that point clear as we move forward with this to the Emergency Board. Thank you.”

9. **Board Member Comments**

Director Sohn reported that the Oregon Business Council and the Oregon Community Foundation are launching the “Policy Roundtable on Higher Education,” and he wanted Board members to know about it. “I want you to be aware that the Business Council, of which I’m a member, has put a very high priority on reformed postsecondary education and that they’ve identified the same needs we have, and have had some standing committees that have been going on that for a while. They’re launching this effort in support of and as a complement to what we’re doing on this Board. It is not an
alternative activity, but the intention is to provide some research support, some information support, and ultimately perhaps some advocacy support for things that we and they agree need to be done. And that process will get underway shortly, and I just wanted to make sure that everyone knows that it is intended to be known and compatible with what we're trying to do in our Working Groups and as a Board, but intended to build the support base in the private sector, both the for-profit sector of the business community and the non-profit sector portion of the private sector. And you'll be hearing more about that in the future."

10. **DELEGATION OF AUTHORITY TO BOARD’S EXECUTIVE COMMITTEE**

Pursuant to Article II, Section 5 of the Bylaws of the Board of Higher Education, the Board delegates to the Executive Committee authority to take final action as here designated or deemed by the Committee to be necessary, subsequent to the adjournment of this meeting and prior to the Board’s next meeting. 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.


11. **ADJOURNMENT**

The meeting adjourned at 1:35 p.m.

Ryan J. Hagemann  
Secretary to the Board

Governor Ted Kulongoski  
Board President
Oregon State Board of Higher Education

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June 4, 2004

Oregon State Board of Higher Education
1. **CALL TO ORDER/ROLL CALL**
Chair Henry Lorenzen called the work session of the Oregon State Board of Higher Education to order at 8:15 a.m.

On roll call, the following Board members answered present:

- Don Blair
- Rachel Pilliod
- Bridget Burns
- Geri Richmond
- Kirby Dyess
- John von Schlegell
- Ted Kulongoski
- Howard Sohn
- Tim Nesbitt
- Henry Lorenzen

Absent: Gretchen Schuette (business conflict)

**System Office staff present:** Tom Anderes, Ryan J. Hagemann, Dave McDonald, Ben Rawlins, Virginia Thompson, and Susan Weeks.

**Others:** Presidents Dan Bernstine, Philip Conn, Martha Anne Dow, Khosrow Fatemi, Dave Frohnmayer, Ed Ray, and Elisabeth Zinser.

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

2. **DISCUSSION ITEM**

a. **Tuition Issues Work Session**

Director Lorenzen opened the meeting by recalling that at the April Board meeting, then-President Goldschmidt asked him to visit with each of the presidents and representatives from the campuses to review the tuition proposals. During an impromptu work session, the presidents provided a summary and discussion of their proposed tuition structure at each of their respective universities. “At that time,” Director Lorenzen explained, “it was the consensus that a Systemwide uniform policy was not an appropriate one, but that the particular circumstances of each university dictated a tailoring of the tuition structure to the particular student body characteristics as appropriate. The entreaty to the presidents was to go back to the university campuses and fully discuss and air the proposals with both the faculty and students. It is my understanding that this has been done.”
“The purpose today is to provide a further opportunity for both the universities and the student association to elaborate upon their position and also to allow the Board to hear the competing philosophies and interest involved in establishing tuition amounts and what I refer to as a rate structure or tuition structure or plateau.”

Director Lorenzen explained that he would first call on Senior Vice Chancellor Anderes to provide a further explanation of the Budget Note under which the System and the Board are working, and, in particular, what it considered the maximum possible tuition increase to be. Then, three of the universities had been asked to make presentations jointly, followed by responses from the students.

Director Lorenzen said that he would appreciate it if presenters would address two particular issues: the impact of a plateau upon part-time students and the impact of eliminating the plateau upon what would be a fairly large increase upon one particular class of students—those that are currently utilizing the plateau in order to take additional credit hours at a reduced rate.

Senior Vice Chancellor Anderes explained that the implications of the Budget Note in terms of tuition rate setting and plateaus were quite straightforward. The Legislative Fiscal Office has said that the only restriction in terms of setting tuition rates, plateaus, and so forth, is that “institutions cannot come up with tuition and fee revenues that exceed what was legislatively approved. So, there can be tuition rate increases that vary from the last, actually when the legislature approved them, and plateau changes. The basic control is on the total in terms of tuition and fee revenues.”

Director Lorenzen asked if the bottom line is, within the tuition structure proposed, whether the structure complied with the direction of the legislature under the terms of the Budget Note.

“The Plan A that was brought forward as part of the recommendation does,” Dr. Anderes replied.

**Portland State University**

President Bernstine began his presentation by underscoring that the Board, in October 2003, approved PSU’s tuition plateau elimination plan. Referring to a memorandum (available in the Board’s Office) sent to the Board, President Bernstine highlighted that one of the charts shows the plan that was adopted beginning in fall of 2003, with the phased-in plateau elimination starting in winter term, to be completed in the fall term of this year. “Originally,” he continued, “we had thought about eliminating the plateau in one step, but in light of student concerns that have been raised and, frankly, a need for the institution to monitor the impact of the plateau on student behavior and the number of credit hours that would be taken, we decided that it would be in our best interest to phase-in the plateau elimination. The impact has actually been negligible in terms of the number of credit hours that students have taken. There certainly was some concern
about consultation with our students and, in October 2003, we signed a memorandum of understanding with our student body officials which at least illustrates that we discussed the matter with them, and while the students certainly didn’t necessarily agree with our decision, that we had consulted with the students as part of our tuition plateau elimination plan.”

PSU did not necessarily look at the tuition plateau elimination as a means of generating additional tuition income. Rather, there were two main objectives that they were trying to accomplish in addition to controlling income. One was to assist in the enrollment management plan. The experience of PSU was that about 25 percent of the students who took courses in the plateau ended up dropping them before the end of the term. This, in turn, created several challenges: it was very difficult to plan course offerings; there were students who were excluded from courses; and frequently, after the course had already started, students dropped out at a time when it was too late for another student, who may have completed the course, to be able to register for it.

President Bernstine stated that another important implication of having a plateau related to the extensive co-admissions programs. “We now have degree completion programs at several of the community colleges, and also partnerships with OHSU. In order for us to continue those programs, it was important to have our students on a per-credit basis because in any partnership or collaboration, the question would always be ‘who’s paying for the credits that were within the plateau?’ Having the students pay on a per-credit basis really facilitates the partnerships that we have.”

At PSU, the sense is that the majority of the students benefit from the elimination of the plateau: 63 percent of the undergraduate students benefit from the elimination of the plateau and 66 percent of the graduate students. “At least with respect to the undergraduate students, part-time students pay about $90 per credit under the old system, while students who were taking classes in the plateau were paying something like $72 per credit. So, the majority of our students, the part-time students, were actually subsidizing the students who were taking classes within the plateau,” the president pointed out. “We also saw this as a major equity issue for us in terms of having even tuition across the board.”

To ameliorate the elimination of the plateau, PSU also decided not to increase the per-credit cost for tuition. “You can see that, for resident and nonresident undergraduate students, there was really no impact as a result of the elimination of the plateau,” President Bernstine explained. “We actually lowered our graduate tuition, so there is a decrease in the tuition for graduate students.”

In conclusion, President Bernstine acknowledged that there were a number of studies cited by OSA. “We had been aware of those studies and had looked at those institutions as we made decisions about our own tuition plateau elimination. And, as you can see from the chart (available at http://www.ous.edu/board/dockets/ddoc040604PSUtuit.pdf), Wichita State, which is a school very similar to PSU, did a phase-in of their plateau elimination. You can see the actual impact on the number of credit hours taken
increased with the elimination of the plateau. At the University of Missouri, Columbia, there was a slight decrease and also at the University of Missouri, St. Louis, there was a slight decrease. What we found at PSU was that the impact has really been negligible in terms of affecting the number of student credit hours taken. As I’ve said before, we did not see the elimination of the plateau as a major income generator for us, but rather as a matter of equity between the majority of students who are part-time and our full-time students, and also as a way of facilitating our partnerships and collaborations with the community colleges and OHSU.”

**Oregon Institution of Technology**

President Dow began by reminding the Board that none of the institutions wants to increase tuition or cause further hardship on access for students. “The reality is,” she stated, “that with the declining state revenue, there has been no choice. I believe that all of us have evaluated very carefully consequences and different parameters that caused us to make different adjustments.”

At OIT, the per-credit tuition plan for 2004-05 was that winter term there was a tuition rate per-credit of $93, and the proposed adjustment going into 2004-05 is $3, so there is an approximate 3.1 percent increase. “That’s the rate part. As we looked at this, we had initially proposed going into fall of 2004 with a need to do a 9 percent rate increase, plus elimination of the plateau. As we reassessed that, and evaluated the students’ needs, we dropped the rate increase, and we also changed some of our nonresident undergraduate rates, simply from the fact that OIT has had the highest out-of-state nonresident tuition rate for a number of years.”

In summary, OIT’s overall tuition plan for 2004-05 is a rate increase of 3 percent and elimination of the plateau. For a student taking a credit load of 15, it is an additional $324 per term. One of the rationales for eliminating the plateau relates to the time to graduation. “For us at OIT, the students in the professional programs have a very rigorous, sequenced curriculum and we must be able to offer enough courses that keep those students in sequence for timely progress to graduation,” President Dow explained.

For students at OIT, in terms of time to graduation, what is needed is assistance in the areas of preparedness for our students to effectively complete. “Many of our students come in very unprepared in math, and we need to spend considerable time and energy in sequencing them in the appropriate math courses and tutoring them to be prepared to accomplish time to graduation. We want very much to continue to provide that, but the number of credits for us is not their main deterrent to time to graduation,” President Dow explained.

Another factor for OIT is that it is difficult for students to select a number of additional courses in their curriculum design. Students can take some additional courses, but not many. OIT has a very defined general education program that maximizes the professional area. This also relates to accreditation issues. Therefore, time to
graduation was not a primary issue. One way to affect and improve time to graduation is to effectively arrange for dual enrollment and degree completion programs with community colleges. “We are looking at co-enrollment agreements that help the students transfer in and complete in a timely way. So, many of our initiatives around community college engagement will definitely speak to that and having no plateau is actually a benefit,” according to President Dow. “As we efficiently manage that, we will be able to charge the students for the number of credits and actually have that fall efficiently, not only within our own revenue and enrollment planning, but also a better way for the students to plan and manage. So, for us, our partnerships and dual enrollment agreements very significantly tell us that no plateau would even be a benefit.”

Tuition equity for OIT means that no group of students subsidizes the education of other students. Subsidies by part-time students were examined and OIT wants to decrease or eliminate them. “We also wanted to keep our overall tuition rate increase as low as possible around our revenue needs and around the quality of our programs and access for students. The actual cost of technical programs is higher than liberal arts programs and quality needs to be managed around revenue and the students’ percent of paying for the programs. Financial aid must also be packaged in such a way to as offset this for most of our students. When we came in with our initial proposal to you, we also asked for an additional fee for some of the courses in the engineering and health technology areas. However, we’re not charging additional fees and in order to compensate for the quality of these programs, we did have to go with a rate increase and elimination of the plateau,” it was highlighted.

President Dow pointed out that another reason that many of the smaller institutions, and Portland State, have found that the elimination of the plateau is an asset when students can pick out additional courses that are funded through self-support. "If they fall within the plateau, we’re offering them for free. And that is also something that we cannot afford to do. The issue is not that we want to do some of these things; the issue is not enough revenue or financial aid support for our students," she concluded.

**University of Oregon**

The University of Oregon is in the third year of a pilot program of different tuition policies that include things such as discounts for early morning and late afternoon courses. The plateau currently runs from 13-16 credit hours and students are charged only $20 per credit for the 14th, 15th, and 16th credit hour. The UO policy, from the beginning, has been to gradually move away from the plateau.

At the present time, 28 percent of the students, those taking 12 and 13 credit hours, are full-time students but are not yet on the plateau; another 10 percent at 14; and 7 percent take less than 12, or 45 percent of the students take 14 or fewer credit hours and 47 percent take 16 or more credit hours.
Provost Moseley explained, “Plan A is the plan that the University proposed for modifying tuition for 2004-05. That modification included a 12 percent increase in the basic tuition rate and a $20 increase per-credit on the plateau. That is, going from $20 to $40 on the plateau. Plan B was one that the Board asked us to calculate in a revenue neutral way that did not include the increase of $20 per credit on the plateau. That did keep it revenue neutral by increasing the base rate. We had to increase the base rate $3 per credit, which amounts to about 3 percent because the base rate went up from $103 to $106 per credit in Plan B. So, Plan A $103 per credit, $40 a credit for the 14th, 15th, and 16th credit hour. Plan B $106 per credit, but $20 a credit for the 14th, 15th, and 16th credit hour.

“Now these number differences are not very great, but I’m going to then use them to show you what the total effect of the plateau is. If we were not allowed to implement Plan A, which is our basic proposal, and we’re told to implement Plan B, students taking 12, 13, and 14 credit hours would all pay more. This is all on a per-term basis, so they would actually pay three times this much for three terms more, whereas students at 15 credit hours would find that the proposals were revenue neutral. Students taking 16 and higher credit hours would gain about $60 per year in decreased tuition. So, we’re asking some students—those at 13 credit hours—to pay almost $120 per year more in order to save those students taking 16 and more credit hours and are getting benefit from those courses to save about $60 per year. They are small numbers, but $20 per credit is only 20 percent, roughly, of the total cost per credit at the University of Oregon, which is right around $100 per credit. So, if we were to eliminate the plateau entirely, then the benefit to the students taking 16 and more credits, and it’s a cost for something they’re getting value for because they’re getting those credits, would be about half that, or about $300 per year.

“You might ask how can that possibly balance. The reason it balances out is because, as you work down through the one through 11 credit hours, those students pay progressively less because they’re taking progressively fewer credit hours. So, the arithmetic really does work out this way.”

Provost Moseley observed that under the old plateau system, when the plateau was six credits, then the UO would be in a position where the student at 12 or 13 credit hours would be paying about $1,000 more a year than they are now, while the students at 16 and above credit hours would be saving about $500 per year.

“This is an inequity that, to me, is just clearly not supportable,” Provost Moseley continued. “We have not yet proposed to eliminate the plateau as both PSU and OIT have done, and we do want, in some way, to continue to provide incentives for students to take 15 or 16 credit hours so that they can graduate in a timely fashion. We are thinking about, and will be bringing to you for the next biennium, a new tuition proposal that will probably be an essential elimination of the plateau in the sense of a per-credit-
hour charge, but with some discounts for the 14th, 15th, and 16th credit hour to provide some incentives for students to take those additional credit hours."

The Oregon Student Association

Adam Petkun, president of the Associated Students of the University of Oregon, spoke on behalf of the Oregon Student Association.

(NOTE: the following is a verbatim representation of the presentation.)

Since we last addressed the Board on the issue of tuition plateau, it appears there has been some, shall we say, spirited examination and rebuttal on behalf of the institutions. We welcome this and believe we are all well-served by the public debate which will lead to a policy that, one way or another, will have consequences for students and the institutions we attend.

In this debate, OSA’s first priority is and has been to slow the construction of barriers to access resulting from one of the longest and deepest recessions in Oregon’s history. We remain committed to the tuition plateau as a critical tool for students to overcome barriers to access. The last time we spoke to the Board about this topic, we quoted Dr. Peter Zetterberg from the University of Minnesota. One of his major concerns about per-credit tuition was the effect it would have on low-income students who may use plateaus as a way of making increasingly expensive education more economical.

The concern about speed to graduation was more recently highlighted in a *New York Times* story discussing a report released by the Education Trust. The report documented the fact that, nationally, U.S. colleges have failed to graduate nearly half of their degree-seeking full-time freshmen within six years, and the picture is even worse for low income and minority students. It is for the students represented by such statistics that we must all work to ensure that we are not setting the price of higher education out of reach.

When the Board last spoke about this issue, we discussed how tuition plateaus fit into the Board’s goal of moving more students through a better education faster. We continue to believe that holding the line on cost by making plateaus available and minimizing across-the-board increases to the greatest extent possible are critical to making progress toward the direction you all set.

Since the May Board meeting, we’ve discussed yet another example of a state that’s had experience in both models. This example is instructive in that it shows the positive effects plateaus can have on students, especially low-income students, but it also illustrates the positive outcomes plateaus can play for institutions.

This example comes to us from Dr. Paul Duby, the Vice President for Institutional Research at Northern Michigan University. Northern Michigan University is one of six “flat rate” tuition public universities in the state of Michigan (out of 15). They began to
study tuition alternatives in the fall of 1994, and the Board of Trustees eventually approved a plateau for implementation in the fall of 1996. They continue to employ a flat rate model and have no intention of changing at this time.

Originally, three student-focused and two institutionally focused goals were behind Michigan’s effort, and they are the following:

i. To encourage undergraduate students to increase their credit hour loads because many students were taking the 12 credit hours each semester and, of course, the federally defined level for full-time enrollment is 12 credits rather than 15, which is the time it takes to complete 120 credits within four years;

ii. The second goal was to decrease the length of time to achieve a degree. In 1984, the average time to a baccalaureate degree was 4.5 years. Given the change in federal aid patterns and the full-time enrollment definition, the average time to degree had soared to 5.5 years by 1994;

iii. To decrease the amount of loan debt that students were amassing. Of those with student loan debt, the amounts had skyrocketed because of the increase in the number of semesters that students were enrolled;

iv. To increase the number of student credit hours at Northern Michigan University. With the closure of a local air force base in 1994 and 1995, their enrollment and credit hour production fell by almost 13 percent; and

v. They hoped to generate a surge in tuition revenue, which they believed to be important for their fiscal well-being after several successive years of no appropriation increases from the state of Michigan (which, at the time, was in a similar cyclic downturn). They structured their rate in such a fashion as to strongly encourage students to take at least 12 hours and set the plateau from 12-19 hours so it made fiscal sense to enroll full-time.

Accordingly, after eight years, it was clear the change was an exceptionally beneficial one for both the institution and the students. Since 1996, they have seen the following:

1) On average, each undergraduate student takes one more credit each semester.

2) The length of time to a degree has decreased from 5.5 years to five years and the System expects that it will continue to drop over time.

3) Their retention and graduation rates have shown steady increases, in part because “the light at the end of the tunnel is closer.” That is, students have less time to find reasons to drop out.
4) While they continue to serve very large numbers of Pell Grant eligible students (29 percent of their undergraduates), the average amount of loan debt has been dropping.

5) Their enrollments and credit hour production have been soaring. By fall 2002, they had completely recovered from the base closure. In fall 2004, they will have their highest enrollment ever at over 9,500 students.

6) Their undergraduate enrollment is up to 89 percent full-time, up from 74 percent in 1995.

The adoption of a plateau-based tuition from a per-credit hour model has been an exceptional success story, Duby told OSA.

On the other hand, Michigan Technological University (MTU) is an example of an institution that moved from a “flat rate” model in 2003 to a per-credit hour rate model in 2004. In quoting Duby directly, “to say this experiment did not prove to be a success story is readily apparent from the fallout.” Michigan Tech is an excellent engineering-focused university with an enrollment of about 6,000 and a very positive regional reputation. Michigan Tech, like almost all of the other public universities, faced a ten percent base budget cut in state appropriations in fiscal years 2002 and 2003. Prior to these major cuts, MTU had a negative budget of several million. The planners at MTU decided that they could generate a lot more tuition revenue by moving from a flat-rate model to a straight per-credit hour approach.

Dr. Duby said they believed the logic behind this was the hard-charging engineering types would continue to take full credit hour loads. Based on the outcomes, that was not the case. Based on media reports, tuition revenues for fiscal year 2004 were overstated by an incredible $6,000,000—that’s six million dollars. To be fair, Duby did say the plateau removal could not be proven to be solely responsible for this phenomenon. But he did believe MTU built its forecasts for tuition revenue on faulty assumptions about student behavior. When tuition is based on a per-credit-hour rate and the federal financial aid definition labels 12 hours as a full load, smart behavior would suggest that one would reduce their credit hour load.

Other unanticipated consequences may turn out to be: lower retention and graduation rates, higher student debt loads, and an increase in the time to degree. He summed it up well by saying, “from my perspective, these are not good outcomes.”

Hopefully, this example serves to provide further evidence of the benefits of tuition plateaus to students, including low-income students, that this is simply not an anomaly. And in Oregon it seems to be a tool from which many low-income students can benefit. According to data provided by OUS, of those students receiving the Oregon Opportunity Grant, 69 percent are taking over 12 credits. At the University of Oregon, the average load of an Oregon Opportunity Grant recipient is 14.39 credits.
This reinforces our concern that further erosion of the plateau will have negative consequences for many of our financially neediest students.

Some within the System have also suggested that we are not seeing such consequences in Oregon yet, so this isn’t relevant. Here we must look at data over time to see changes in behavior. A year’s worth of data does not provide a trend. We would also caution against comparing the experience of institutions like the University of Oregon to others with different systems. The UO’s system uses discounted credits within the plateau, as well as discounts for the time of day. This is quite a bit different from other campuses, making comparison very difficult.

Should the Board decide to move forward with further plateau removal, we would hope at the very least that the System would work to begin to track changes in student behavior such as carrying load, time to completion, and the effect on the Opportunity Grant and the Pell Grant recipient students. We must know if we are exacerbating national trends here of replacing low-income students with middle- and upper-income students.

Another frequently mentioned point is the issue of part-time students. Here the position is consistent and clear. We have worked to stop tuition increases for all students by advocating for adequate OUS funding that could hold the line on tuition. But, we also believe the System should be working to create incentives for students to attend full-time. A 2002 report from the American Council on Education’s Center for Policy Analysis looked at various factors related to persistence over a three-year period from 1995-96 through 1997-98, and found that full-time attendance was one of the major factors associated with persistence in post-secondary education. Knowing that, we would ask the Board to consider whether creating disincentives to full-time attendance is wise at this time.

Finally, we’d like to address the issue of access a bit more broadly. We understand that plateau removal, across-the-board tuition increases, and the removal of course sections would all undermine access for students. In an executive committee conference call on Thursday, the issue of tuition increases versus course section availability arose and the consensus was that the students we represent see both as important factors to their ability to graduate. We further understand that shrinking funding has left the System with a very bad set of options. While saying we’re equally concerned about all of these may seem like a mixed signal, it’s not.

What we ask of the Board at this time is to steer the System in a direction that causes the least harm to access for students at each campus. In light of new information that OUS campus reserves are significantly higher than predicted, we would ask the Board to consider carefully whether more relief can be sought to minimize tuition increases for all students and to keep courses available at this time. If what is, in part, a rainy day fund could be used to mitigate tuition increases, it is difficult to understand why such funds would not be used to ease the increasing burden students face.
I’ll conclude, actually, with the following passage from your own Board docket:

“…Because the state General Funds are spent down completely prior to the end of the biennium, or revert to the state, the principal source of revenues available to provide budgeted operations fund balances is student tuition and fees, and any excess balances could be interpreted to represent unwarranted tuition and fee rates.”

It is in the best interests of all of us at this table and all of in this room and in the state to ensure that this is not the case. We know you have a difficult task before you and I really appreciate the opportunity to talk this over with you and thank you for your time. I’ll continue actually to introduce Jessica Scott at this moment.

Jessica Scott addressed the Board.

“Good morning, Governor Kulongoski, members of the Board, my name is Jessica Scott and I’m here to talk to you about why the tuition plateau is important to me and how it can change my life if it’s taken away. I’m a part-time student; I’m a single mom. When I found out I was pregnant, I moved to Portland State specifically because of the part-time programs, so that I could transfer all into full-time. I generated a very specific plan about what classes I would take, how much it would cost, how I would work out childcare, when I would start school, when I would graduate, what classes I would take. A 25 percent increase in my tuition is not part of that plan; it would absolutely change everything about how I’m planning my future for myself and my daughter. I’m really motivated; I push through all of my classes. It’s been difficult; I have a graduation deadline for next winter, assuming everything stays the same. And, I know that you have a really difficult task ahead of you, I know this is a hard decision.

“Removing the plateau ensures that I will stay in school longer, it will ensure that I will spend more money, and it will probably decrease my chances of graduation. I can’t do that to myself and my child, but I don’t know how I can continue to go with a steep increase. By removing the plateau, you decrease my accessibility for graduation, it’s less attainable. I know that’s not what you want; I know you want to provide education for Oregonians. I’m here because I’m an in-state student and I love this state, but it’s becoming really, really hard. I guess I just want to ask you to really consider the implications—I’m a part-time student and I’m advocating you to please maintain the tuition plateau. Thank you.”

Finally, Mr. Petkun introduced Bob Turner, the president-elect of the Interinstitutional Faculty Senate from Western Oregon University.

Mr. Turner stated that IFS has discussed the tuition plateau on several occasions, and, without a detailed analysis of cost or progress of students to degrees, said they did not have hard data regarding the tuition plateau. Based on what Mr. Turner described as accumulated experience of a dozen and a half faculty members who have seen students in class and seen students that they have been advising toward degrees, "it is a serious educational mistake to eliminate the plateau. We do recognize the economic
realities and that there are not nice choices to be made, but we encourage you very strongly to maintain the plateau system. We recognize that it needs to be revenue neutral and there are a number of ways that this might be accomplished: one is obviously to increase the base tuition rate; a second would attempt to keep students from using the plateau in frivolous manners and simply institute a heavy penalty for withdrawal from courses that move the students into or out of the plateau,” he concluded.

Director Lorenzen remarked that, in fact, plateaus do provide a more affordable education for a certain class of students. “But is it not also true that in doing so it makes it more expensive for another class of students? In other words, there’s no free lunch. The fact that when you have a given amount of tuition dollars that have to be raised, if you make it less expensive for a full-time student, do you not then require the part-time student to make up the slack?”

Mr. Petkun responded that the elimination of the plateau would create disincentives.

President Frohnmayer observed that, “to increase the disincentive from dropping a course, you increase the incentive not to take it in the first place. And, I think that as long as we’re talking about, or speculating about how students will react to incentive systems, it seems to me that the telegraph that goes through by increasing the penalty for dropping a course is going to be sufficient disincentive that you’ll actually have students drop their carrying load in the first instance, rather than increase it and then drop the course because of the penalty. In the realm of pure speculation, I think it’s a wash, if I may respectfully submit that.”

“I have a problem with the idea that disincentives matter,” Director Burns opined, “when I think the biggest disincentive we’ve ever passed, the kind of policy that’s been problematic on a grander level is the elimination of the tuition plateau. We’re trying to create incentives for students to graduate on time; I think this is the biggest issue. I think that this is a kind of superfluous argument about how it brings us benefit of reducing students dropping loads. I think there are other ways we can get to the heart of that issue. And seeing that we haven’t taken substantial action to eliminate that epidemic before this, I see it as just an added bonus to eliminating the plateau. I still have not heard the compelling reason why this doesn’t completely contradict Board policies about enrollment. If we want students to graduate in four years and it takes 15 credits per term to graduate in four years, why is it we make it more expensive for students to take 15 credits per term? That has never made sense and I’ve never heard anything in any of the testimony or the arguments brought forward from the presidents or any of the university administrators and I’m just wondering, is there any answer?”

In responding to Director Burns, President Bernstine stated that at PSU, the majority of students are part-time. “Any fee structure that tries to accomplish what you’re talking about requires part-time students to then subsidize full-time students. And, for us, it’s a matter of equity: 63 percent of our students at the undergraduate level and 66 percent at the graduate level should not be subsidizing students who want to go full-time. It’s a
matter of equity—in fact, there are no free courses. I’m not sure that we should be characterizing the plateau as free courses. There are courses that they don’t pay for, but there’s still a cost to providing those courses and as a matter of equity we came to the decision that all students should pay on a per-credit basis, across-the-board.”

Continuing the conversation, Director Burns asked if a part-time student had ever approached the administration and advocated for this policy. “Because if we’re worried about equity, I want to know if the students who are really affected by this, who have been theoretically sharing the burden of the full-time students for so long, do any of them really want this policy to pass? If it’s in their best interest, why haven’t I ever heard a single part-time student come and say, ‘Eliminate the tuition plateau, that’s what I want.’ Were there ever any part-time students who came and asked for this policy?”

President Bernstine stated that they had not heard that any part-time student wanted to pay for the full-time students. “For us, it’s a matter of equity. As I’ve said before, the other aspect of it is to facilitate students moving back and forth between PSU and our partners. There are over 70 different traffic patterns between PSU and our neighboring community colleges. And, as we begin to offer more and more degree completion programs at the community colleges, unless there’s an equity tuition, it really will be a major obstacle for students moving back and forth and actually having a more seamless education. That’s been our primary objective.”

Director Nesbitt, referring to page 47 of the docket materials, stated there was a Plan C costed out that was very revealing. “It shows the revenue impacts of no plateau changes beyond those already approved in 2003-04, and then the rate increases approved by the prior Board in April of last year, for 2004-05. What I’m struck by is that between Plan C and Plan A, there’s about a $5.5 million revenue difference. And, if we were trying to stay with the amount of revenue proposed to be raised by tuition increases as calibrated a year ago, and now we’re looking at both rate increases and plateau changes which go $5.5 million above that amount, is some of that explained by increased enrollment or is some of that over and above the targets set a year ago by the Board?”

Senior Vice Chancellor Anderes responded that, “When the original projections were done and we were looking at rate increases under what is Plan A, we also had at least two plateau changes. Within those revenue projections was the assumption that there would be X-numbers of students, there would be an implementation as of fall session. I think we found out that we continue to have the capacity—we can do the $24 million, in part because there wasn’t the immediate implementation of the plateaus. I think, with Portland State, because they deferred or they’ve waited, we have a number that was substantially higher. So, the capacity existed within what was legislatively approved.”

Continuing, Director Nesbitt reflected that, “the Board has established rate changes and plateau changes for 2003-04. The Board has also established rate changes for 2004-05, and said, ‘stay within those.’ Now I see plateau changes coming in on top in 2004-05 and seeing more revenue and that leads to my question about whether we’re
now ultimately, if LFO says, you know they’re the final arbitrator of the exegesis—it just seems like there’s more revenue coming from plateau changes that were done not on a revenue neutral basis but to raise more revenue.”

Director von Schlegell observed that the issue of affordability is a two-part mathematical equation: the cost of tuition as well as financial aid. “They are two very different issues that the Board has to balance. And access and affordability, obviously, are a high priority for us. But, could you comment on your institution’s relative cost top-line tuition versus comparable institutions and what your thoughts are?”

President Frohnmayer responded that Oregon is actually a moderate state in terms of tuition levels. “Let me just take Penn State, which is a state university of some distinction, an AAU member, the tuition and fees paid there are between $7,800 and $8,000 per year—that would be typical for a Big-10 University. The problem in Oregon is the lack of student aid—it is not the problem of tuition level, which, compared to private institutions within the state, compared to public and private institutions outside of the state, is right in the middle. The problem is the decimation of the student financial aid package that has been given through Oregon Opportunity Grants, which has been reduced shamelessly through the last four to six years.”

Mr. Petkun promised that OSA would be “going hand-in-hand fighting for funding for the Opportunity Grant and need-based grants in Oregon in the next biennium. But, what we have the power to do here today is something different. We can’t change the fact that the Opportunity Grant is funded as it is today. What we can do is make a choice whether or not we want to shut the door on students that have access to education. We can choose to slow down the time it takes for them to graduate, and if we do that, people aren’t going to be able to come back—and that’s what I think we have the power to do today.”

In closing, Director Lorenzen said that his concern is that, “if you just look at a very simple mathematical calculation with a plateau of 12-15 hours, a part-time student taking less than 12 hours will pay 25 percent more in tuition to reach their degree than a full-time student who takes 15 credit hours. That worries me—that’s just a pure mathematical calculation that it’s a 25 percent increase in tuition to make it to degree for part-time students.”

3. **ADJOURNMENT**
The Work Session adjourned at 9:15 a.m.
1. **CALL TO ORDER/ROLL CALL/WELCOME**

Board member Kirby Dyess chaired this informal meeting between members of the Oregon State Board of Higher Education and members of the Interinstitutional Faculty Senate, and called it to order at 12:10 pm, Thursday, June 3, 2004. After brief remarks, she asked everyone in the room to introduce themselves.

**Board members present included:** Don Blair, Henry Lorenzen, Geri Richmond, Howard Sohn, and Kirby Dyess (Chair).

**Other Oregon University System staff present included:** Jon Yunker, Tom Anderes, Ryan J. Hagemann, Dave McDonald, Ben Rawlins, Diane Saunders, Susan Weeks, and Denise Yunker.

**IFS Members and other university staff present included:** President Peter Gilkey (UO), Cynthia Beckwith (SOU), Mina Carson (OSU), Phil Conn (WOU), Sam Connell (OHSU), Frances Dyke (UO), James Earl (UO), Dan Edge (OSU), Melinda Grier (UO), Mary Hefty (UO), Laura Jones (SOU), Kelvin Koong (OSU), Anne Leavitt (UO), Darlene Morgan (EOU), Earl Potter (SOU), Marny Rivera (SOU), Nan Russell (SOU), Maureen Sevigny (OIT), Mary Kay Tetreault (PSU), Steve Tiech (OHSU), Jim Tooke (EOU), Bob Turner (WOU), Sarah Witte (EOU), and David Woodall (OIT).

**Others present included:** Pamela Burdman (National Crosstalk), Bill McGee (Oregon Department of Administrative Services), Lily Raff (Bend Bulletin), Wendy Robinson (DOJ), and James Sager (Governor’s Office).

2. **DISCUSSION**

Chair Dyess introduced the informal discussion between members of the State Board and the Interinstitutional Faculty Senate (IFS) with an overview of the Governor’s agenda for higher education. She stressed the energy on restoring funding to higher education and outlined some of the focus areas of the Governor and the Board.

Chair Dyess reviewed the three Board Working Groups—Access/Affordability (AA), Excellence in Delivery and Productivity (EDP), and Academic Excellence and Economic
Development (AE²D)—and offered brief comments on the work of each. For Access/Affordability, Chair Dyess mentioned its work regarding access to higher education for lower income students and its efforts on passing a constitutional amendment related to higher education funding. She mentioned work on moving credits from one institution to another, and concluded with comments on the AE²D Working Group. She stated the AE²D Working Group identified several areas to explore, and would be receiving reports from subcommittees in order to package two to five concepts to take to the Governor and the Legislature for special consideration.

IFS President Peter Gilkey stated he appreciated the energy and dedication of the Board, and turned the IFS floor to Bob Turner for a presentation of concepts important to IFS.

IFS Vice President and President-Elect Bob Turner thanked the Governor for his focus on higher education and thanked the Board for the opportunity to meet. He recalled that this was the first meeting of its type for at least five or six years. He stated he was impressed with talent of the Board members.

Turner offered that IFS senators met before the meeting to outline some comments and talking points to present to the Board. He started with offering a brief history of IFS, noting that it is a group of faculty from the public higher education institutions in Oregon. It has three representatives from each of the larger OUS institutions and OHSU, and two representatives from each of the regional OUS institutions. He noted, in the past, the IFS relationship with the Board was tenuous and that he was extremely encouraged by the inclusiveness of the recent Board. He stated that the IFS is not necessarily knowledgeable about budget issues or political agendas, but could be very useful in identifying the impact of economic actions on the campuses. He shared his confidence that with the new Board, IFS would be able to share impacts with its members.

Vice President Turner continued by reviewing the talking points developed by IFS. He stated IFS would have some comments on each of the following concepts: (1) Quality of the Educational Enterprise, (2) Institutional Distinctiveness, (3) Student Access, (4) Faculty Recruitment and Retention, and (5) Affordability. He noted the list was generated spontaneously.

Professor Jim Earl of the University of Oregon offered comments on the concept of quality. He noted the meeting did not feel informal because it is a rare occasion that the IFS meets with the Board. He stressed IFS valued quality above all other concepts. He added that as a professor, he may not have budget expertise, but commented that everyone knows what happens when the budget is cut. He continued that his version of educational quality consists of the time that he is able to spend with his students. He underscored the importance of the contemplative interaction between faculty and students, and commented that anything that makes this interaction more difficult is injurious to quality. He offered that an inquiry into quality is an inquiry that attempts to understand the time model.
Steve Tiech, Oregon Health & Science University, continued the comments on quality. He stated that while he was struck about how many discussions focus on what quality is, he would direct his comments as to what quality was not. First, he stated quality is not affordability. He recognized that higher education was a part of a political process, and although his meetings with legislators were generally positive, legislators are more alert to affordability. He commented that it is an easy, tangible problem to discuss affordability over quality. Legislators can recognize how to solve the affordability problem, but there is not, Tiech noted, the same recognizable solution to the “quality problem.”

He continued that he was confused by the different messages coming from higher education. He noted that, on one hand, Oregon higher education tries to send the message that we have an excellent System, but on the other hand, bemoans disinvestment. He stated the messages seem discordant, and that simply because we say we are excellent does not mean that we are.

He outlined an OHSU experience as an example, particularly from the vantage point of a citizen. About six years ago, OHSU’s president set a tangible goal for OHSU to be a top 25 research institution. While OHSU is a well-regarded teaching hospital, its president wanted to focus attention on research. Currently, OHSU is ranked 34th as a research institution. Tiech noted that it was valuable as a citizen to see a goal, see where the institution has come in meeting the goal, and where it needs to go. He concluded that the model presents clarity to view quality when it is otherwise difficult to grasp.

Vice President Turner emphasized that quality was with what the faculty was most concerned. While the IFS is not a bargaining unit, he noted, it is an important voice of OUS faculty.

Marny Rivera, Southern Oregon University, shared comments about quality, her experiences with increasing access through on-line education, and the relationship between budgetary problems and quality.

Chair Dyess commented that the Working Groups were not designed to diminish quality, and that IFS engagement in the process was important.

Vice President Turner noted that two concepts—unfunded mandates and unintended consequences—were two that the IFS could help the Board understand.

Chair Dyess added that she believed affordability and quality could live in the same place, but that it depended on how the Board went about it. She commented that it could not be done the same way with the expectation of accomplishing goals, but if the Board changed the way it conceptualized affordability and quality, the concepts could co-exist.
Professor Earl noted that the faculty may be sensitive, but that the universities have adapted brilliantly. Nonetheless, he offered, quality has suffered. He noted classes are larger, faculty salaries are down, and that there is difficulty in hiring faculty. When he hears about deep cuts in the System, he stated that he is reasonable in fearing what the cuts will produce.

Chair Dyess stated that she wanted the Board and the faculty to work together to ensure that it did not happen. She returned to the OHSU example as an incredible feat, but noted that it took thinking about a problem in a different way. She stressed rethinking about how things happen.

Director Don Blair encouraged the faculty to get involved on both sides of the equation. He noted that knowledge of the budgeting process was only one side of the equation, and that the Board would need assistance in wrestling with both sides. He stressed that the Board needed the faculty as it considered how to make the case for reinvestment in a time of limited resources.

Vice President Turner echoed that there was a need on the part of faculty to understand resource availability.

Director Henry Lorenzen stated he was intrigued by the discussion of quality and inquired how to establish measures. He asked whether there were measures of quality that the Board could use, and asked generally what members could do as a Board to further quality.

Maureen Sevigny, Oregon Institute of Technology, stated that it varies from campus to campus. She used OIT as an example, noting OIT identified core values in order to focus attention on quality. By focusing on the institution’s technological character and pre-employment elements, OIT used core values to address quality.

Mina Carson, Oregon State University, added that quality is a challenge faced by each of the institutions, and that there are assessment programs relevant to these goals. She noted quality may be easier to identify in student populations, with markers such as GPA or test scores, but with faculty, it was much more complex to explain. She offered the faculty knows the quality of the people coming out of the programs. She added a comment on faculty recruitment and retention, and that while Oregon, as a whole, has enjoyed general success in recruiting high quality faculty, this phenomenon would come to an end.

Vice President Turner and Sevigny shifted the conversation to other IFS talking points, and included discussion of OUS attention on a common core curriculum. Sevigny continued she had developed a white paper analyzing issues surrounding common core. She reviewed past efforts regarding common core, and noted various proposals regarding cooperation between the community colleges and the four-year institutions. She stated that there could be an open door to flexibility without sacrificing institutional
distinctiveness. She urged the faculty to be proactive regarding common core
discussions.

Chair Dyess added that at the end of the day, any proposal regarding common
curriculum required faculty engagement.

Sevigny stated adequate time is needed to solve any problems.

Vice President Turner added there is faculty angst over institutional distinctiveness, and
proceeded to address the remaining talking points. Turner turned to faculty recruitment
and retention, and identified three related problems. He noted salary, retirement and
benefits, and working environment as concerns of the faculty. He specifically noted that
this meeting was the first time the faculty asked the Board to consider salary concerns.
He commented on the frustration with efforts to produce and preserve quality in a time
of resource depletion.

Earl continued by addressing the fighting funds proposal on the Board’s Friday docket.
He stated that it appeared reasonable, but was actually a parable with an unexpected
meaning. He offered that a fighting funds proposal could have the unintended
consequence of creating a morale problem within the faculty. He recommended
President Derek Bok’s book University and the Marketplace, noting one of its central
arguments was that the business model and the academic model could work together.
He continued that universities work on a variety of incentives, including the intangible,
but very real incentive of faculty morale. He asked the Board to be wary of the
unintended consequences of damage to faculty morale.

Chair Dyess noted that any time an industry employer freezes a salary, there is a hit to
morale, but when you try to mitigate it, you always have the danger of making it worse.
She noted, though, that when faced with a perilous financial situation, a salary freeze is
a common way to assure the budget is not exceeded in private industry.

Earl interjected that the faculty had weathered the salary freeze; it was the efforts on
mitigation that he was discussing.

Vice President Turner added that some institutions have ruled out participation in a
fighting funds proposal.

Director Blair asked if the fighting funds position was a consensus position of the IFS.

President Gilkey stated it was, and that it was his sense that there was a feeling of
common and shared sacrifice. He outlined various concerns with a fighting funds
proposal, including merit distinctions and differences between the humanities and the
sciences. He urged the Board to consider unintended consequences.
Chair Dyess stated that she never saw this as an attempt to boost morale, but as a necessity to keep the same key faculty during these trying budget times that the general faculty is concerned about losing.

President Gilkey added that the faculty just wanted to be heard on the issue.

Dan Edge of OSU added a different perspective. He noted, as a department chair, he would appreciate the availability of some funds to keep faculty.

Chair Dyess observed that it was a difficult situation when an institution puts effort into a faculty member, and another institution comes along and takes the faculty member. She concluded that stopgap measures until the freeze is lifted would have consequences, as would doing nothing.

Vice President Turner asked the Board to consider the differences between education and training. He offered that a philosophy that he considers is “Education, not Training.” He believes education is focused on broad-based experience, but the fighting funds proposal seems to speak to the training side of the equation. He added that there is a perception that the Board would be focused on training, as opposed to education, with the fighting funds proposal.

Chair Dyess noted that she was not sure she agreed with the characterization.

Mina Carson added the concern of salary compression at the non-union schools of the University of Oregon and Oregon State University. She stated that it was a long-term problem that needed to be straightened out.

Chair Dyess reflected on the comments about unintended consequences, and asked everyone to consider that the rotation of faculty was not always necessarily bad.

Dan Edge returned the conversation to quality, expressing his concern about backfilling positions with instructors just to meet the needs of his department.

Chair Dyess concluded the meeting, sharing that it was a great conversation and that she hoped it was just the beginning of interaction between the Board and the faculty. She described her campus visits with Susan Weeks, and noted the faculty on the campuses impressed her. She asked IFS to take back the messages and conversations to the campuses, and President Gilkey stated the faculty would do so.

3. **ADJOURNMENT**  
The meeting adjourned at 1:10 pm.