The meeting of the State Board of Higher Education Executive Committee was called to order at 8:00 a.m. by President Jim Lussier.

On roll call, the following Executive Committee members answered present:

Mr. Roger Bassett
Ms. Leslie Lehmann
Mr. Jim Lussier
Mr. Don VanLuvanee
Ms. Phyllis Wustenberg

Absent: None.

Other Board members present: Directors Kerry Barnett, Geri Richmond, Erin Watari, and Tim Young.

Chancellor’s Office staff: Chancellor Richard Jarvis, Tom Anderes, Shirley Clark, Ben Rawlins, Patricia Snopkowski and Diane Vines.

Others: Dan Bernstine (PSU), Philip Conn (SOU), Phil Creighton (EOU), Martha Anne Dow (OIT), Lesley Hallick (OHSU), Paul Risser (OSU), and Elizabeth Zinser (SOU)

The Executive Committee dispensed with the reading of the minutes of the May 17, 2002, Executive Committee and, following clarification of a question raised by Director Wustenberg, Director VanLuvanee moved and Director Lehmann seconded a motion to approve the minutes as submitted. The following voted in favor: Directors Bassett, Lehmann, Lussier, VanLuvanee, and Wustenberg. Those voting no: None.

Portland State University (PSU) sought Board approval to authorize the Vice Chancellor of Finance and Administration to complete a proposed ten-year lease extension, which includes future purchase
and development options, with the property owner; Urban Housing, LLC. The University expects to save approximately $20,000 per year by extending the lease term.

Background

PSU is leasing from Urban Housing, LLC, a 16,600 square-foot parcel of land, located on SW Broadway Avenue between SW Jackson Street and SW College Avenue in Portland, Oregon. PSU currently is leasing this parcel for a term of five years and would like to extend this lease to a ten-year term, as this will trigger a rent reduction of approximately $20,000 per year. This site abuts the property purchased from Beau Bradley in May 2002 and will be an ideal site for future university development. The only improvement on this parcel is an old Key Bank facility. Most of the site is surface parking. The southerly portion of the parcel was the site of an old fraternity house that has been removed.

The parties have entered into this lease in contemplation of having Urban Housing LLC (the Lessor) build a student housing facility on this site, with first floor retail. In accordance with OUS Board rule 580-50-0015(e) this property was purchased by the Lessor and leased to PSU in an effort to avoid the prior owner’s plans for costly improvements that would materially increase the market value and cost to the Board if acquired later.

Statement of Need

PSU is currently at capacity with regard to student housing. PSU currently owns 919 apartment units and its housing contractor, College Housing Northwest, has another 600 units to serve a student population estimated to be in excess of 23,000 Fall term 2002. The university currently has 400-500 students on a waiting list for student housing and many more who inquire and find this out only to walk away dissatisfied. Thus, this site, combined with the Bradley site purchased earlier this year, represents an opportunity to develop a three-quarter block site with approximately 300 housing units in a very strategic location within the university district of downtown Portland.

Portland State University’s enrollment continues to grow to historic high levels and student housing is in short supply. It is imperative that PSU acquire facilities in order to accommodate continued growth in student numbers with concurrent demands for student housing.
Furthermore, the University is embarking on a strategy to diversify its student body with added non-resident and international students who will demand student housing convenient to the campus. Thus, this site is attractive at this time. In addition, acquisition of this property is consistent with the University-District plan. The block where this parcel is located is a prime redevelopment site within the University district, thus University control will allow PSU to either be in a position to develop this block itself, or influence what is developed on this block.

**Conditions of Lease**

The original term of the lease is five years. PSU would like to extend the lease to a ten-year term. As mentioned above, extension of the lease will result in a rental savings of approximately $20,000 per year. Rent currently is $17,313 per month, $207,756 per year, plus all expenses incident to the property (taxes, operating costs, etc.). Funding will be provided from unrestricted auxiliary income (parking and rental income) available to the university. During the initial term of the lease, PSU has a two-year option to purchase the property for approximately $2.24 million. If the lease is extended to a ten-year term this purchase option period will extend to a five-year term (note: the option price inflates annually by the rate of the Consumer Price Index for all Urban Consumers during the option term). PSU has the right to use the parking and otherwise sublet the facility on this site during the term of this lease and any extensions thereof.

As mentioned earlier, the University and the Lessor contemplate construction by Lessor of additional student housing improvements on this site during the term of this lease. The parties would negotiate to terminate or amend this lease agreement when this construction project is contemplated. If the lease were terminated the parties would enter into an agreement to guarantee PSU access to the student housing to be constructed by the Lessor. The terms of the lease have been reviewed and will be approved by the Attorney Generals Office with the Department of Justice, prior to execution of the Lease.

**Staff Recommendation to the Executive Committee**

Staff recommended that the Executive Committee approve Portland State University’s request to approve this lease transaction with Urban Housing, LLC, which provides a ten-year extension and includes future purchase and development options, subject to final approval by
the Vice Chancellor for Finance and Administration and referral to the full Board for final approval.

Executive Committee Discussion and Action

Ms. Wustenberg moved and Mr. VanLuvanee seconded the motion to approve, on behalf of the Board, the staff recommendation. The following voted in favor: Directors Bassett, Lehmann, Lussier, VanLuvanee, and Wustenberg. Those voting no: None.

Summary

The System Strategic Planning Committee proposed the Executive Committee assume audit responsibilities and evaluate these responsibilities at the May 2002 meeting. In response to this action, the Chancellor’s Office has prepared a revised Internal Audit Division Charter and a newly established State Board of Higher Education Audit Charter.

Staff believes the proposal will further strengthen the independence of the audit operations and ensure the Board is provided with the information necessary to perform their oversight responsibilities.

Board Audit Charter

Audit Responsibilities
The Oregon State Board of Higher Education has oversight responsibility to ensure OUS management is performing their duties of financial reporting, effective and efficient internal controls, and compliance with laws, regulations, and ethics. As part of this oversight responsibility, the Oregon State Board of Higher Education shall have the following responsibilities and powers and shall perform the following functions as it relates to audits.

External Audit Duties
The Secretary of State Audits Division shall provide the Oregon State Board of Higher Education notice of the external auditors selected to complete the annual financial statement and A-133 audit of the Oregon University System.

The Oregon State Board of Higher Education shall meet with the external auditors annually to review the scope and nature of the annual audit, and to review the results of the auditing engagement.
The Oregon State Board of Higher Education shall consider the amount and relationship of audit and non-audit fees paid to external auditors.

**Internal Audit Duties**
The Oregon State Board of Higher Education shall approve annually the Internal Audit Division’s annual audit plans and budget.

The Oregon State Board of Higher Education shall review at least semi-annually the results of Internal Audit recommendations and follow-up procedures. More frequent meeting will be held as deemed necessary.

The Oregon State Board of Higher Education shall approve as recommended by the Chancellor the appointment or removal of the Director of Internal Audit Division.

**General Duties and Powers**
The Oregon State Board of Higher Education shall review any recommendations the external auditors or the internal financial or auditing staff may have for improving internal accounting controls, management systems or choices of accounting principles.

Any financial irregularity resulting in losses in excess of $10,000 or involving a member of senior management shall be brought to the attention of the Chancellor and the Oregon State Board of Higher Education.

The Oregon State Board of Higher Education shall devote, as necessary, a portion of the audit meetings to an executive session at which only the Director of Internal Audit Division and the external auditors are present with the Committee to discuss matters exempt from public disclosure under Oregon Revised Statute Public Records Policy 192.

The Oregon State Board of Higher Education shall have and exercise all other powers, as it shall deem necessary for the performance of its duties.

The Oregon State Board of Higher Education has delegated these audit duties to the Executive Committee. The Executive Committee shall report the results of internal and external audit findings to the full Board at least once a year.
Internal Audit Division Charter

Introduction
Internal auditing is an independent objective assurance and consulting activity designed to add value and improve the organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The objectives of internal auditing are to assist members of the organization in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed and by promoting effective control at reasonable cost.

Role of the Internal Audit Department
The Oregon State Board of Higher Education and the Chancellor established the Internal Audit Division and its responsibilities. The responsibilities are defined in this charter, which is approved by the Oregon State Board of Higher Education. The Director of Internal Audit reports administratively to the Vice Chancellor for Finance and Administration and functionally to the Chancellor and Executive Committee of the State Board of Higher Education.

Authorization and Responsibilities
Authorization is granted for full and complete access to any of the organization’s records (either manual or electronic), physical properties, and personnel relevant to an audit engagement. Documents and information given to internal auditors during a periodic review will be handled in a confidential and prudent manner as required by the International Institute of Internal Auditors code of ethics.

Internal auditors have no direct responsibility or any authority over any of the activities or operations that they review. They should not develop and install procedures, prepare records, or engage in activities, which would normally be reviewed by internal auditors.

Recommendations on standards of control to apply to a specific activity may be included in the written report of audit findings and opinions, which is given to the operating management for review and implementation. Copies of final reports will be distributed to university management and the respective Vice Chancellor.
Definition of Audit Scope
The scope of internal auditing encompasses the following activities:

- Review the adequacy and effectiveness of internal control systems
- Review established systems, policies and procedures to ensure the organization is in compliance with laws and regulations
- Review means of safeguarding assets
- Appraise efficiency and effectiveness with which resources are deployed
- Coordinate audit efforts with those of the organization's external auditors
- Participate in the design/development of new business and computer systems
- Review the organization’s compliance guidelines for ethical business conduct
- Evaluate plans and actions taken to correct reported conditions
- Provide adequate follow-up to ensure corrective action is taken and evaluate its effectiveness
- Submit annual audit plan, budget, and status to the Chancellor and Executive Committee of the State Board of Higher Education
- Periodically report audit findings and status of corrective action to the Chancellor and Executive Committee of the State Board of Higher Education

Reporting Accountabilities
A written report will be prepared and issued by the Director of Internal Audit following the conclusion of each audit and will be distributed as appropriate.

The manager of the activity or department receiving the internal audit report will respond within 30 days. This response will indicate what actions were taken or are planned in regard to the specific findings and recommendations in the internal audit report. If appropriate, a timetable for the anticipated completion of these actions will be included.

The Director of Internal Audit will meet with the Vice Chancellor for Finance and Administration and Chancellor quarterly and more frequently as deemed necessary.
A summary of audit results will be provided to the Chancellor and Executive Committee of the Board of Higher Education semi-annually and more frequently as deemed necessary.

Staff Recommendation to the Executive Committee

Staff recommended that the Executive Committee review and approve the Board Audit Charter and Internal Audit Division Charter and refer them to the full Board for final approval.

Executive Committee Discussion and Action

Vice Chancellor Anderes introduced Ms. Patty Snopkowski, Director of Internal Audit who, in turn, introduced the external auditors. Ms. Nancy Young is the external auditor from the Secretary of State Audits Division and Ms. Mary Chase is a partner at Moss Adams, the firm in charge of the financial and compliance audit functions. It was explained that the external auditors have statutory authority over completing the financial statement audit, as well as the federal compliance audit that is required on an annual basis. The primary stakeholders of the external auditors are Oregon taxpayers as well as the creditors of the Oregon University System.

Ms. Snopkowski indicated that, in contrast, the internal auditors’ primary stakeholders are the State Board of Higher Education, the Chancellor, and the senior management of the campuses. Operational, financial, and compliance reviews, as well as monitoring, are the chief functions of the internal auditors. It was further explained that the auditors would meet twice a year with the Executive Committee, not the Budget and Finance Committee as has been the practice in the past, with provision for executive sessions, if required.

Director Wustenberg indicated that the Charter makes reference to oversight responsibilities for OUS management and requested clarification on who was included in that group. Ms. Snopkowski replied that it refers to senior level management -- Chancellor, Vice Chancellors, and campus senior executives such as presidents, provosts, and vice presidents.

Another question made reference to “any financial irregularity resulting in losses in excess of $10,000.” Director Wustenberg questioned whether that also included overruns of budgets. Vice Chancellor Anderes responded that expenditure overruns would fall
within the purview of the Controller’s division. A final question by Ms. Wustenberg related to follow-up reports of recommendations of the auditors, indicating that she did not recall ever receiving a report of actions taken in response to audit recommendations. Ms. Snopkowski indicated that, as a part of the auditors’ semi-annual reports, they would include follow-up reviews of actions taken.

President Lussier asked what the reporting structure would be for the auditors. It was clarified that the proposal is for a more formal reporting path to the Chancellor along with a dual reporting to the Vice Chancellor for Finance and Administration. Vice Chancellor Anderes underscored that he felt there needed to be a direct path to the Chancellor and/or the Board president, without necessarily reporting through him. He clarified that he had day-to-day managerial responsibilities but, for purposes of reporting, there must also be a direct line to the Chancellor.

Director Bassett asked if the current proposal streamlined, as much as possible, the accounting functions without the burden of multiple layers of reporting. Ms. Snopkowski responded that, in developing the Charter, they had looked at other systems and spoke with other directors of internal audit across the country and were generally comfortable that there were mechanisms in place to have a streamlined system with adequate accountability measures as well.

Mr. VanLuvanee moved and Ms. Lehmann seconded the motion to approve, on behalf of the Board, the Oregon University System Audit Charters as presented. The following voted in favor: Directors Bassett, Lehmann, Lussier, VanLuvanee, and Wustenberg. Those voting no: None.

RESOLUTION- REFUNDING BOND SALE

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

OUS’s present value savings net of selling expenses are projected to be approximately $4.9 million. Maturity lengths will remain unchanged or be shortened. Under no circumstances will maturities be extended.
The sale date has been tentatively set for November 1, 2002. However, Board action to approve the following bond resolution is required before the State Treasurer can arrange for, and proceed with, the sale.

RESOLUTION FOR THE SALE OF REFUNDING BONDS

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

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

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

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

WHEREAS, it appears advantageous to the Board to sell refunding bonds to refund certain outstanding bonds thereby benefitting the state.

NOW, THEREFORE, be the following hereby resolved by the Oregon State Board of Higher Education:

Section 1. Issue. The State of Oregon is authorized to issue general obligation bonds (the "Bonds") in such series and principal amounts as the State Treasurer, after consultation with the Vice Chancellor for Finance and Administration of the Oregon University System, shall determine are required to refund all or any portion of its General Obligation Building Bonds, 1974 Series B; 1977 Series A and B; 1992 Series B; and any other series of bonds that meet the requirements established by law and approved by the State Treasurer.

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

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

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

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

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

Staff Recommendation to the Executive Committee:

Staff recommended the Executive Committee adopt the bond resolution authorizing the issuance of refunding bonds and refer the resolution to the full Board for final approval.

Executive Committee Discussion and Action

Vice Chancellor Anderes said that this was one of the few "good news" items, in the financial realm, that he could present. Refunding the bonds in November could save the System $5 million.

Mr. VanLuvianee moved and Ms. Wustenberg seconded the motion to approve the staff recommendation and refer the resolution to the full Board for final approval. The following voted in favor of the motion:

Vice Chancellor Anderes informed the Executive Committee members of the magnitude of the projected reductions that would be required as a result of the cuts imposed by the recommendations of the last legislative session.

The current proposed cuts follow a round of reductions already imposed that amount to approximately $50 million, or six percent of the total OUS budget. The actions of the legislative session will impose two additional categories of cuts, one of which is a set of permanent targeted cuts that are not affected one way or the other by the income tax surcharge. These cuts amount to $1.9 million, with $1.1 million from engineering and just over $775,000 from the graduate cells of the RAM.

The second category totals $25.2 million, distributed as follows: $23.4 million from Education and General budget; $1.9 million from Ag Experiment; $1.3 from Ag Extension; and $190,000 from Forest Research. It was noted that these were amounts that would have a very negative impact for the remainder of the biennium.

Continuing, Vice Chancellor Anderes indicated there was a range of issues relative to responding to these fiscal reductions. First, there is a need to establish principles for allocation of General Fund reductions by institution, a task that had not been completed; second, the institutions would need to submit reduction and revenue plans; and third, affordability plans would need to accompany tuition increase estimates.

The principles for the allocation of General Fund reductions by institution include: implement Legislative mandates; and, review the equity of further reductions in light of the distribution of cuts already taken ($50 million), the size of additional reductions, the lateness in the budget cycle, and the need for partial offset by tuition. “We will be anticipating a considerable degree of flexibility among campuses as they examine the ways to make these budgeting decisions,” Dr. Anderes added.
The response process would be:

- Initial allocation of General Fund reductions to campuses by September 24;
- By September 30, institutions submit proposals for reductions by function (including enrollment impacts), and revenue enhancements;
- Council of Presidents review the institution plans by October 11; and
- Recommendations for action reviewed and acted on by the Board at the October 18 Board meeting.

Dr. Anderes reviewed the principles on the revenue (tuition) side:

- Revenue may be generated by a Tuition Surcharge to be imposed in the Winter and Spring quarters. These would be refundable if the income tax surcharge passes and restores the General Fund reduction.
- Institutions would be granted flexibility in their submission of plans.
- The Board would set an upper limit for the amount of revenue that could be generated from tuition that must not exceed the reduction required in the current round of cuts.
- Tuition proposals must be accompanied by an affordability plan.

The affordability plan should include the following:

- The Board established policy direction that tuition increases are mitigated by a set-aside that minimizes erosion of access for the most economically disadvantaged students.
- Institutional plans may vary by target population, impact level, and amount of increase set aside.
- Institutional proposals would be reviewed by the System staff with recommendations to the Board for action at the October 18, 2002, Board meeting.

Chancellor Jarvis underscored that the surcharge would be refundable if the income tax surcharge passes in January and restores the General Fund reduction. He also underscored the need to provide campuses with the maximum flexibility to respond to the tuition proposal and that the Board could expect to see a fair degree of variation among the campuses.
Director Wustenberg observed that in many other systems, increases in tuition go hand-in-hand with increased financial aid. She raised the question of whether the students who can pay will be paying more. Chancellor Jarvis responded that in an algebraic sense, the System tries to solve the problem with some combination of increased tuition, on the one hand, and increased financial aid on the other. “The question we end up asking,” Dr. Jarvis continued, “is there some protection of the most needy students that we say has to be part of handling increases? Increased tuition has a very severe impact on the most needy student. You simply wash those students out of the System since they have no margin of adjustment.”

Director Barnett asked what the latest date was that the tuition level could be set. Chancellor Jarvis speculated that it could be fairly late in the planning time frame and for the academic calendar. The most important element, he explained, is getting the word out to the students that an increase is anticipated and the range of the impact of those increases.

Director Barnett pointed out that there is danger that the November revenue forecast will show an additional shortfall and inquired if there was work being done to create even further contingencies. Chancellor Jarvis indicated that the hope was this would not materialize, but it certainly is in the back of everyone’s mind.

Directors Lussier and Lehmann underscored the importance of keeping the reductions apparent and visible so that the public doesn’t see just the present reductions, but sees them in the context of the severe reductions already experienced by higher education. In addition, the public needs to be able to see the relationship of passage of the income tax surcharge and sustaining current tuition levels and the impact if it fails.

Director Bassett commended the Chancellor and staff on the recommendation and the processes being used to plan for these reductions. “These things are important about it,” Mr. Bassett added. “It’s immediate and it’s a straightforward response to an almost impossible situation, at least as measured by timing. Ultimately, the decisions will be made at the campus level, closest to the ones that are really affected – the students. I think it’s very important that it will also contribute to a broader public awareness of the reality of what honest, highly skilled leaders do to deal with this situation. Finally, it links to the broader strategic work.”
“A concern I have is that I’m not aware that community colleges are having a discussion in a policy setting about their responsibility for affordability. I hope we would draw others into the discussion of affordability so that we are not the only ones to focus on this issue. It’s a much larger and, ultimately, a state responsibility and we are really doing more than our share.”

Director Richmond added her support for the approach indicating that, “If we can get the work out quickly that this (tuition increase) is going to happen, people then can understand the consequences for their own situations.”

Director Bassett began the report of the Strategic Planning Ad Hoc Group by complimenting the participants of the Group and the staff on the job that had been done in pulling the report together. He indicated that the Ad Hoc Work group had completed its work and “as we cross the bridge from the Work Group to the Strategic Planning Committee, the Board must at least be comfortable with the framework that will be presented. We’re looking for a sense of direction, your comfort with that direction – not necessarily yet with your engagement in specific recommendations.”

Continuing, Mr. Bassett outlined a possible schedule for review of the document, beginning with the October Board meeting. Following that, the Strategic Planning Committee would take up the recommendations at the December Board meeting. He indicated there was a sense of urgency for the Board to review the Report in depth because the flexibility initiatives would eventually require legislative action.

The work of the Ad Hoc group began as a way to deal with and address, in a positive way, the obvious need for increased flexibility at the campus level, more or less as a reflection of the state’s investment in higher education. This, however, needs to be accompanied by a sense of the vision for the System which was brought into the work process. Therefore, the flexibility initiatives, which were the recommendations made by the presidents during the Renewal session, are considered within a context of an updated vision of responsibilities and opportunities.

“What links this all together,” Director Bassett elaborated, “is what we refer to as the Deal that represents a new understanding with the
legislature and with the public at-large. This has a longer horizon than just the next budget crisis.”

Ms. Wustenberg posed a hypothetical question: What if the legislature tells us that an eligible student must be allowed to attend an Oregon institution? “If the Deal works right,” Director Bassett responded, “the legislature would be unlikely to do that outside of the context of what the plan represents. However, if they create a mandate, it will either need to be reflected in the Board’s goals or it will need to be dealt with in a fashion similar to the way in which the Board is presently dealing with the budget shortfall. If it is something so fundamental that it really steps on the responsibility of the Board, that’s a much larger issue; it becomes a question of whether there is an adequate understanding on the part of the legislature or a relationship between their authority and ours to even do this work,” Mr. Bassett explained. “The value of this work is to create a context for those discussions with the legislature to keep it from getting to the place you used as an example.”

Director Lussier expanded on the notion by indicating that the Ad Hoc Work Group had been talking about a new way of reaching those kinds of decisions among the Board as well as with the Legislature, thus making it an interrelated, interactive system.

Relative to sector overlap, Director Bassett pointed out that it would be more prominent in the work of the Strategic Planning Committee once the Committee and the Board move past the initial work on the flexibility initiatives. As an example, he highlighted that, in the areas of access and affordability represented by financial aid, tuition, and enrollment management, there will be a series of responsibilities and public expectations that are not the Board’s alone. “We don’t need to be one happy System, but it does mean that we should expect, even demand from our partners if that’s necessary, some indication of where they are headed on these same issues so that our work is informed by that work,” Director Bassett asserted.

The Lumina Project was mentioned as an opportunity for Oregon to participate in a broader project called, “Changing Directions,” that is co-sponsored by the Western Interstate Commission for Higher Education and the State Higher Education Executive Officers. A small amount of money has been made available to create a multi-state roundtable to discuss the issues of state policies regarding state financial funding, tuition, and financial aid. Representatives from the
public, independent, and community college sectors and representatives of students and businesses from Arizona, Connecticut, Florida, Missouri, and Oregon will engage in discussions and arrive at a series of recommendations by next Spring.

Director Bassett reviewed the vision aspects of the report, focusing on the ten goal statements and their relevance to the commitment of higher education in Oregon. An important part of the vision statement work of the Committee is the individual vision statements of the institutions. The institution vision statements will capture the fact that, as the Board discusses flexibility, it will need to recognize differentiation among the campuses.

The flexibility initiatives were explained as a part of the Deal that higher education would make with the state. If implemented, these initiatives would shift some of the balance of responsibility from within the System to the institutions. Mr. Bassett pointed out that the initiatives are presented as part of the package of the Deal and also presented in more detail as a separate part of the document. It was underscored that these are still draft and will require work prior to the coming legislative session if they are to be dealt with at that time. Timing of work on these, he indicated, will be a major issue, given an upcoming legislative session.

Director Lehmann reminded the Executive Committee that the work presented in the report is completely consistent with and an outgrowth of the work of the full Board and the presidents in recent Renewal session. “There’s nothing here that should surprise any Board member. It’s more specific and fleshed out and presented more compellingly, but it is a very logical outgrowth of those discussion.”

“For purposes of engaging the legislature in a real time and productive discussion or negotiation about the responsibilities of the System and the funding levels of the System,” Mr. Bassett explained, “we fashioned what we’re calling the Deal.” Chancellor Jarvis elaborated by explaining that the challenge was to find a way to have conversations this fall about an increasingly urgent and desperate situation that will set up a forum that will carry the System through the next several biennium. “You have to keep all the critical elements on the table. So when we focus on talking about state support, we recognize that’s part of the package; that’s part of the deal where all the constituents – the state, students, OUS – come to the table in terms of our own efficiencies and efforts that deliver a yield, that
delivers a return on investment that people can see and buy into,” he summarized. He further elaborated that the Board and the System need to draw a quality line that says we cannot allow a continued erosion of support beyond the point at which the quality of the System deteriorates.

“We’re not simply asking for a transfer of authority or a decentralization of a flexibility in-and-of itself,” Dr. Jarvis continued, “because we want to do things differently. We’re asking for them because that’s how we’re going to fill the gap left by the state doing as much as it can and the students doing as much as we can reasonably ask of them.

“So this is an attempt to start to get our hands around the concept of a deal among the state, the students, and our own efficiencies and creativity to bridge that funding gap and to do so in a way that will deliver to the state the capacity for more students, increased research performance, excellence in quality, and national recognition and service to our communities,” the Chancellor concluded.

Director Bassett observed that there is a meeting of the Joint Boards scheduled in November and that it might be a target of opportunity to share the Report with the participants and invite them to share similar information from their various sectors.

Director Wustenberg commented that the process the Committee has set in motion, by including all of education in Oregon, could be a real impetus for a groundswell of support. “I think the people in this state are pretty sick of what has been happening in the legislature. We have beggared our entire infrastructure, particularly in education,” she continued, “and I see this as a place to start work to be understandable to ourselves and then we can explain it to others. I really appreciate the efforts of the Ad Hoc Committee.”

Mr. Bassett concluded his presentation by indicating that he felt the Board, in its relationship to the legislature, is being much more the initiator in terms of the aspirations of the System, the State, and of others in post-secondary education as well. This points, he said, to the realities that responsible leaders are doing the best they can with the resources they have and this can send an even more persuasive messages to voters as well. The message, without scaring people “has to be out there and be on the kitchen table when adults are
talking about their aspirations and desires for their young people to get a college education," he added.

President Lussier speculated that one thing the Board probably could anticipate at the October meeting is some sense of process time lines and of how the Board will plan to work through the aspects of the report. Director Lehmann also requested that at some point there be a concise, written, compelling statement that Board members can use with constituencies to carry the message of the report forward.

BOARD MEMBER REPORTS

President Lussier indicated that name tags for Board members were available at their seats. The purpose of the tags is for Board members use when they are on campus visitations or in public talking about or advocating for higher education.

Diane Vines Vice Chancellor Vines was thanked for the work that she had done over the past several years as Secretary of the Board. Dr. Vines has assumed a broader scope of work in corporate and public affairs.

OSU-Cascades Campus Director Wustenberg acknowledged the upcoming official dedication of the building on the OSU-Cascades campus on September 22, 2002, in Bend, and noted that it was a significant step forward in the development of that enterprise.

SOU Visit President Elisabeth Zinser extended an open invitation to the events surrounding the October Board meeting at SOU.

ADJOURNMENT Director VanLuvanee moved and Director Lehmann seconded a motion to adjourn. Those voting yes: Directors Bassett, Lehmann, Lussier, VanLuvanee, and Wustenberg. Those voting no: None.

The meeting adjourned at 10:50 a.m.

Virginia L. Thompson
Interim Secretary of the Board

James T. Lussier
President of the Board