CALL TO ORDER 101

ROLL CALL 101

APPROVAL OF MINUTES
October 18, 2002, Board Meeting Minutes
November 22, 2002, Special Board Meeting Minutes

PRESIDENT’S REPORT 101
CAPITAL Center
President Risser
Meetings with Chancellor

CHANCELLOR’S REPORT 102
Director of OCATE
D. Saunders
R. Vieira

REPORT FROM IFS PRESIDENT 102

REPORT FROM OSA PRESIDENT 103

CONSENT ITEMS
Budget and Finance Committee
OSU Intercollegiate Athletics Department Fiscal Status Report 104
Accepting Accrued Leave Balances for AHA Employees 106
Revised Expenditure Authority, UO–Gilbert Hall Addition 108

System Strategic Planning Committee
Ph.D., Mathematical Sciences, PSU 109
Rehabilitation Counseling with Deaf and Hard of Hearing Adults, Certificate, WOU 112
Confirmation of Institutional Degree Lists 114

ACTION ITEMS
Executive Committee
Internal Audit Division Progress Report and Plan 115
Amendment to OAR 580-040-0040 Academic Year Fee Book, Pertaining to Tuition Surcharges (Temporary Rule) 117
Budget and Finance Committee

Tuition & Fee Recommendations, Residence Hall and Food Service Charges, Amendment to OAR 580-040-0035, Summer Session Fee Book

System Strategic Planning Committee

Acceptance of the Report of the Strategic Planning Work Group

Full Board

Oregon Council for Knowledge & Economic Development Recommendations
Confirmation of Appointment of Dr. Timothy White as Interim President, OSU
Adoption of Board Work Plan
System $9.1 Million Reduction

REPORT ITEMS

Connecting The Deal and the RAM: Assumptions (Budget & Finance)
Report of Grievances Filed Under OAR 580-021-0050(12)
Options for Board Operations

OTHER REPORTS

Federal Affairs Report
Joint Boards Working Group
OHSU
Oregon College Savings Plan
Oregon Council on Knowledge and Economic Development
OBC Summit
OSU Presidential Search
Compensation Committee

PUBLIC INPUT SESSION

ITEMS FROM BOARD MEMBERS

ITEMS FROM PRESIDENTS

DELEGATION OF AUTHORITY TO BOARD’S EXECUTIVE COMMITTEE

ADJOURNMENT
CALL TO ORDER

The meeting of the State Board of Higher Education was called to order at 9:15 a.m by President Lussier.

ROLL CALL

On roll call, the following Board members answered present:

Kerry Barnett  Geri Richmond
Roger Bassett  Erin Watari
Leslie Lehmann  Phyllis Wustenberg
Jim Lussier  Tim Young

Absent: Directors Tom Imeson, Don VanLuvanee, and Bill Williams were absent due to personal and business conflicts.

APPROVAL OF MINUTES

Board Secretary Thompson pointed out two corrections to the minutes of the regular Board meeting of October 18, 2002. On page 85 of the minutes, “groups in the western region” should be deleted from the end of the sentence and on Page 89 the fifth paragraph should read: “Chancellor Jarvis responded that the proposal on the 50-50 share of tuition is a capping proposal based on the Higher Education Inflation index which is a capping proposal as well.”

It was moved by Director Wustenberg and seconded by Director Lehmann that the minutes be approved as amended.


PRESIDENT’S REPORT

President Lussier thanked the staff of the CAPITAL Center for their hospitality and acknowledged the benefits of the reception that had been held on Thursday evening. At that time, Board members had the opportunity to meet and hear from business people and legislators who are directly involved in and benefitting from the Center and its various activities.

President Risser

The distinguished service of President and Mrs. Paul Risser was applauded by the Board. President Lussier indicated that they had been honored on Thursday evening during a dinner for Board
members and presidents. President Risser thanked the Board for the dinner, gifts, and opportunities afforded to him in Oregon. He also acknowledged how much he and Les had enjoyed their time in Corvallis at Oregon State University, working with the faculty, staff, students, and members of the broader community. He acknowledged the support of the Chancellors with whom he had worked – Joe Cox and Richard Jarvis – and his presidential colleagues. He applauded the dedicated work of all.

Meetings with Chancellor

President Lussier reported that he had the opportunity to participate in several events in the Bend area with Chancellor Jarvis. They included a Rotary meeting, a Town Hall meeting, and meetings with several legislators. “I want to tell you that meetings of that nature are very, very productive and the Chancellor is getting the word out about higher education in Oregon.”

CHANCELLOR’S REPORT

CHANCELLOR’S REPORT

Director of OCATE

Chancellor Jarvis added his thanks to the staff of the CAPITAL Center and OCATE for their hospitality and invited Ms. Charmagne Ehrenhaus, Director of OCATE, to make some comments. Ms. Ehrenhaus provided the Board with some history of the CAPITAL Center and OCATE.

Highlights of her presentation included the fact that OCATE works across all educational sectors. For example, there are 200 high school students at the Center, Portland Community College has a Workforce Development Training Center, four OUS institutions offer programs, and a number of businesses provide training.

Ron Geason, Director of Administration and Finance for OCATE, reviewed the programs in engineering, computer science, and business that have been established at the Center. He briefly reviewed the recent completion of construction to the facility and plans for the future. He invited Board members to tour the new facilities.

D. Saunders

Chancellor Jarvis introduced Ms. Diane Saunders, the new Director of Communications for OUS. She is primarily located in the Portland Chancellor’s office.

R. Vieira

Robert Vieira was introduced. He was representing Dr. Lesley Hallick from OHSU at the meeting.
Ms. Elaine Deutschman reported on the December meeting of the Interinstitutional Faculty Senate (IFS), which was held at Oregon Health & Sciences University (OHSU). At the meeting, one of the items underscored by Drs. Kohler and Hallick was the extreme need for additional nurses in the state.

She reported that Board Director Barnett and Chancellor Jarvis had also attended and participated in the meeting and IFS members appreciated the open discussion with them. “The faculty in the System want to be part of the OUS effort with the legislature,” Ms. Deutschman reported. To be sure their messages are consistent with the Board and the System, they arranged a meeting with Grattan Kerans. IFS encouraged Board members to participate in legislative affairs in the upcoming session, as well.

IFS has expressed grave concerns about the current status of PERS and the negative effects all of the controversy is having on faculty. “The PERS predicament goes far beyond the financial. It is imperative that the System and the Board articulate a message to legislators and others involved in PERS’ difficulties that the System is feeling the effects in non-financial ways and that faculty retirement benefits, long touted as making up for depressed salaries, must be protected.”

(NOTE: the full text of the IFS report is on file in the Board’s Office.)

In closing, Ms. Deutschman announced that this was her last meeting as IFS president and thanked the Board for its work and inclusion of faculty in important discussions.

Ms. Rachel Pilliod, chair of the Oregon Student Association Board, began her remarks by thanking President and Mrs. Risser for their many contributions to OSU and to the state as a whole. Continuing, Ms. Pilliod thanked members of the Board, Chancellor Jarvis, and others for including OSA in important discussions regarding The Deal. She indicated that OSA wants “to make it clear that students do oppose the System’s asking for the elimination of expenditure limits on state funds. We believe that the legislature must have the final say in terms of tuition.”

Further, OSA has concerns about the student portion of The Deal. “As the conversations continue about tuition, OSA would like to be a part of it. Tuition is directly related to accessibility and students are very interested in this topic.” In addition, it was pointed out that there were many aspects of The Deal with which the students concur and they
applauded the inclusion of several of their suggestions in the final documents from the Report of the Strategic Planning Work Group.

Concerning the shared governance aspect of a letter from OSA to the Board and presidents, Ms. Pilliod indicated that OSA did not want discussion about it to detract from the broader issues of securing sufficient funding for OUS. “An example of why shared governance is such a vital topic is your discussion and vote today on summer tuition and fees. Tuition and fees for summer 2003 are increasing over levels of 2002. This increase may very well be understandable. What is not understandable is that in talking to other Associated Student Body presidents, none of them knew of this increase.”

OSA asks that shared governance continue to be part of the discussions with presidents and the Chancellor and expressed satisfaction that those conversations would begin in January.

Finally, in response to the latest $9.1 million reduction in budgets that OUS is required to take, it was pointed out that Oregon will drop to new lows in terms of state funding for higher education. “We are confident that our campuses will take accessibility into consideration when deciding how to institute these cuts.” (NOTE: the full OSA report is on file in the Board’s Office.)

OSU INTER-COLLEGIATE ATHLETICS DEPARTMENT FISCAL STATUS REPORT

Introduction
The purpose of this report was to communicate the fiscal status of the Intercollegiate Athletics Department (Athletics) of Oregon State University (OSU) in accordance with the request of the Budget and Finance Committee (Committee). In their April 19, 2002, meeting, the Committee requested monthly reports on the financial condition of OSU Athletics in order to more closely monitor the progress being made by Athletics in meeting their deficit reduction commitments. This is the first such report for fiscal year 2002-2003 as sufficient operating activity has occurred through October to allow meaningful year-to-year comparison of fiscal results.

The attached financial statement presented the revenues, expenses, and changes in fund and cash balances of Athletics as of October 31, 2002 and 2001. The year-to-date amounts as of October 31, 2002, were compared to the results as of October 31, 2001, and explanations for material variances between the year-to-date amounts were provided by OSU (see below). Footnotes to the financial
University's Analysis of Operations

Variances in the operating results through October 31, 2002, from the operating results through October 31, 2001, that were in excess of $0.5 million, were identified for further analysis. The amount reported for Operating revenues varied from the prior year amount by over $0.5 million and an explanation has been provided below for this variance:

- Operating revenues totaled $5.7 million through October 2002, compared to the prior year amount of $4.4 million, resulting in an increase of $1.3 million. Current year revenues from football are greater due to having seven home games in 2002 compared to five in 2001 and increased prices for the Oregon game.

It is expected that Athletics will meet the Board’s mandated deficit reduction commitment for the fiscal year ending June 30, 2003.

Chancellor’s Office Review

Process

The Chancellor's Office has reviewed the financial statement and analysis prepared by OSU to test the reasonableness of the amounts reported, the projections presented, and management's assumptions. This review included the following:

- Reconciliation of amounts reported to the accounting records;
- Selected review of unusual amounts, trends, etc.;
- Review of material accounts receivable balances; and
- Review of management's explanations of material variances for reasonableness.

Analysis

The amounts reported in the financial statements reconciled to the accounting records and review of material accounts receivable balances further substantiates the operating results. In addition, the explanations provided by OSU for the material variances between actual amounts reported through October and the prior year amounts for the same time period were reasonable.
The fiscal condition of OSU Athletics has improved over the prior year by $1.5 million. The University’s projections indicate that Athletics will meet its deficit reduction commitment for the year ending June 30, 2003.

Staff Recommendation to the Board
Staff recommended the Board approve the fiscal status report as submitted.

BOARD ACTION:

It was moved by Director Lehmann and seconded by Director Young that the Board approve the fiscal status report as submitted. Those voting in favor: Directors Barnett, Bassett, Lehmann, Lussier, Richmond, Watari, Wustenberg, and Young. Those voting no: none.

Background
AHA International (AHA), formerly American Heritage Association, Inc., is a non-profit corporation founded in 1947. From its headquarters in Portland, AHA successfully sponsors study abroad programs at 14 sites in Africa, Europe, and South America in partnership with various colleges and universities, including OUS and its institutions. The University of Oregon (UO) and AHA began working together in 1977, the year UO joined the Northwest Council on Study Abroad (NCSA). As a result of a study undertaken by the Board of Directors, AHA approached the UO in early 2001 to explore the possibility of affiliation to position AHA for continued growth and leadership in study abroad programs.

Since that time, UO and AHA have undertaken due diligence regarding a potential merger. As part of its due diligence, UO requested the University of Oregon Foundation pay for a full audit of AHA and reviewed AHA’s outstanding contractual and employment obligations. UO has reviewed AHA financial operations and documents and met with employees and other individuals who operate AHA programs at study abroad sites. UO arranged through OUS and the Oregon Department of Justice to hire foreign counsel to provide on-going legal advice for operations in the countries where AHA operates sites. The UO Foundation has conducted appropriate review of the real property that will be transferred to the UO Foundation. Results of the review have identified no liabilities other
than standard current operational encumbrances and have determined AHA has adequate revenues and cash flow to support its operations.

AHA and UO have worked diligently to develop a structure to combine their efforts in study abroad, designed to take advantage of the strengths of each. Because of AHA’s successful operation of its programs, this merger will greatly enhance the UO study abroad programs without draining UO resources. At the same time, it provides AHA the opportunity to implement improved accounting, administrative, employee, and student support systems through affiliation with a large university. The Board of Directors is currently preparing to dissolve its corporate structure and become a program of the UO. As part of their agreement, AHA International employees will become UO employees, AHA operating funds will be transferred to UO, and AHA reserves, real property, and any other long-term assets will be transferred to the UO Foundation, for use by AHA programs.

Because this merger involves only the expansion of instructional programs and does not involve the adoption of a new academic program, it does not require Board approval. However, one aspect of the merger related to employee benefits for incoming AHA employees does require Board authorization.

AHA employees receive a benefits package similar to what they will receive as UO employees. Like UO employees, they earn sick leave and vacation leave that may be accrued over time. Under OSBHE administrative rules, AHA employees would be unable to bring accrued sick and vacation leave balances when they become UO employees. Although AHA has adequate fund balances to pay employees an amount equal to their accrued sick and vacation leave balances, that is not the wish of UO, the AHA Board of Directors, or AHA employees. All recommend current AHA employees be allowed to bring accrued sick and vacation leave balances to the UO. The UO will maintain fund balances at the University of Oregon Foundation to reimburse the UO for leave costs at the time they are incurred. This allows employees to have adequate leave time in case of illness and to have vacation available on a standard basis.

The UO requested the Board authorize UO to accept earned sick and vacation leave balances. AHA funds equal to the cost of the leaves will be transferred and maintained at the UO Foundation so that UO
will not be responsible for funding these accrued balances.

**Staff Recommendation to the Board**
Based on the due diligence detailed above, staff recommended that the Board accept for information and endorse the merger of the American Heritage Association, Inc. into the University of Oregon. Staff also recommended that the Board authorize UO to accept earned sick and vacation leave balances of employees of American Heritage Association, Inc., conditioned on AHAs transfer of sums, at least equal to the costs of all earned leave balances, into the UO Foundation.

**BOARD ACTION:**

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

**Summary**
University of Oregon (UO) sought Board approval to authorize the Vice Chancellor of Finance and Administration, or designee, to seek an additional $5.3 million of Article XI-F Bond limitation from the Legislative Emergency Board, with an equal reduction of Gift Fund limitation, from the Legislative Emergency Board to meet cash needs that cannot to be fulfilled as planned by the University Reserves until private gifts are in hand.

**Background**
In June 2001, the Legislature approved an additional $33 million in spending authorization for the project, extending the previously authorized Gilbert Hall Additions and Alterations (Campus Development Project), for a combined total of $40 million. Due to the current economic climate, the University planned to meet the cash requirements with University Reserves. This option is no longer viable due to Legislative budget cuts that have caused reserves to be reallocated. The Gilbert Hall Addition and Alteration is 90 percent funded with private gifts, which will be used to pay the debt service. To hasten the full utilization of the new Gilbert Hall building, F-Bonds are required. Without F-Bonds in hand, the equipment and furnishings cannot be purchased, which would delay the opening of the building until 2006.
The use of Article XI-F bonds will bridge the cash shortfall allowing the project to remain on target for a Fall 2003 opening. The estimated $621,000 in annual debt service will be paid by donations.

Statement of Need
The Gilbert Hall Additions and Alterations Project provides a 145,000 square foot addition. The new state-of-the-art addition will offer 20 new high-tech classrooms for 21st century learning. The classrooms are designed to facilitate team learning. A wireless network will allow students to connect to the university's high-speed network anywhere inside the building. The new building will use advanced green building concepts, employing thermal massing, “stack-effect” cooling and day lighting to minimize environmental impacts and significantly lower operating costs. The new building has been designed with energy efficiency in mind and incorporates photovoltaic cells to generate a portion of its electrical demand. Energy modeling suggests that the building will exceed requirements of the state energy code by 45 percent.

Schedule
The project is currently under construction, and awaits the change in funding authorization to proceed with the purchase of equipment and furnishings.

Financial Considerations
Funds to provide bridge financing until gift receipts are in hand will be provided by existing OUS system-wide Article XI-F bonds. The annual debt service will be paid entirely by the University in the form of gifts.

Staff Recommendation to the Board
Staff recommended that the Board approve University of Oregon's request to authorize the Vice Chancellor of Finance and Administration, or designee, to seek an additional $5.3 million of Article XI-F Bond limitation, with an equal reduction of Gift Fund limitation, from the Legislative Emergency Board.

BOARD ACTION:

It was moved by Director Lehmann and seconded by Direction Young that the Board approve the staff recommendation. Those voting in favor: Directors Barnett, Bassett, Lehmann, Lussier, Richmond, Watari, Wustenberg, and Young. Those voting no: none.
PH.D.,
MATHEMATICAL SCIENCES,
PSU

Portland State University proposed to offer an academic program leading to the Ph.D. degree in Mathematical Sciences, effective fall 2003. The University of Oregon and Oregon State University currently offer Ph.D. degree programs in Mathematics. Portland State University’s proposed program differs mainly in the high amount of interdisciplinary training and opportunities for application that are built into the curriculum.

The purpose of this professional doctorate is to provide interdisciplinary breadth, as well as depth in the field of mathematics and statistics. Therefore, the program will accommodate a broad range of interdisciplinary partners – computer science, engineering, physics, biology, economics, finance, urban studies and planning, public health, etc. Students will be required to complete a total of 96 graduate-level credits: 45 credits of core mathematics and statistics courses, 15 allied area credits, 9 doctoral seminar or internship credits, and 27 dissertation credits. They will also be required to demonstrate competency in a language, other than English, that is approved by the student’s advisory committee (e.g., French, German, Russian, Japanese, Spanish). The student’s experience will extend beyond course work to the doctoral seminar/internship component of the program. All students must perform satisfactorily on three written examinations in mathematics. In addition, students will either complete a comprehensive examination administered by, or complete a research practicum approved by, the graduate committee in the allied area. Finally, each student will present and defend their dissertation.

Portland State University anticipates serving two to five students initially, increasing to 15 to 20 students when the program has grown to expected funding and expansion levels. Graduates will have technical competence as well as versatility essential for understanding larger operational issues, and communicating with and working in cross-disciplinary teams. They will be equipped with skills needed to thrive in the changing environment characterizing industry, government, and higher education. Whether working in the sciences, engineering, or mathematical sciences, people are needed who are well grounded in their field, yet also conversant with several subfields. This need has been expressed in both local forums and at the national level. The Chronicle of Higher Education quoted Procter & Gamble’s manager of external relations, research, and development as saying, “In industry, we’re not looking for cross-disciplinary experts.
We're looking for experts who can work on cross-disciplinary teams."

(4/28/00) The design of this program meets those expectations.

Faculty resources are sufficient to offer the program. Recognizing the need for a strong program in mathematical sciences, the institution authorized three new faculty hires. All three positions have been filled, two of which are in areas of applied mathematics. In response to a recommendation by the program proposal’s external review panel, the department advertised for another faculty member who is an expert in scientific computation; she/he will start in fall 2003. Current department faculty have a good record of collaboration with researchers in allied areas; half have published joint papers with those in such disciplines as physics, computer science, mechanical and electrical engineering, biology, and applied linguistics. Allied faculty, as well as faculty in the discipline, are enthusiastic about this new major.

All necessary courses are in place and have the capacity to serve the number of students anticipated in this program. The department has made a commitment to support/reward faculty as their workload increases due to such endeavors as developing industrial contacts for student internship placements and allied area seminars, and advising Ph.D. students. This may take the form of release time, or additional criteria in promotion and tenure decisions. Per external review panel recommendation, a permanent Ph.D. committee will be formed to oversee the quality (e.g., depth, consistency, breadth) of the program. All other infrastructure requirements (e.g., library, facilities) are sufficient to implement the program.

The external reviewers – Dr. S. Keeler, senior manager, Geometry and Optimization Group, The Boeing Company; Dr. D. Rolfsen, professor of mathematics, University of British Columbia; and Professor Fadil Santosa, Mathematics, University of Minnesota – support the implementation of this program. They praised its interdisciplinary design and use of industrial internships, as well as supportive faculty across the disciplines. One of the panel’s concerns was the modest budget. The department responded that faculty are seeking funding opportunities through the National Science Foundation in programs such as GOALI (Grant Opportunities for Academic Liaison with Industry) and IGERT (Integrative Graduate Education and Research Traineeship). Additional support for graduate research assistantships is being sought from both internal and external sources, including industrial internship partners.
The only other panel recommendation that required program modification was the elimination of statistics and mathematics education as possible allied areas in the major because they do not cross a disciplinary boundary, which is one of the program’s stated objectives. That change has been made.

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

*Staff Recommendation to the Board*
Staff recommended that the Board authorize Portland State University to establish a program leading to the Ph.D. degree in Mathematical Sciences. The program would be effective fall term 2003, and the OUS Office of Academic Affairs would conduct a follow-up review in the 2008-09 academic year.

**BOARD ACTION:**

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

Western Oregon University proposed to offer a certificate in Rehabilitation Counseling with Deaf and Hard of Hearing Adults during the summers of 2004-08. This nine-credit certificate is contingent upon receipt of a federal Rehabilitation Services Administration (RSA) grant.

The program has been offered on the Western campus for nearly 40 years. This proposal is submitted in response to a recent RSA policy revision requiring all nondegree training projects to be recognized by their respective institutions as “approved academic certificate” programs in order to be eligible for federal funding.

Students would complete three credits each of American Sign Language (ASL), Introduction to Deaf and Hard of Hearing Studies, and Professional Issues: Rehabilitation Counseling with Deaf Clients. The grant covers the cost of all instruction. Additional consulting funds are awarded to support guest speakers, expert panels, and supervisors of intensive ASL practical experiences. Although no formal field experience is offered, the provision of appropriate communication accommodations is a specific learning objective.
Traditionally, up to 30 percent of the participants may be deaf or hard of hearing, thus requiring the use of such things as infrared and electromagnetic sound enhancement technology for hard of hearing students, while interpreting, note taking, and real-time captioning are provided to students who are deaf. Also, all students receive a complete hearing examination and observe the interpretation of other students’ test results. Finally, each ASL course employs a twice-weekly lab experience and an ASL-only retreat to enhance the effectiveness of instruction.

The need for such a program is great. Individuals who are deaf and hard of hearing continue to experience employment, career advancement, and independent living success rates that are far below those of their hearing peers. They are employed in jobs found predominantly in manufacturing industries and are characterized by low job security, low wages, and with little opportunity to advance beyond entry-level positions. Organizations that serve these populations must prepare their staff to communicate with and serve all citizens. The training provided by WOU has proven to be an appropriate balance of residential and intensive training while minimizing the time away from work to only four weeks. Participation is limited to 30 to 35 students per year; yet, over any three-year period, all 50 states and commonwealth territories are represented in the program.

Current faculty and staff are sufficient to offer the program. Library resources in deafness-related materials are updated monthly. Federal grant funds cover all costs of the program ($100,000 per year). Each student receives a scholarship of $2,000 for travel, and room and board. Eight thousand dollars covers indirect costs, and the remaining $20,000 provides for program operation (e.g., supplies, consultants, instruction).

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

**Staff Recommendation to the Board**

Staff recommended that the Board authorize Western Oregon University to establish a program leading to a certificate in Rehabilitation Counseling with Deaf and Hard of Hearing Adults. The program would be effective during the summers of 2004-08.
BOARD ACTION:

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

CONFIRMATION OF INSTITUTIONAL DEGREE LISTS

Background

ORS 351.070 states:

(3) The board may, for each institution under its control:

(f) Confer, on the recommendation of the faculty of each such institution, such degrees as usually are conferred by such institutions, or as they deem appropriate.

For a number of years, the Board has interpreted the above referenced ORS to mean that the full Board would approve faculty recommendations for confirmation of degrees and diplomas. However, in the minutes of July 18 and 19, 1932, it is noted that the Board agreed to the following:

In order to establish a uniform procedure in the Board’s consideration of lists of applicants for degrees, the Board directed that a committee of one for each of the institutions under the control of the Board be appointed by the Board at its April meeting and visit the respective institutions with power to act for the Board in considering recommendations for degrees.

Other minutes of Board action indicated that the lists of individuals upon whom degrees were conferred continued to come to the full Board for approval. In examining ways to streamline Board operations, and upon advice of legal counsel, it appeared redundant for Board members to sign the authorization of degree granting and then have the full Board approve the lists. Staff recommended that, following approval of the list of graduates for 2001-2002, presented below, that the Board return to the practice of accepting the signature of the Board member assigned to an institution as confirmation of the degree without further formal action by the Board.

Staff Report to the Board

In accordance with Board procedures, the following members represented the Board in approving candidates for degrees and diplomas for the graduating classes at the designated institutions during the 2001-02 academic year and summer session:
Staff Recommendation to the Board
Staff recommended that the Chair of the Board be authorized to verify, on information from the institution President and/or from attendance of a Board member at an institution graduation and his/her subsequent signature, confirmation of degrees and diplomas.

BOARD ACTION:
It was moved by Director Lehmann and seconded by Director Young that the Board approve the staff recommendation. Those voting in favor: Directors Barnett, Bassett, Lehmann, Lussier, Richmond, Watari, Wustenberg, and Young. Those voting no: none.
Summary
The attached report outlines the internal audit progress report for activities occurring in calendar year 2002 and plans for the calendar year 2003. In accordance with the Board audit charter, the Executive Committee has the responsibility to review and approve the resources, plans, and results of internal audit activity.

Background
The authority and responsibilities of the Internal Audit Division (IAD) have been established in an office charter revised and approved by the Vice Chancellor for Finance and Administration, Chancellor, and the Board of Higher Education.

The IAD is an independent appraisal activity established to perform audits of Oregon University System (OUS) operations. The division’s responsibilities include conducting reviews and providing OUS personnel with information related to the following:

- Reliability and integrity of financial and operating information;
- Compliance of systems to applicable policies, procedures, laws, and regulations;
- Safeguarding of assets; and
- Efficiency and effectiveness of resources employed.

The OUS Internal Audit Division also serves as a liaison for external audit activity conducted at OUS campuses. IAD has a number of primary stakeholders:

- Oregon State Board of Higher Education;
- Chancellor and Vice Chancellor of Finance and Administration; and
- University Presidents, Provosts, and Vice Presidents.

Staff Recommendation to the Executive Committee
Staff recommended that the Committee review and approve the Internal Audit Division Progress Report and Plan.

COMMITTEE ACTION:

The Executive Committee approved the item as submitted and recommended full Board approval. Those voting in favor: Directors Bassett, Lehmann, Lussier, VanLuvanee, and Wustenberg. Those voting no: none.
BOARD ACTION:

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

AMENDMENT TO OAR 580-040-0040
ACADEMIC YEAR FEE BOOK, PERTAINING TO TUITION SURCHARGES (Temporary Rule)

Report to the Executive Committee

The staff recommended the Executive Committee of the Board approve a temporary rule change to the 2002-03 Academic Year Fee Book through the conditional assessment of tuition surcharges for Winter and Spring Terms 2002-03. The Executive Committee was granted this expressed delegation of authority by the Board at the October 18, 2002 meeting.

The Board also approved the concept of assessing tuition surcharges to help mitigate the further loss of state general revenues should the voters reject the proposed Income Tax Surcharge in the January 2003 special election. The Legislature, in the September 2002 Special Session 5, stipulated the Oregon University System would be subject to further state appropriation reductions totaling $26,914,987 if the Income Tax Surcharge were rejected. Approximately $23.4 million of the $26.9 million will come from instruction and instructional support allocations.

Enrollment demand at the OUS institutions is at an all time high and continues to grow. The growth, coupled with the series of general fund reductions over five special sessions of the Legislature this biennium, has resulted in a decline in the amount of total resources per student that institutions have available for instruction and support services.

The institutions, following discussions with student leadership, proposed assessing tuition surcharges to offset approximately one-half the amount of the general fund reductions should the voters reject the Income Tax Surcharge and the Legislature take no further action to offset the scheduled reductions (see supplementary materials for assumptions that underlie surcharges and tables for each university). The universities will reduce services and use limited fund balances to offset the remaining General Fund reduction.

The tuition surcharges being approved through this temporary rule are conditional. If the voters approve the Income Tax Surcharge in
January, these charges will be null and void. Any tuition surcharges assessed in advance will be refunded. Likewise, if the voters reject the ballot measure, but the Legislature takes action to offset the scheduled general fund reductions, the tuition surcharge will be null and void. However, if the voters reject the measure and the Legislature does not offset the reductions then the surcharges will be assessed.

Need for the Temporary Rule
The conditions precipitating the need for the tuition surcharges were unknown at the time the original tuition and fees were approved by the Board in July 2002. The continued eroding economic condition of the State of Oregon resulted in two additional Special Sessions of the Legislature after the 2002-03 Academic Year Fee Book was adopted.

The timing for this amendment is critical. Registration for Winter Term 2003 begins in mid-November. There are two options in dealing with the timing of tuition and fee assessment given the late date of the election. One is to assess the surcharge in advance and refund it if the voters approve the ballot measure in January. The other is to delay assessment of the surcharge until after the election and respond to the outcome at that time. Among the seven institutions, both options are being exercised.

Staff Recommendation to the Executive Committee
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 Book
The document entitled Academic Year Fee Book, dated July 19, 2002 is hereby amended by reference as a temporary rule to incorporate assessment of tuition surcharges in the event the voters reject the Income Tax Surcharge ballot measure in the January 28, 2003 Special Election and the Legislature takes no further action to offset the scheduled reductions.

Through the amendment, the Board adopted, as a temporary rule, the document entitled Tuition Surcharges 2002-03, memos of attachment amending the draft document, and other amendments and attached schedules noted in this agenda item. Consideration of the permanent rule will occur at the earliest possible meeting of the Board of Higher Education consistent with permanent rule-making requirements. (Roll call vote required)
COMMITTEE ACTION:

It was moved by Director Wustenberg and seconded by Director VanLuvanee that the Executive Committee approve the staff recommendation and recommended full Board approval. The following voted in favor of the motion: Directors Bassett, Lehmann, Lussier, VanLuvanee, and Wustenberg. Those voting no: none.

BOARD ACTION:

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

Summary

The staff recommended the Board approve the proposed 2003 summer session tuition and fees and related policies.

There are three basic tuition and fee structures by which students may be assessed at OUS institutions: the regular academic year, summer session, and continuing education programs. The tuition and fees, attendant policies, and institutional housing rates submitted here for consideration relate only to the 2003 Summer Session. The fees are the mandatory enrollment fees students are assessed each term, including: tuition, building, resource, incidental, and health fees. The housing section reflects contract policies and rates for dormitory housing.

In February 1999, the Board Budget and Finance Committee approved a staff recommendation that the tuition and fee policy approval process be maintained until such time as the Board conducts a more intensive review of alternative approaches. Under existing policy, each of the three tuition structures is separate with its own unique rate setting process.

The summer session tuition and fees proposed in this staff recommendation are the results of institutional decision-making processes. These include institution administration and student committee deliberations or student referendum/initiative. Summer session tuition and fees are recommended by each institution President for approval by the Board.

Fee Proposals Review

The various fee proposals submitted by each institution undergo a review by Chancellor’s Office staff based on several criteria to assure the
appropriateness of the recommendations. The proposed summer fee rates are reviewed to test for reasonableness (inflationary cost increases, changes in minimum wage) and, in those cases where the fee revenue provides student services and student life activities, the staff reviews the proposal to ensure that it is endorsed by student government or through student referendum. The staff believes that each proposed fee meets this test and warrants the favorable action of the Board. The various tuition and fee proposals for each campus are noted in the detail section of this document.

Tuition and fees represent the mandatory enrollment charges assessed all students in the summer session program at all institutions. These fees consist of the following separately maintained fees: Tuition, Resource, Building, Incidental, and Health Services. The revenue generated by each element is dedicated to a specific purpose, independent of the other components.

Of particular note is the proposal to authorize institutions to assess tuition surcharges. Due to the continuing deterioration of the State of Oregon revenue picture, it has been necessary to allow institutions to add a tuition surcharge to the winter and spring term tuition rates, should further state appropriation reductions occur. The schedule for developing the summer session fee proposals has overlapped this process. The ultimate need for additional tuition income due to the state appropriation reductions will not be known until late January. As a result, the summer session tuition proposals do not include any tuition surcharges. However, should that need arise, the institutions will be authorized to assess summer tuition surcharges comparable to those assessed in spring term 2003. Schedule 8 reflects possible additional per credit charges pending the outcome of January special election.

The proposed fee rates and policies for the year 2003 Summer Session are set forth in the accompanying fee schedules.

Public Hearing
A public hearing was conducted on November 19, 2002, at 10:00 a.m. in Room 358 of Susan Campbell Hall on the University of Oregon campus concerning the 2003 Summer Session Fee Book. There was no testimony presented at the hearing, nor was any written testimony submitted.
Staff Recommendation to the Board
After due consideration, staff recommended that the Board amend OAR 580-040-0035 as follows:

Summer Session Fee Book OAR 580-040-0035
The document entitled "Summer Session Fee Book 2003" dated December 20, 2002, is hereby adopted by reference as a permanent rule. All prior adoptions of summer session fee documents are hereby repealed except as to rights and obligations previously acquired or incurred thereunder.

Through the amendment, the residence hall and food service charges and the tuition and fee rates and policies applicable during the Summer Session 2003 will be adopted.

BOARD DISCUSSION:

Vice Chancellor Anderes indicated that December is the normal time for staff to bring forward the Summer Session Fee Book amendment. He elaborated by saying that although there had been on-going discussions concerning tuition, this item is being raised at the normal time. The categories of the fees being approved are the same for summer session as for the rest of the academic year. Dr. Anderes went on to highlight some of the variations that are found in the fee book.

It was pointed out that under general undergraduate tuition increases, there is a range anywhere from 1.8 percent (which is $2 per credit), to 8 percent (which is $6 per credit). Another difference that was noted was that PSU is restructuring summer session tuition and fees to match the academic year structure. This resulted in some variance between that institution and other institutions.

Vice Chancellor Anderes pointed out that, “if the ballot measure fails in January, the universities will be seeking, for the summer session as well, the capacity to continue the surcharges. And I want to stress capacity. We’re not bringing forward today something to approve that relates to surcharges in the summer, but we want to essentially put you on notice and we also want to put the campuses on notice that they should have consultation with the students as we go through the various scenarios.”

BOARD ACTION:

It was moved by Director Wustenberg and seconded by Director Bassett that the Board approve the staff recommendation for the Summer
Session Fee Book. On role call, the following voted in favor of the motion: Directors Barnett, Bassett, Lehmann, Lussier, Richmond, Watari, Wustenberg, and Young. Those voting no: none.

**ACCEPTANCE OF THE REPORT OF THE STRATEGIC PLANNING WORK GROUP**

*Background*

At the October 18, 2002, meeting of the Board, the Strategic Planning Work Group Report was presented and discussed. At that time, it was agreed that no official action would be taken regarding acceptance of the Report. Rather, the consensus was that there needed to be more widespread opportunity for institutions, individuals, and groups to provide feedback on the assumptions and recommendations of the Report.

A web site was established for public input; the Chancellor, in continuing the Public Forums, has presented the concepts of the Report; and conversations have been on-going with institution presidents. Support for the concepts of The Deal and the Flexibility Initiatives has been widespread.

Several suggestions have been made for minor changes and additions. Those are reflected in the Supplemental Materials.

In approving the Report, it is important to note that this implies acceptance of the 2010 Mission, Vision, Goals, concepts of The Deal, and the Flexibility Initiatives as detailed in the full report. A summary of the components follows.

*Vision*

OUS pledges to provide the educational services required by present and future citizens to make the contributions needed to sustain and propel Oregon into the future. We are committed to being more responsive to the needs of society.

OUS intends to provide access to a range of educational services of excellent quality tailored to the needs of Oregon’s population. We aspire to provide value to all Oregonians regardless of their social attributes, residence, or economic circumstances.

Through the mission for public higher education devised by Oregon legislators (ORS 351), OUS is compelled to link access and excellence. Access without excellence shortchanges both the student and the public. Excellence without access is elitism that is inappropriate for the state’s public universities.
Both the state and students have a vital interest in sustaining an affordable public university system that can be shared by all Oregonians.

**Attaining the vision: 2010 Goals**
OUS will focus its improvement efforts in three vital categories.

**Access and Excellence in Learning**
OUS aspires to achieve four objectives related to the access to and excellence of instructional programs as follows:

(A) Increase enrollment capacity to 100,000 undergraduate, graduate, and professional students to meet the strategic needs of the state and interests of learners.
(B) Enhance student success to that currently enjoyed by the top states and public institutions in the United States.
(C) Double the enrollment and degrees produced in engineering and computer sciences to meet the demands of Oregon’s economy.
(D) Double the spending on student financial assistance supported by state and institutional funds.

**Excellence in Research and Scholarship**
OUS will fulfill its obligation to the new Oregon by creating new knowledge and scholarship that serves the economic, civic, social, and cultural needs of the future. OUS will give special attention to research that serves the economic goals of Oregon industry and solves the scientific puzzles facing Oregon enterprises by 2010 as follows:

(E) Double the amount of funded research and development (R&D) and technology transfer activities.
(F) Double the number of graduate and professional programs ranked or recognized in the top 25 nationally.
(G) Eliminate the gap in average faculty compensation and start-up packages offered by OUS universities compared with national peer universities to attract the brightest faculty in the world to Oregon’s public universities.

**Excellence in Service to Oregon’s Communities**
OUS will add greater value to the worth of Oregon through service to the personal, civic, and entrepreneurial objectives of Oregon’s citizens, governments, and businesses. The OUS will meet its public service obligations by responding to the needs of our communities as follows:
Board Meeting #711–Minutes  

December 20, 2002

H. Extend universities into the cities and communities of Oregon to provide easy and low-cost access to the practical information citizens require for personal, professional, and business success.

I. Increase collaboration with partners to disseminate research findings to reach the widest possible audiences of interested citizens.

J. Provide opportunities for personal enrichment through the literary, artistic, and cultural treasury of Oregon and the world.

Flexibility Initiatives
An array of Flexibility Initiatives provides explicit steps OUS can take to increase efficiencies in administrative operations and respond with greater agility to changing markets. There are 15 Flexibility Initiatives that are organized into four groups:

1. **Affordability, Tuition, and Enrollment Management**
   Three specific proposals on financial aid, tuition, and enrollment management are connected by a common and direct link to the student. Issues concerning the price for students and financial aid are of critical importance to many students. To make policy choices that serve constituent interests, information must be gathered that is relevant, transparent, and valid for comparisons.

2. **Academic Program Development**
   The interests of responsiveness to market demands, while using limited state resources in a most efficient manner, also reach across the higher education sector in Oregon. This initiative addresses issues of potential duplication and resolution of claims of adverse competition within the OUS. It also raises the question of the need for further review, with concomitant delays, at the state level, a burden not imposed upon our sister institutions in the independent sector.

3. **Fiscal Operations and Management**
   This group for flexibility initiatives would permit campuses to:
   - Eliminate expenditure limits on non-State Education and General operating funds;
   - Eliminate restrictions when bonding does not create a General Fund obligation; retain interest earnings;
   - Retain interest earnings on non-General Fund dollars;
   - Buy, hold, and sell property; and
   - Streamline IT and telecommunications purchases and contracts.
4. Governance

The issue of institutional and System governance structures has been extensively discussed and is not being pursued at this time.

The Deal

The conversation between OUS and the state must be a dialogue, not a debate. Recognizing the relatively bleak financial landscape in the near term, OUS views the establishment of growth supported by state funding as a multi-biennial effort. On the state’s part, this includes funding at 80 percent of the peer average in 2003-2005, increasing to 90 percent by 2007-2009, and the implementation of the flexibility initiatives. On OUS’ part, this means holding tuition and education fee rates to not more than the average State support per student, and accompanying tuition increases with a financial aid set-aside for the neediest students.

Research is a critical component of the OUS mission and provides a direct economic contribution to the state. Studies show that for every $1 million in sponsored research expenditures in Oregon, 47 jobs are created. OUS faculty successfully compete for research and development contracts, contributing over $200 million in FY 2000 through sponsored research along. Recognizing these important contributions, the proposal includes provision for state investment in research incentives based on performance in securing external research dollars.

In return for this investment, OUS pledges to:

- Achieve competitive performance (above the national average) in measures of student success and faculty accomplishment;
- Maintain a below-average cost to State taxpayers;
- Maintain a fair share of student investment, with affordability preserved for those with greatest financial need;
- Increase enrollment capacity to 100,000 by 2010;
- Double the level of funded research and technology transfer activities by 2010; and
- Expand university outreach and public service.

Following the presentation of the Report of the Strategic Planning Work Group at the October 18, 2002 Board meeting, discussions with OUS presidents, staff, and student representatives, as well as further work on the flexibility initiative proposals, resulted in four substantive changes or additions to the original report:
1. **Indexing Growth in Undergraduate Tuition and Fee Rates**

The October report stated that resident undergraduate tuition and education fee rates "shall not increase faster than inflation in the higher education sector over any three-year interval." Subsequent discussions and research suggested several possible indexing mechanisms, including the Higher Education Price Index (HEPI), tuition growth rates among OUS institution peers, and tuition growth rates among the Western states. Concern was raised about the possibility of a transition increase during the 2003-2005 biennium to support needs that extend beyond the level indicated by a simple inflationary index. The analysis and discussion will continue. Some type of index will be used to provide a predictable boundary on undergraduate tuition growth; however, the exact indexing mechanism is still to be determined. Tuition limitations will apply to undergraduate resident students only.

2. **Assumptions Connecting The Deal and the Resource Allocation Model (RAM)**

Summarized, the assumptions underlying the relationship between the features of The Deal and those of the RAM are:

- **Purposes of The Deal and RAM.** The Deal is an approach to acquire funds and is intended to complement the RAM. The Deal outlines initiatives and objectives that intersect with budget decision-making as reflected in the RAM.

- **Impact of PERS and PEBB.** To maintain the Quality Index feature of The Deal (i.e., RAM cell value not to fall below 80% of the peer average), it is necessary to clarify the impact of PERS and PEBB increases on cell value.

- **Targeted programs.** Targeted programs reflect Board priorities in serving broader public goals. Funding of cells should not be diminished to the benefit of targeted programs. Specific targeted programs, such as the small school allocations, should be more closely aligned with the RAM cells, given their similar instructional support activities.

- **Definition of education fees.** OUS supports the resource fee as the single education fee.

- **Systemwide calculations.** Calculations supporting the student and state undergraduate resident share will be made on a Systemwide basis and not at the institution level.
• **Fees and fee remissions.** Guidelines will need to be developed regarding the establishment of fees and the use of fee remissions.

• **Enrollment projections.** Enrollment projections provide the basis for the funding request. A ceiling will be established by each university on fundable enrollments, and there will be no settle-up process. Targeted enrollments will be negotiated each year based on the established enrollment projection process. The existing definition of fundable students will apply.

• **Non-funded fundable enrollment.** Non-funded fundable enrollment may increase based on the capacity of the university and its specific enrollment management plan.

• **Appropriate mix of undergraduate, graduate, and professional enrollment.** The establishment of appropriate relationships among fundable undergraduate residents, graduate students and professional-level students will include a review of System assumptions that drive those funding relationships.

• **Unmet student demand.** There is a recognition that the parameters of both The Deal and the RAM will likely leave a portion of OUS student demand unserved as a result of limits to program and financial capacity.

• **Emergency Board assistance.** OUS will maintain the right to seek Emergency Board approval for a General Fund supplement when enrollment growth exceeds the agreed upon level.

• **Research component of The Deal.** The OUS commitment to double the amount of funded research by 2010 is accompanied by a commitment from the state to invest in research incentives based on OUS performance in securing external research dollars. A methodology is being developed that would index state funding to sponsored project growth.

3. **Incorporation of Oregon Student Association Concerns**
Several recommendations from the Oregon Student Association (OSA) regarding the "Return on Investment" component of The Deal have been added to the list of returns OUS commits to provide. Specifically, the additional commitments include:

• An increase in the number of faculty and students of color on OUS campuses.
• An increase in the recruitment and retention efforts of faculty and students of color on OUS campuses.

In addition, ongoing collaborations and conversations between OUS and Oregon's community colleges (the most recent example being the December 3, 2002 Changing Directions Roundtable funded by the Lumina Foundation) are directly responsive to the OSA recommendation to add to the OUS commitment:

• An increase in the number of community college transfer students.

4. Modification in the Flexibility Initiative Related to Limitations on Bonding

The original proposal concerning limitations on bonding requested delegation of authority from the Legislature to OUS to establish protocols when state funds are not the source of debt service, and requested a change in the current dollar-for-dollar match requirement for General Obligation Bonds. On the advice of Legislative Counsel, the proposal is being redrafted to require only a one-to-three match formula: one dollar of campus match revenue to three dollars of Article XI-G Bonds.

Second, while the original proposal was to shift authority for issuance of Article XI-F (1) Bonds from the Legislature to the Board, Legislative Counsel determined that the "Credit of the State" backs these bonds now, and the Legislature is prohibited from delegating that authority to an agency. Agency issuance of revenue bonds could be permitted, but without the state backing, debt service would undoubtedly be much higher, offering no advantage to OUS campuses. As a result, no change in Article XI-F (1) Bond authority is included in the draft.

Staff Recommendation to the Board

Staff recommended Board acceptance of the Report of the Strategic Planning Work Group as presented at the October 18, 2002, Board meeting with the additions and corrections as noted in the Supplemental Report.

BOARD DISCUSSION:

Director Bassett reminded the Board that the purpose of bringing the Report back to them was to close the action phase of the work and have it now become a working document of the Board. He pointed out that the Board was linking access and quality with the vision and goal statements -- a change from the previous vision statements.
Chancellor Jarvis highlighted the addition in the vision statement of wording suggested by OSA, that calls specifically for promoting diversity on OUS campuses, increasing numbers of women faculty and students, faculty, and staff of color. Continuing, Chancellor Jarvis underscored some additions and changes in the area of tuition policy which, he pointed out, is intended to achieve predictability. “We’ve not decided upon the exact vehicle to do that, but we’re suggesting here the need to have a predictability element that will involve some index or indices that may vary by campus. That remains an element to be discussed and decided later.”

Grattan Kerans reviewed changes to several flexibility initiatives being recommended and the reasons for the changes.

Director Young suggested that there should be a statement added that would relate to the System’s commitment to “Being thrifty or frugal. Not only are we squeezing dimes into dollars, but we’re being efficient about it. I feel like we should consider answering the question that might be asked before it is asked.” President Lussier responded his sense is that when the System “gets the Deal, that is based on accommodating some of the tremendous efficiencies. If it’s not sufficiently explicit, then we can certainly go back and do that.”

Chancellor Jarvis highlighted some elements of The Deal that had been modified and reminded the Board that there was a lot of work to be done in implementing the elements of The Deal.

Director Wustenberg asked if the Board would have “the capacity to say to the Legislature, ‘you have agreed to give us this amount and because of this amount, we will have this many fewer students that we will give access to in order to maintain quality.’” Director Bassett responded that the structure of The Deal clearly is an understanding with the legislature that relates quality and access and funding. “I do not believe we’re making that decision today. But it’s within the structure and I do believe it is within reason that we will have to address something like that before this is all over.”

Chancellor Jarvis added that “if you vote to approve The Deal as presented in the motion, the request we would present to the legislature would be couched in terms that we are asking for support at the 80 percent level of the peer average. That, then, sets the relationship between the level of funding, the quality that we define as being the base on which we wish to build and then to grow through the next two biennia. I think it would make explicit the relationship of how many students are
indeed supported by the state dollars available at a level of quality that the Board has defined.”

Continuing, Dr. Jarvis added, “We recognize that there will be capacity to support additional students in the System based on each institution’s ability through the tuition revenue it receives, through the efficiencies that are realized, and through the flexibility initiatives. Those would be determined institution-by-institution.”

Director Lehmann indicated that this was a big step forward in identifying the relationship between quality and funding and access that the Board has been struggling with for some time. President Lussier added that The Deal is both a short and long-term development and that all of this is a work in progress.

In considering the practice of indexing funding levels to peer institutions, Director Barnett indicated that he “continues to have some gnawing discomfort over the use of the funding levels of peer institutions as a benchmark. We know that virtually every other state is going through budget crises of their own and I think we can expect to see some of those state funding levels bouncing up and down just because of what happens to be going on in K-12 or human services. I would just hope that as this whole process is refined over the course of the coming years that we focus on other measures as well of what we would consider to be an appropriate funding level. I’m not willing to take at face value that 100 percent of our peer average, is necessarily the right mark in this case.”

Ms. Deutschman added that faculty are concerned about the aspect of The Deal that would enable campuses, individually, to take students who are not state funded but would be funded under tuition and the increased revenue that they might have from the flexibility initiatives. “The concern is that we keep the quality at the level we think is good.” She also expressed on-going concerns about the tuition of all students being used to help the neediest students and indicated that the state of Oregon should be asked to help.

Director Bassett spoke to the OSA request for a partnership for higher education and pointed out that they have a line, both in their thinking and in their presentation, that is very close to what has been developed in the strategic framework. “The most significant difference is the prominence that the OSA would give to the engagement of students in the decisions that affect them. I would propose that we take that responsibility for the discussion and that it appropriately begins with Chancellor Jarvis and the
presidents. But then, President Lussier, I'd like to further suggest that as that process completes itself, that we ask the Chancellor to frame the suggestions for Board consideration that would come out of that and that we as a Board would also take up the subject as a second step. Perhaps this could be an ad hoc committee or in some other form that could reconcile nicely with the work plan. My hope is that we would keep a pace here and think of an additional discussion of this progress report, where we go next – not later than the February meeting of the Board. It is obviously a very big consideration, the direction we’re going creates high stakes for individual students and for the OSA and I want to clearly respect the way in which this has been approached and that we’d like to stay engaged.”

Mr. Kerans provided the Board with information concerning the flexibility initiative and the politics and process that will proceed with a bill to the legislature. “Some of our best advocates in the business community went to the legislative counsel,” Mr. Kerans said, “and asked for a bill draft that would mirror the Board’s work in developing the flexibility initiatives. It will not be at the request of the Board, but rather the request of business associations and others who are our advocates.” Director Young inquired about who would be introducing the bill and Mr. Kerans indicated that it would be the Association of Oregon Industries, the American Electronics Association, and others. It is hoped that the Oregon Business Association, the Oregon Business Council, the Oregon Metals Initiative and others would be joining the effort.

BOARD ACTION:

It was moved by Director Richmond and seconded by Director Lehmann to approve the Report of the Strategic Planning Work Group, including approval of the vision and goals, the flexibility initiatives, and The Deal as currently drafted with the minor alterations from the Board’s discussion. Those voting in favor: Directors Barnett, Bassett, Lehmann, Lussier, Richmond, Watari, Wustenberg, and Young. Those voting no: none.

OREGON COUNCIL FOR KNOWLEDGE & ECONOMIC DEVELOPMENT RECOMMENDATIONS

Background

The Oregon Council for Knowledge and Economic Development (OCKED) was established by the 2001 legislature under Senate Bill 273. The mission of the Council is to promote knowledge-based economic development in the State of Oregon.

At the October meeting of the Oregon State Board of Higher Education, the Board received the background and draft recommendations of the Council. These recommendations were subsequently presented as part
of the Oregon Business Plan Summit on December 9, 2002.

Included in these recommendations were proposed changes to the Oregon Revised Statutes to direct the missions and functions of the State Board of Higher Education, the Oregon University System, the Oregon Health and Science University, and the Oregon Economic and Community Development Department to promote the creation, dissemination, and commercialization of ideas to benefit the economy. The proposed changes were presented for Board consideration. If the Board approved the changes, in concept, then it would go to the appropriate Committee for further study and revision, and finally, presented for Board approval. The proposed changes then would go to the appropriate Legislative Council for review and development, and finally to the Legislature.

NOTE: strike through denotes deletion of word or text; underline denotes new language.

351.001 Legislative findings. The Legislative Assembly finds that:

(1) For its political well-being, Oregon needs wise and effective leadership and an informed citizenry.

(2) For its economic well-being, Oregon needs able and imaginative men and women for the direction and operation of all its institutions, for the production of goods and services and for the management of its fiscal affairs. Oregon also needs alert and informed consumers.

(3) For its cultural advancement, Oregon needs creative talent as well as appreciative and discriminating readers, viewers and listeners. Oregon also needs people who understand the diverse patterns of behavior, communication and belief that make up the common cultures of the various communities in which we all must function.

(4) For its survival, Oregon needs citizens who understand the interdependence of human beings and our shared dependence on the resources provided by our natural environment.

(5) Oregon needs people who, in the roles of parents and teachers and in other capacities, are able to transmit the state’s and the nation’s ideals and heritage to future generations.

(6) For their personal well-being, individual Oregonians need to cultivate an advanced literacy essential to leading productive and rewarding lives.
This includes the capacity to think logically and critically; to internalize and exemplify humane values; to write, speak and figure clearly and accurately; to understand, in some depth, a variety of psychological, historical, cultural, aesthetic and scientific concepts and theories; and to master a range of occupational, professional, avocational, social and personal skills. [1993 c.240 §1]

351.003 Additional findings. In addition to making the findings under ORS 351.001, the Legislative Assembly finds that:

(1) Oregonians need access to post-secondary education opportunities throughout life in a variety of forms.

(2) To meet the societal and individual needs described under ORS 351.001, Oregonians have created and sustained, from territorial days to the present, many and diverse institutions of higher education, both independent and state-assisted.

(3) These institutions have developed the intellectual capacity of Oregonians and have prepared thousands of them for productive and fulfilling careers.

(4) These institutions provide educational access to all segments of Oregon’s diverse population, including many students for whom higher education creates the first opportunity for their entry into the mainstream of society.

(5) These institutions provide basic and applied research both basic and applied, and actively promote the commercialization of research into generates new knowledge and applies it to the development of new products and processes essential for Oregon’s economic growth.

(6) These institutions provide public service activities that engage the professional expertise of their faculties to solve social problems.

(7) These institutions share with our communities many cultural activities and services of immense importance to the quality of life enjoyed by Oregonians.

(8) These institutions are expanding the times, places and formats of course offerings.
(9) Oregonians’ diverse educational needs will be best met in an environment in which public and independent schools are recognized as critical for meeting those needs. [1993 c.240 §2; 2001 c.964 §1]

351.005 Higher education an important public purpose. Giving due consideration to the historical and continuing interest of the people of the State of Oregon in encouraging deserving and qualified citizens to realize their aspirations for higher education, the Legislative Assembly declares that higher education for residents of Oregon who desire it and are qualified to benefit from it is critical to the welfare and security of this state and this nation and consequently is an important public purpose. [1993 c.240 §3]

351.007 Intent to promote and enhance higher education. The Legislative Assembly declares its intent to promote and enhance higher education in a manner that:

(1) Enables citizens of all ages, backgrounds and levels of income to participate in the search for knowledge and individual development.

(2) Stresses undergraduate teaching as a high priority.

(3) Provides for selected graduate and professional programs that address state, national and global needs.

(4) Encourages high quality research, scholarship, both basic and the application of research to enhance the state’s economic opportunities applied, by its faculty and students.

(5) Fosters diversity of educational opportunity.

(6) Promotes service to the public.

(7) Makes effective and efficient use of human, physical and financial resources.

(8) Encourages cooperation with other educational institutions. [1993 c.240 §4]

351.009 Mission of higher education. The Legislative Assembly declares that the mission of all higher education in Oregon is to:

(1) Enable students to extend prior educational experiences in order to reach their full potential as participating and contributing citizens by
helping them develop scientific, professional and technological expertise, together with heightened intellectual, cultural and humane sensitivities and a sense of purpose.

(2) Create, collect, evaluate, store and pass on the body of knowledge necessary to educate future generations.

(3) Provide appropriate instructional, research and public service programs to enrich the cultural life of Oregon and to maintain a healthy state economy. [1993 c.240 §5]

(4) Recognize and support the concept that universities give rise to the next generation of ideas and serve as an engine for economic development.

351.070 Board general powers as to higher education and institutions; personnel system; public improvement contracts; fees; student records.

Sec. 1. Board duties regarding measurements, admission standards, degree models, access to services, educational opportunities and credit transfer. The State Board of Higher Education shall:

(1) Continue development of accountability and performance measures with indicators in broad goal areas, including but not limited to:

(a) Enhancing existing quality;

(b) Expanding access;

(c) Maintaining reasonable cost-effectiveness; and

(d) Ensuring employability.

(2) Continue development of a proficiency-based admission standards system that aligns with school reform requirements for kindergarten through grade 12 under ORS chapter 329 in order to improve student performance and better articulate expectations of student learning among the educational sectors.

(3) Continue experimentation with and implementation of various accelerated baccalaureate degree models at state institutions of higher education in applicable programs. The models may include but need not
be limited to early entry and post-secondary options and models that are jointly developed with the State Board of Education.

(4) Continue development of strategies to provide the broadest possible access to educational services for both on-campus and off-campus learners by using technology as well as traditional options.

(5) Continue to work with businesses, industries and agencies to offer increased opportunities for students to participate in internships, practica and service learning experiences. The board shall continue to explore faculty internship opportunities with businesses, industries and agencies.

(6) Continue to work with the State Board of Education to develop policies and procedures that ensure maximum transfer of academic credits between community colleges and state institutions of higher education. [1997 c.653 §1]

(7) Foster both basic research and applied research. Work closely with businesses and economic development entities to expand the commercialization of ideas into companies and jobs for the State of Oregon.

Staff Recommendation to the Board
Staff recommended that the Board consider the proposed changes to the Oregon Revised Statute 351.003, 351.007, 351.009, and 351.070 (Section 2) and refer them to the System Strategic Planning Committee for further discussion and action.

BOARD DISCUSSION:

Chancellor Jarvis explained that one of the recommendations from OCKED was for the Board to consider amendments to the mission statements of OUS to reflect the values of extending our work in applied research to the commercialization of that research into new products and processes. “When a matter attains to the level of requesting changes in statutes that direct our mission, it would be helpful to refer it to an appropriate Board committee for consideration and referral. The staff recommendation is to do that – give us a chance to check out all of the attendant consequences for a change in scope of this issue,” he concluded.
BOARD ACTION:

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

CONFIRMATION OF APPOINTMENT OF DR. TIMOTHY WHITE AS INTERIM PRESIDENT, OSU

Background

A special Board meeting was convened via video and phone conferencing for the purpose of selecting an Interim President of Oregon State University. Following an executive session, Chancellor Jarvis recommended that Dr. Timothy White be named Interim President of OSU. This appointment is to become effective on January 6, 2003. The vote of the Board on this recommendation was unanimous.

Because the meeting was held by video and phone conferencing, Legal Counsel has suggested that a confirming vote be taken at the Board meeting.

Staff Recommendation to the Board

Staff recommended that the Board confirm the vote of Dr. Timothy White as Interim President of OSU, to be effective January 6, 2003.

BOARD DISCUSSION:

President Lussier underscored the importance of this vote. Further, he recommended that the Board confirm the vote of Dr. White to be effective December 21, 2002 (not January 6, 2003), at a salary of $205,000.

BOARD ACTION:

It was moved by Director Wustenberg and seconded by Director Bassett that Dr. Timothy White be appointed Interim President of OSU at the compensation of $205,000 per year, with discussion pertaining to car and housing expenses to occur with the Chancellor. Those voting in favor of the motion: Directors Barnett, Bassett, Lehmann, Lussier, Richmond, Watari, Wustenberg, and Young. Those voting no: none.

ADOPTION OF BOARD WORK PLAN

Background

At the November 15, 2002 Executive Committee meeting, President Lussier presented a draft Board Work Plan for consideration. The plan was developed from a document prepared originally for the July 2002

After a review of the Plan, the Executive Committee agreed that it should be presented to the full Board at the December 20, 2002, meeting for ratification. The purpose of the document is to provide a base for development of a more comprehensive plan that would include:

- Clarification of the issue or topic and full definition of the scope of work;
- Designation of the Board Committee responsible for developing and considering of the item or topic;
- Designation of the staff assigned to the task;
- Dates by which interim and final work will be completed; and
- Measures for judging the decisions and/or actions that are recommended.

This process will give the Board a blueprint for work between January 1, 2003 and the next Board Renewal in July of 2003 and beyond.

**Staff Recommendation to the Board**

Staff recommended the Board approve the Work Plan as a blueprint for developing strategies to move the agenda of the Board forward.

**BOARD DISCUSSION:**

President Lussier reviewed for the Board the purpose of the Work Plan as a document that ties together the work of the Renewal in July, the vision, flexibility initiatives, and The Deal and put them in a format that can be tracked over the next months as the Board addresses the various elements. "What we seek your approval of today is a way of approaching the rest of the work that will probably take place in the next 12-24 months. What we have outlined is what would be referred to the two Committees for their work in the coming months and the full Board. It is more looking at how the items will be processed, where the work will be done, and some tentative dates by which the work would be completed."

**BOARD ACTION:**

Director Bassett moved and Director Richmond seconded the motion to approve the staff recommendation. Those voting in favor of the motion: Directors Barnett, Bassett, Lehmann, Lussier, Richmond, Watari, Wustenberg, and Young. Those voting no: none.
Background
The Oregon University System has been directed by the Governor’s Office to reduce General Fund expenditures by an additional $9.1 million by June 30, 2003. The continuing decline in State revenues has necessitated that all state agencies cut General Fund budgets to meet the $112 million shortfall. The reduction for OUS is in addition to the $51.9 million already cut and the potential $26.9 million subject to voter action on January 28. The total reduction could reach $87.9 million or 10.5 percent.

Each university has been given a reduction target based on a proportional share of the $9.1 million Systemwide target. They are developing plans that identify strategies based on their current circumstances, which include choices in the application of fund balances, expenditure reductions, and tuition surcharges (spring quarter only).

The campus reduction targets are as follows:

<table>
<thead>
<tr>
<th>OUS</th>
<th>Unit Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOU</td>
<td>$363,620</td>
</tr>
<tr>
<td>OIT</td>
<td>436,599</td>
</tr>
<tr>
<td>OSU</td>
<td>2,328,765</td>
</tr>
<tr>
<td>OSU Statewides</td>
<td>1,122,381</td>
</tr>
<tr>
<td>PSU</td>
<td>1,733,378</td>
</tr>
<tr>
<td>SOU</td>
<td>460,106</td>
</tr>
<tr>
<td>UO</td>
<td>1,878,240</td>
</tr>
<tr>
<td>WOU</td>
<td>455,686</td>
</tr>
<tr>
<td>Chancellor/OCECS</td>
<td>359,730</td>
</tr>
<tr>
<td>Total</td>
<td>$9,138,505</td>
</tr>
</tbody>
</table>

Each university has been asked to discuss tuition surcharge options with their student leadership. The use of fund balances will be monitored by the System to ensure that already diminished balances are not completely depleted.

The planning should consider the implications of the outcomes of the January Special Election. If the measure passes, the universities have suggested a combination of resources that they then can apply against the $9.1 million. If the measure fails, they must plan beyond the $26.9 million and select from a similar but more limited set of alternatives.

A report will be provided at the February Board meeting outlining the plans that were implemented and the actions taken on the separate, but overlapping $9.1 million and $26.9 million General Fund reductions.
Staff Recommendation to the Board
The staff recommends that the Board charge the Chancellor to develop for the Chancellor’s Office and each university an integrated plan recognizing expenditure reductions (immediate implementation), tuition surcharges, and fund balances that meet the required General Fund cut backs. A report of each plan will be presented at the February Board meeting.

Biennial General Fund Reductions of $9.1 Million
Sources of Reductions

The Chancellor supports the right of universities to alter their preliminary plans based on 1) the status of the January 28 election and 2) their ability to generate expenditure cuts.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Expenditure Reductions</th>
<th>Tuition Fund Surcharges</th>
<th>General Fund Balance</th>
<th>General Fund Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOU</td>
<td>✓</td>
<td></td>
<td>$363,620</td>
<td></td>
</tr>
<tr>
<td>SOU</td>
<td>✓</td>
<td>✓</td>
<td>460,106</td>
<td></td>
</tr>
<tr>
<td>OIT</td>
<td>✓</td>
<td></td>
<td>436,599</td>
<td></td>
</tr>
<tr>
<td>WOU</td>
<td>✓</td>
<td>✓</td>
<td>455,686</td>
<td></td>
</tr>
<tr>
<td>PSU</td>
<td>✓</td>
<td></td>
<td>1,733,378</td>
<td></td>
</tr>
<tr>
<td>UofO</td>
<td>✓</td>
<td>✓</td>
<td>1,878,240</td>
<td></td>
</tr>
<tr>
<td>OSU</td>
<td>✓</td>
<td>✓</td>
<td>2,328,765</td>
<td></td>
</tr>
<tr>
<td>OSU-SWPS</td>
<td>✓</td>
<td>✓</td>
<td>1,122,381</td>
<td></td>
</tr>
<tr>
<td>System/OCECS</td>
<td>✓</td>
<td>✓</td>
<td>359,730</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL:** $9,138,505

Implications of Reductions

Administrative consolidations, such as eliminating a vice presidential position, are being considered or implemented at many campuses. In addition we are reducing class offerings; implementing student-staff layoffs; eliminating remaining professional development;
reducing/eliminating library acquisitions; eliminating remaining replacement equipment; reducing Cost of Living Adjustments; reducing Summer programs; continuing the position freeze, etc.

Fund Balance offsets are avoided to the greatest extent possible given the continuing fiscal uncertainties for this year and moving into the next biennium.

BOARD DISCUSSION:

Vice Chancellor Anderes provided the context within which this item was being considered. The current $9.1 million reduction is the System’s portion of another state revenue shortfall. The System has requested that each institution identify targets for reduction based on its share of the General Fund allocations. “Given the necessity for institutions to implement various reduction scenarios, to begin to talk to students about tuition surcharges, again, and to look at any other aspect of their budget, it is necessary to have Board approval to move forward and begin to implement, where necessary, various expenditure, program, and service reductions,” Dr. Anderes pointed out.

“What we recommend is that the Board charge the Chancellor to develop, for the Chancellor’s Office and each university, an integrated plan recognizing expenditure reductions, which would have immediate implementation consequences, tuition charges and fund balances that are needed to accomplish the cut backs,” Vice Chancellor Anderes explained.

Director Wustenberg asked why Oregon State University’s target of reduction is higher than other institution. Dr. Anderes replied that the reduction targets are based strictly on a percentage of the amount of General Fund support the institution receives. He also pointed out that the System Office would also be reduced by $360,000 as well.

Director Lehmann asked for clarification regarding this round of cuts and the upcoming January 28 vote. “Assuming the ballot measure goes down and we have this additional cut, are we going to re-examine the whole problem and come up with recommendations that take into account the entire amount?” Vice Chancellor Anderes indicated that the purpose of the present discussion was to give the institutions some latitude in looking at a combination of ways to solve the problem.

Director Young expressed concern about students who might be hit with a larger tuition bill in the spring term and asked, for those students
unable to pay the additional fees, that there be consideration to the short
term emergency loan program that is in place at most institutions.
Director Bassett added that, “I don’t recall ever in legislative budget
dealings that we have had this situation where one set of cuts has been
made contingent upon a hopeful future and the other, which follows it,
has been mandatory. I think that we have done what we need to do here
which is to recognize that this total ‘mission impossible’ is best addressed
at the campus level since it is so late.” He went on to encouraged
everyone to talk about these reductions as a total package of cuts, rather
than by the separate mandates and hoped that the legislature would
“wake up to how weird this is and start dealing with it as a single item as
well.”

BOARD ACTION:

Director Wustenberg moved and Director Lehmann seconded the
motion to approve the staff recommendation. Those voting yes:
Directors Barnett, Bassett, Lehmann, Lussier, Richmond, Watari,
Wustenberg, and Young. Those voting no: none.

CONNECTING THE DEAL AND THE RAM:

**ASSUMPTIONS**

*Summary*
The strategic planning process includes consideration of a number of
elements: i.e., vision, goals, flexibility initiatives, budget and enrollment
management strategies, and tuition and financial aid objectives, that
should be reviewed in conjunction with the Resource Allocation Model
(RAM). The Deal specifically outlines initiatives and objectives that
intersect with budget decision-making and the RAM.

The following assumptions are raised to identify the points of intersection
and ensure that any actions taken on The Deal and/or the RAM are
assessed relative to potential impacts.

**CONNECTING THE DEAL AND THE RAM
ASSUMPTIONS**

- The Deal is an approach to acquire funds-intended to primarily
  complement the RAM.
  - Funding issues for regional universities create a need to
    re-examine the model to determine if revisions are
    necessary. Review in progress.

- Value of funding (cells) will be set at 80 percent of the peer
  average in 2003-2005 and increasing to 90 percent by
• OUS needs to clarify the impact of excessive PERS increases and growing PEBB increases on cell value, determine the level of diminishment due to benefit increases, and assess what is happening at peer universities.

• Targeted programs reflect Board priorities for which program outcomes (accountability) can be more readily addressed in serving broader public goals.
  • Funding of cells should not be diminished to the benefit of targeted programs.
  • Specific targeted programs, such as the small school allocations, should be more closely aligned with cells, given their similar instructional support activities.

STUDENT COSTS
• Undergraduate residents will not pay more (in tuition and education fees) than the per student share of state funds. OUS supports the resource fee as the single education fee.
  • This is contingent on the level of state funding, request linked to the 80 percent of the peer median.

• Calculations supporting the 50 percent / 50 percent student and state undergraduate resident share will be made on a Systemwide basis and NOT at the institutional level.

• Tuition increases will grow annually by no more than an appropriate higher education inflationary index.
  • OUS will review peer state and tuition per student funding for comparative purposes.
  • Concern is raised that, when entering into the 2003-2005 biennium, a transition increase should be considered to support needs that extend beyond a simple inflationary index.

• Tuition limitations apply to undergraduate resident students only.

• Affordability during times of extreme fiscal stress on students will be protected to the greatest extent possible, including but not limited to, designating a portion of new tuition remission for assisting the most financially needy students.

• Guidelines should be developed on the establishment of fees and use of fee remissions.
• There is a desire to maintain the present approach in accounting for continuing education programs.

ENROLLMENT MANAGEMENT
• Enrollment projections will provide a basis for the funding request, including a ceiling by each university on fundable enrollments and no settle up process.
  • OUS should consider the reduction and reallocation of general fund when a university does not meet its enrollment targets. The university would realize a reduction in the following year.
  • Question: Are there exceptions that should be considered?

• Non-funded fundable enrollments may increase based on the capacity of the university and its specific enrollment management plan.

• Enrollments will be negotiated each year based on the existing process of System and university projections.

• OUS should establish appropriate relationships between fundable undergraduate residents, graduates, and professionals.
  • OUS should review System assumptions that drive funding relationships between graduate, undergraduate, and professional student categories.

• Unmet student demand, (i.e., a portion of the population that will not be served due to program and financial capacity) is a possibility.

• OUS should maintain the right to seek Emergency Board approval for a general fund supplement when enrollment growth exceeds the agreed upon level.

• Existing definition of fundable students will apply.

RESEARCH
• Funding for research will double by 2010. What is an appropriate methodology to project state support for research and creativity?
  • Index state funding to sponsored project growth - to be determined.
  • Justify support based on economic drivers/benefits to state and local communities.
BOARD DISCUSSION:

Vice Chancellor Anderes highlighted the most significant aspects of the Report. First, he indicated that there are a number of places where components of The Deal relate directly to the RAM in that the RAM is intended to be a tool for acquiring funds.

“One of the things we need to understand is that, as we seek to change, if we’re looking at an 80 percent funding, it will be necessary in some fashion to communicate to the Governor and others that, in effect, our request is changing. And that movement from 90 percent in this biennium down to 80 percent is a substantial reduction in terms of this request.”

With reference to the small schools allocation, Dr. Anderes reminded the Board that “the cells (of the RAM) which are the instruction and instructional support areas, are not to be diminished. It’s just the reverse. Over the long term, we would like to see more of the initiatives that are directly related to instruction and instructional support be more closely aligned with the cells and specifically, we’re right now looking at the small school allocations. They sit in an awkward way as a targeted program, yet it provides funding for the same sorts of instruction, instructional support that we find funded in the cells. We’re going to try to bring back a proposal to the Board in the next two-to-three months that begins to make those a little more linked,” he added.

Continuing, Vice Chancellor Anderes pointed out that there would be three major ways in which students might be identified in terms of funding. First, there are those students in classrooms that are being funded through the state; those who will be supported by the institution; and those who will not be served. He underscored that it is unlikely that OUS is going to be able to serve the full demand and that should not be an expectation of the legislature.

The System will continue to do detailed enrollment projections. “What we will be doing that changes the way we deal with the RAM now is that we will establish a ceiling,” Dr. Anderes explained. “I want to clarify that the way the model works right now is exactly the way it was intended to work. It rewards growth, a kind of entrepreneurial stimulation. Right now we’re in a very difficult period of time where stimulating growth in the midst of General Fund reductions is hard to deal with.”
Director Bassett asked if, once the resource allocation is known and within the constraints that have been placed on tuition, it will be possible to calculate the enrollment number that it affords. “Would it be possible for this Board then to deliberate on an enforceable enrollment cap?” Vice Chancellor Anderes indicated that it would be.

President Lussier mused that some work would need to be done in terms of how we calculate the number of disenfranchised students. Vice Chancellor Clark responded that there is a national database that could be promising for use in determining whether students who start with an OUS institution or at a community college leave to transfer to another institution. She indicated that we would be able to track those transfers. “We have also learned that at least some of the community colleges, and I believe Portland Community College is the biggest of them, are also aware of this particular database. We could form an alliance that would enable us to obtain a large sample study,” Dr. Clark added.

Director Lehmann observed that the Board needs to be prepared to answer questions about where students go if we begin to deny access. Director Watari suggested when the conversation centers on “financially needy students,” the Board should look at more than just tuition remission. “I don’t think that really addresses access and affordability. I think there is the middle class that won’t be addressed and the disparity keeps growing. There is so much more we could be looking at than tuition remission.”

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

Summary

The Board's grievance procedure for the 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 2001-2002 academic year:

EOU: No grievances were filed.

OIT: Two grievances were filed:

A faculty member claimed that a timely notice for termination was not received. The institution agreed to give the correct timely notice, and appended the contract to meet the Administrative Timely Notice Policy.
A faculty member felt that the appointment and rank were inappropriate for years of service. The grievance committee investigated the claim and found no justification in the grievance.

OSU: Three grievances were filed:

A faculty member grieved regarding the inclusion of a particular letter in his promotion and tenure file. The grievance was resolved at the first level. Subsequently the faculty member filed six grievances regarding the promotion and tenure process and the decision in his case. The process grievances were denied as premature. The procedural issues raised in those grievances were addressed in the appeal of the promotion and tenure decision. An appeal is pending before the Faculty Grievance Committee.

A faculty member was issued a letter of timely notice and alleged wrongful demotion, discrimination on the basis of national origin and gender, and false accusations in connection with a performance review. The administrator at the first step in the grievance process denied the grievance. The Faculty Grievance Committee recommended that the grievant be denied and the President concurred.

A faculty member claimed disparities in starting salaries between male and female assistant professors, problems pursuant to a verbal hiring agreement, and problems with termination of the faculty member's position. The grievance was settled at the first step.

PSU: One grievance was filed:

A faculty member alleged unfair and inequitable treatment in a tenure decision. The grievance was resolved at the President's level.

SOU: No grievances were filed.

UO: No grievances were filed.

WOU: No grievances were filed.
Organizational options for the Board were presented to the Executive Committee at the November 15, 2002 meeting. The options covered the areas of:

- Board meeting structure, frequency, and content;
- Use of Board Committees;
- Board Orientation and on-going Board development;
- Board goal setting and evaluation of performance; and
- Campus visitations.

Thoughtful responses were received from six present Board members, one Board member-designate, and one institution president. There were both diversity of responses and common themes. For example, one set of suggestions was for six one and one-half day Board meetings per year with only meetings of the whole Board and no committees and another was for quarterly meetings of the Board, each meeting to be on a campus, with quarterly meetings of the committees on the alternating months.

What follows is an attempt to incorporate as many of the ideas as possible into a recommendation for consideration by the Board.

**Board Meeting Structure and Frequency**

(NOTE: the practice of regularly using an Executive Committee on alternating months is not consistent with the by-laws of the Board that state: “Between Board meetings, the Executive Committee shall act for the Board in minor matters and any matter where a timely response is required prior to the next Board meeting, subject to Board approval at its first subsequent meeting.” Additionally, if public notice is given that a meeting is an Executive Committee meeting, it cannot be made a full meeting of the Board at the time it convenes.)

From the information gathered, staff makes the following recommendations concerning Board and Committee meetings.

- There should be eight meetings of the full Board each year (draft schedule for 2003 is in Attachment 1).
- There will be three standing committees (Executive, System Strategic Planning, and Budget and Finance). The chairs of the Committees will, in agreement with other Board members and dependent on level of activity, determine the number of meetings.
- Board meetings will be scheduled for Thursday afternoon and evening and Friday until noon. Committee meetings will run
sequentially on Thursday afternoon/evening to enable all Board members to attend both Committee meetings if they choose. Full Board work sessions and business meetings of the Board will be held on Friday mornings.

Content of Board Meetings

There were thoughtful comments about the content of the Board meetings and requests that Board members have more input into the agendas. Some recommendations:

- End each Board meeting by asking Board members if there is an item/s they would like to see placed on a future agenda.
- Streamline Board meetings as much as possible, with attention as to whether an item really has to come to the Board or if it has already been delegated to the Chancellor for action or approval.
- Allow sufficient time for Board deliberation on critical issues.

Campus Visits

The general sense from those who responded was that Board visits to campuses should continue in the same manner as they are at the present time. A suggestion from a president is that campus visits might be better used “as demonstration projects – how has each campus helped to achieve the Board’s strategic goals.”

Recommendations

- Campus visits will continue as presently scheduled – each campus will have a Board visit and meeting every-other-year.
- The purpose of the visits will be examined and, if warranted, changes will be explored in terms of the purpose and content of the visits.
- Campus visits will occur during the late afternoon (following Committee meetings) and evening.
- Campus visits should be “mandatory” for Board members.

Board Orientation and On-going Development

New Board Member Orientation

More attention needs to be paid to orientation for new Board members. The elements of the orientation should include:

- The Board’s office must be prepared to provide the Governor’s office with a full disclosure of the time requirements of service on the Board of Higher Education. It seems increasingly important
that individuals realize that being a member of a public board is not the same as serving on a private corporate board.

- A one-half day overview of the mission, purpose, organization, and legal aspects of being a member of the Board of Higher Education should occur within the first month after confirmation. These sessions should be tailored to the individual, dependent on past experience, knowledge of public higher education, and the requirements of service to a public governing body.

- One staff person and one Board member should be named as mentor/guide for at least a one-year period to provide on-going information, guidance, and act as a sounding board for questions and/or concerns.

**On-going Board Development**

A plan should be developed for on-going Board development. In the words of one responder, "...in the past several years we have spent far too much time on Board Development (which often seems like Group Therapy)."

The following recommendations are suggested:

- Ask Chancellor to identify three-five key issues about which he believes the Board should be knowledgeable and plan sessions around the chosen topics.

- Ask staff to identify national meetings that might be of interest to Board members and that would address relevant issues.

- Encourage Board members to identify areas where they would like either further information (formally or informally) or extended work sessions.

**Board Goal Setting and Self-Evaluation**

Board operations might be more effective if there were a more regular method of setting goals and participating in self-evaluation of effectiveness. The literature on board effectiveness also underscores the importance of having operational agreements that Board members honor and regular times to assess how the Board is functioning.

Several recommendations are:

- Complete the goal setting begun by President Lussier with timelines and benchmarks for assessing successful completion of goals.

- Establish Board working agreements that are reviewed with and agreed to each year and that are presented to new Board members.
as part of the orientation. At the end of each year, during the
Renewal Work Session, the agreements will be reviewed, changed
if required, and reaffirmed by the full Board.
- Each year Board members will complete a self-assessment of
his/her effectiveness on the Board. These will be compiled for the full
Board and areas of weakness will be targeted for work in the new
year.

BOARD DISCUSSION:

President Lussier briefly reviewed several aspects of the proposed
Operational Plans and Agreements. He indicated that the purpose for
any changes would be to take advantage of the thoughtful deliberations
that the Board and the presidents offer to significant topics that are
under consideration. After discussion, it was informally agreed that: there
would be eight Board meetings per year; that the format for regular
Board meetings would be to convene Committees on the Thursday
afternoon and evening prior to the full Board meeting on Friday for work
sessions and regular business meetings; and that campus visitations
would continue in roughly the same format at the present time.

President Zinser asked if the Academic and Finance and Administration
Councils would continue to meet on the same schedule. Chancellor
Jarvis indicated that he would like to change the sequence so that the
Councils meet shortly after the Board meeting to review Board actions
and prepare for next steps; followed by meetings of the presidents; and
then the Board would meet in Committees and full session.

There was general consensus that the changes were acceptable to the
Board.

FEDERAL
AFFAIRS
REPORT

Summary

On November 25th and 26th, Chancellor Jarvis conducted the first of
several planned Capitol Hill visitations. Taking crucial advantage of the
lull in activity in Washington, Chancellor Jarvis held productive meetings
with the staff of five of the seven members of Oregon’s congressional
delегation. In addition to discussing the many challenges facing
Oregon's public university system, he outlined briefly a proposal to
create a new partnership with Oregon that addresses the issues of
access and affordability, institutional flexibility, enrollment management,
and funding through a combination of state investment, student
investment, and institutional efficiencies. Chancellor Jarvis stressed that
the continued political and legislative accomplishments of our
congressional delegation have never been more vital.
The Chancellor’s visit served as an important reminder that the unfinished business on Capitol Hill translates into opportunities lost throughout our campus communities. Before adjourning in November, the 107th Congress passed a Continuing Resolution (CR) that funds the federal government at fiscal year (FY) 2002 levels through January 11, 2003. Appropriators in both the House and the Senate sought to complete work on the outstanding 11 appropriations bills before adjourning; however both the House and Senate moved to cut the lame-duck session short, and left Washington. The President continues to increase pressure on Congress to adhere to the Administration’s FY 2003 domestic spending levels and to complete work on the remaining 11 FY 2003 appropriations bills by the time of the State of the Union address on January 28, 2003.

Negotiations have been on-going between the White House and Congressional leadership. The sticking point is whether Congress can muster the support to add an additional $10 billion in domestic discretionary spending over the President’s objection. The net effect for OUS is the delay and deferment of essential federal funding for 13 campus projects listed in the OUS Federal Appropriations Priorities Notebook (see System Strategic Planning Committee Docket, February 15, 2002). Appropriators and staff will be working on the FY 2003 spending bills throughout December, so that when the 108th Congress convenes it can act quickly to pass the remaining 11 appropriations bills. Since no final decisions about line item budgets or the process have been made, it is essential that campus personnel continue to lobby members that have shown past support for their projects.

While the budget battle has created a great deal of political and legislative uncertainty, OUS can rely on the fact that Oregon voters returned all six incumbents who stood for re-election in 2002. It’s notable that Senator Wyden and Senator Smith continue to combine their legislative strength in support of OUS campuses. Congressman David Wu will hold an important seat on the House Committee on Education and the Workforce, Subcommittee on 21st Century Competitiveness, that will oversee major portions of the planned reauthorization of the Higher Education Act.

In February 2003, OUS Federal Affairs will deliver to the Oregon State Board of Higher Education a report on the final appropriations status for FY 2003 (pending Congressional action); a detailing of campus projects moving ahead in FY 2004; a primer for the reauthorization of the Higher Education Act (HEA); and, an account of a scheduled January briefing with key staff members of Oregon’s Congressional Delegation.
President Lussier reported that the Joint Boards Working Group had met on December 4, 2002, for an extended work session. The main agenda topic for consideration was the potential of developing some policies around access, affordability, and quality. It was indicated that this work would fit well with that of the Board of Higher Education.

Dr. Robert Vieira, Vice Provost for Student and Academic Affairs, reported on behalf of Provost Lesley Hallick and Director Tom Imeson (both of whom were absent from the meeting). He indicated that OHSU is experiencing the same type of budget problems as the rest of the System. The plans for development of North MacAdam Avenue are progressing and will be an important addition to the campus, as are the new additions to the OGI campus.

Director Lehmann reported on the Oregon College Savings Plan and indicated that the assets of the plan are currently at $72 million with over 19,000 accounts. There is an advertising campaign currently underway that is important to the effort, as well.

President Lussier reported that OCKED had been very active in the past few months. Meetings have been held around the state and members of the Council have been meeting with various editorial boards.

President Lussier indicated that a number of Board members had participated in the recent Summit sponsored by the Oregon Business Council. He asked Director Lehmann to briefly report on the meeting. She began by indicating that the purpose of the Summit was to present challenges and opportunities facing Oregon in the coming years. “OBC originally targeted approximately 300 individuals to attend. There were, however, over 1300 leaders from around the state – just an incredible turnout. I think that people left feeling pretty energized and OBC intends to carry forward an agenda. Their intent is to have something ready by the beginning of the legislative session.

“Some of the most significant feedback for us,” Ms. Lehmann observed, “was a call to overhaul the tax system, including a call for a sales tax, a rehaul of PERS, state efficiency (including zero-based budgeting), recognition that Oregon operates in a global market requiring innovative, value-added products and a skilled knowledgeable workforce, and education as a foundation for the kind of competition Oregon faces.”

Concluding, Director Lehmann indicated that the OCKED report was widely embraced and the recognition that we need to proceed with the commercialization of ideas. Director Richmond asked if there had been
any discussion about the reality that “as the budget for higher education continues to go down, faculty who would be spawning new companies or ideas or products have much less time to put toward those activities. This results from higher teaching loads and higher service activities that result from lower higher education budgets. It might seem like this is indirect, but it really comes down to a real lowering in our ability to spawn these ideas into something that makes money,” she concluded.

President Zinser expressed the belief that there had been a significant increase in the awareness of the role of higher education in economic matters from the time the first draft of the OBC White Paper that was used as a basis for discussion at the Summit. She reminded attendees that there will be additional meetings around the state sponsored by OBC and people should make a point of participating in them.

Director Young indicated that he was favorably impressed by the extent to which higher education was mentioned by almost every speaker in all of the break-out sessions. “But, overall, as a student, to hear so many folks in suits talking about higher education was really inspiring. At the same time, I had to bite my tongue not to say, ‘Okay, we have a long road ahead of us.’”

Chancellor Jarvis provided the Board with an update on the process for organizing and beginning the search for the next president of Oregon State University. He explained that the search process suggests the nomination of twice the number of people to serve on the Committee and he, then, makes the selection. The Board members serving on the Committee are: Directors Barnett, Lehmann, and Wustenberg. The other members from the OSU community are: Vice President Larry Roper, Dean Tammy Bray, Professors Angelo Gomez, Fred Obermiller, Nancy Rosenberger, and Ken Williamson, Edie Blakely, Debra Dombrowski, Bridget Burns, Ruth Anne Dodson (alumni), Duane McDougall (community member), and Jim Johnson, member-at-large.

President Lussier announced that he was forming a Compensation Committee of the Board. The Committee consists of Tom Imeson, Jim Lussier, and Chancellor Jarvis. The charge is for them to look at presidential compensation as well as compensation in other sectors, review research on compensation, and bring recommendations to the Board in June or July.

There were no members of the public present who indicated they wanted to speak to the Board.
ITEMS FROM BOARD MEMBERS

Director Watari and other Board members thanked the staff at the CAPITAL Center for hosting the Board meeting. Additionally, many members once again thanked President and Mrs. Risser for their service.

President Lussier thanked the presidents and staff for the work that had been accomplished during the past year in spite of the most adverse financial year the System has ever suffered. "It must be demoralizing sometimes to see all of the things that you’re putting in front of us on reductions while at the same time trying to do planning so that we are positioned appropriately in the future. I know that it takes a lot of work and deliberation. So, thank you for the wonderful job that you have done trying to make quality and valuable decisions so that we are not cutting the core of our mission, but trying to live through some pretty significant austerity.”

ITEMS FROM PRESIDENTS

President Zinser wished everyone “peace of mind and the hope of some breakthrough in our world that there might be peace.”

All of the presidents expressed thanks and good wishes to the Rissers. Presidents Dow and Creighton acknowledged outstanding accomplishments by their sports teams.

President Frohnmayer announced that the UO will be hosting the annual meeting of the Association of American Universities in October 2003. It is the first time in the history of the Association that it will have been held in Oregon.

DELEGATION OF AUTHORITY TO BOARD’S EXECUTIVE COMMITTEE

Board Secretary Thompson read the statement pertaining to delegation of authority to the Board’s Executive Committee:

“Pursuant to Article II, Section 5 of the Bylaws of the Board of Higher Education, the Board delegates to the Executive Committee authority to take final action as here designated or deemed by the Committee to be necessary, subsequent to the adjournment of this meeting and prior to the Board’s next meeting, which is scheduled for January 16, 2003.

The Executive Committee shall act for the Board in minor matters and in any manner where a timely response is required prior to the next Board meeting, including the authority to consider and approve, as you have already heard, the Temporary Board rule to authorize campus tuition surcharges.”

Board members agreed to the delegation of authority as stated.
ADJOURNMENT  The meeting adjourned at 12:40 p.m.

Virginia L. Thompson  
Interim Secretary of the Board

James T. Lussier  
President of the Board