1. **CALL TO ORDER/ROLL CALL**
President Neil Goldschmidt called a regular meeting of the Oregon State Board of Higher Education to order at 8:55 a.m.

On roll call, the following Board members answered present:
- Donald Blair
- Rachel Pilliod
- Bridget Burns
- Geri Richmond
- Kirby Dyess
- John von Schlegell
- Henry Lorenzen
- Gretchen Schuette
- Tim Nesbitt
- Howard Sohn
- Neil Goldschmidt

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

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

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

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

**DOCKET ITEM:**

**Oregon Institute of Technology**

President’s Conversation with the Board
February 20, 2004

*(revised from 10/17/03 presentation to the Board)*

Background Information
Martha Anne Dow, President
MAJOR PRIORITIES AND STRATEGIC ISSUES
Oregon Institute of Technology (OIT) has a unique mission as Oregon's institute of technology to deliver technology education throughout the state and the Pacific Northwest region.

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

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

The major university priorities for 2003-2005 include:

1. Enhancing the living and learning environment.

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

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

**HEALTH:** OIT will expand its leadership role in health professions (allied health) education through the establishment of a Center for Health Professions. A business plan has been developed in partnership with public and private health care entities. The plan focuses on expanding OIT's capacity for increasing enrollment in high market demand health modalities and raising the funds to build new facilities to meet educational and clinical needs. Partnerships with community colleges will be expanded to meet workforce needs. The cost of this project is in the $10-$20 million range.

**RENEWABLE ENERGY:** OIT will expand its leadership role in renewable energy education and applied research. This will include developing projects to build "sustainable" campuses in Klamath Falls and Portland. The focus of this activity will be
integrating the academic programs and applied research of the Oregon Renewable Energy Center (OREC) into campus life. OIT’s Klamath Falls campus is well positioned for this activity, since it has been geothermally heated and cooled for nearly 40 years, saving millions of dollars in fuel costs and establishing OIT as a model campus for such energy use. With OREC being established as a “center of excellence” for OIT, its staff will explore the use of the Klamath Basin’s sunny days to convert solar power to electricity and other projects as they are developed. One of these projects being considered is a zero-base energy use Residence Hall – where heat, cooling, and electric power are supplied by renewable energy sources. OREC is already working with Clackamas Community College in an academic program initiative at its Wilsonville Training Center and will continue to build partnerships with community colleges in addressing workforce needs in the emerging “smart energy” technologies.

The major strategic issues are addressed by these questions:

a. How can we develop the public/private partnerships to support these “centers of excellence,” both programmatically and financially?
b. How can we manage these centers using a creative public/private business model?
c. How can OIT extend both its health professions and renewable energy programs and services to other locations in Oregon to increase access to them?

3. Managing enrollment to maximize access.

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

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

The major strategic issue is managing enrollment. These questions arise:

a. How do we determine what new programs to add, where to add them, and how to fund the initial costs?
b. How do we meet our commitment of access to all qualified Oregonians when our most in-demand programs continue to grow and there are not adequate resources to increase capacity?

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

4. Graduate studies.

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

5. Generating private support.

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

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

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

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

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

FINANCIAL SELF-ASSESSMENT

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

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

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

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

While tuition increased by 20 percent from Fall 2002 to Fall 2003, OIT has maintained a 17 percent effort in fee remissions to help needy students. The trend in increasing funds for quality instruction and fee remissions continues in the 2004 budget. Overhead per FTE is projected to be less for 2004.

---

**OIT Budget 1999-2004**

<table>
<thead>
<tr>
<th></th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
<th>2002-03</th>
<th>2003-04</th>
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<tr>
<td>State Appropriations</td>
<td>$15,746,679</td>
<td>$16,084,257</td>
<td>$18,148,913</td>
<td>$17,341,617</td>
<td>$15,509,218</td>
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<tr>
<td>Tuition (net)</td>
<td>4,234,501</td>
<td>4,796,402</td>
<td>5,492,350</td>
<td>6,129,880</td>
<td>7,125,447</td>
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<tr>
<td>Other income</td>
<td>1,068,898</td>
<td>1,918,450</td>
<td>2,034,587</td>
<td>2,641,888</td>
<td>2,648,336</td>
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<tr>
<td>Total</td>
<td>$21,050,078</td>
<td>$22,799,109</td>
<td>$25,675,850</td>
<td>$26,113,385</td>
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<td>Tuition and Other</td>
<td>$5,303,399</td>
<td>$6,714,852</td>
<td>$7,526,937</td>
<td>$8,771,768</td>
<td>$9,773,783</td>
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</table>
Priorities for 2004 that should improve the financial health of OIT include an emphasis on targeted marketing of select programs, alumni involvement, and the annual fund campaign.

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

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

ENROLLMENT TRENDS

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

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

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

### Headcount Enrollment 1992-2003

<table>
<thead>
<tr>
<th>Year</th>
<th>Headcount</th>
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<tbody>
<tr>
<td>1992</td>
<td>2759</td>
</tr>
<tr>
<td>1993</td>
<td>2589</td>
</tr>
<tr>
<td>1994</td>
<td>2478</td>
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<tr>
<td>1995</td>
<td>2441</td>
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<tr>
<td>1996</td>
<td>2339</td>
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<tr>
<td>1997</td>
<td>2475</td>
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<tr>
<td>1998</td>
<td>2679</td>
</tr>
<tr>
<td>1999</td>
<td>2814</td>
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<tr>
<td>2000</td>
<td>2842</td>
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<tr>
<td>2001</td>
<td>3088</td>
</tr>
<tr>
<td>2002</td>
<td>3139</td>
</tr>
<tr>
<td>2003</td>
<td>3236</td>
</tr>
</tbody>
</table>

### NEW PROGRAMS WITH PARTNERS

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

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

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

### New Programs

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>2004-05 ENROLLMENT TARGET</th>
<th>LONG TERM ENROLLMENT TARGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respiratory Care</td>
<td>25</td>
<td>50</td>
</tr>
<tr>
<td>Manufacturing M.S.</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>Dental Hygiene La Grande</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>Information Technology Minor</td>
<td>10</td>
<td>30</td>
</tr>
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</table>

### SPECIAL EXCELLENCE INITIATIVES

Renewable Energy: OIT is continuing to develop a center of excellence in renewable energy technologies, the federally funded Oregon Renewal Energy Center (OREC). OREC, established by legislation in the 2001 session, is engaged in a partnership with Clackamas Community College for the delivery of a renewable energy systems degree at the baccalaureate level. OREC faculty and staff will implement a research and instructional partnership with CCC at the Wilsonville utility training site, as well as at their main campus. OREC is also exploring partnerships in education, training, and applied research with PGE and PacifiCorp. OIT will develop a renewable energy emphasis in existing engineering and technology curricula on the main campus.
Center for Health Professions: OIT has developed a business plan for the Center for Health Professions (CHP). In partnership with the health industries in the state, OIT continues to survey the need for employees in the health professions. In partnership with the Oregon Health and Science University and community colleges throughout the state, we are developing and delivering baccalaureate programs in a wide range of health professions. Clinical Laboratory Science and Paramedic Education are delivered in Portland in cooperation with OHSU. Numerous programs are delivered in Klamath Falls to over 750 residential students. And we are expanding our partnership with Klamath Community College, Rogue Community College, and Umpqua Community College to support student access to programs in the health professions. And, as previously mentioned, a program in dental hygiene to be offered in La Grande with Eastern Oregon University and sponsored by ODS will begin in the Fall of 2004.

CHP recently received a federal earmark of $50,000 to implement the first phase of the business plan.

DISTANCE EDUCATION

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

ACADEMIC AFFAIRS

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

We have completed the closure of a program in Information Technology at Ft. Lewis, Washington. The continuing students near degree completion are being advised and monitored through OIT’s Portland Operations sites.
We are also completing the closure of the Laser Optical Engineering Technology program. The student demand for that program did not reach the targets originally established for the program and it was terminated due to fiscal realities. The laser laboratory equipment and faculty expertise are being focused on a new optoelectronics specialization within the Electronics Engineering Technology department. Assessment of workforce demand indicates that there is a need for professionals with optics experience.

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

FACILITIES

Space Requirements:

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

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

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

Renovations:

1. Our most pressing renovation and expansion need is the Learning Resources Center, which includes our library. The Northwest Commission on Colleges and Universities gave us notice that additional student and collection space is necessary to maintain our accreditation.
2. Major renovations are needed for three classroom buildings: Semon, Cornett, and Owens Halls. The rapid growth of the health professions programs has caused overcrowding and reconfigurations in these facilities that will need to be addressed when the Center for Health Professions comes online. These facilities are all in need of renovation to accommodate new instructional technology as well as new student workstations.

**Deferred Maintenance:** According to the Oregon University System’s Resource Renewal Model, $16,000,000 in deferred maintenance exists throughout the campus at this time.

In 2002, the federal standards for arsenic levels in potable water changed. The wells that supply OIT’s water no longer meet the federal standards. We have until 2006 to bring our potable water supply in compliance with the new standards.

**TUITION/AFFORDABILITY STRATEGIES**

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

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

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

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

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

**FUND RAISING EXPECTATIONS**

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

1. The percentage of alumni that participate in financial gifts has increased from 3 to 10.3 percent.
2. Over 2,400 new addresses of alumni have been added in the last year.
3. The annual fund contributions increased 33 percent between 2001 and 2002.
4. Several recognition events have increased the giving levels.

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

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

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

RESEARCH

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

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

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

PERFORMANCE MEASURES

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

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

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

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

<table>
<thead>
<tr>
<th>Category</th>
<th>2002</th>
<th>2004-05</th>
<th>2006</th>
</tr>
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<tbody>
<tr>
<td>Persistence</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freshmen that persist to second year</td>
<td>68.9%</td>
<td>73%</td>
<td>75%</td>
</tr>
<tr>
<td>Satisfaction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelor’s grads rating</td>
<td>93%</td>
<td>93%</td>
<td>Sustain</td>
</tr>
<tr>
<td>Experience very good or higher</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>R &amp; D – gifts, grants, contracts</td>
<td>$2.0 million</td>
<td>$3.0 million</td>
<td></td>
</tr>
<tr>
<td>Total degrees</td>
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<td>375</td>
<td></td>
</tr>
<tr>
<td>Degrees in shortage areas</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering, Computer, IT</td>
<td>178</td>
<td>242</td>
<td></td>
</tr>
<tr>
<td>12% increase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mission Specific</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women enrolled in engineering</td>
<td>101</td>
<td>117</td>
<td></td>
</tr>
<tr>
<td>15% increase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelors Degree completion (6 years)</td>
<td>41%</td>
<td>43%</td>
<td></td>
</tr>
</tbody>
</table>

### MANAGING AND ASSURING QUALITY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**2003-05 GOALS**

OIT must continue to provide access to students throughout Oregon.

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

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

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

4. Develop and implement a campaign to increase financial resources.
5. The Oregon Renewable Energy Center at OIT will develop applied research projects and build a “sustainable” campus.

6. Implement a Masters’ degree in Manufacturing Engineering Technology.

7. Enhance professional development for faculty and staff.

8. Study and develop a comprehensive compensation plan for faculty and staff.
### Students: Fall 2003

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

### Degrees: 2002-03

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

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

#### Tuition & Fees: 2003-04

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

- Resident undergraduate: $4,443
- Resident graduate: $6,644
- Nonresident undergraduate: $13,600
- Nonresident graduate: $11,200

#### Resident Undergraduate Student Budget, 2003-04

- Total = $13,127
- Tuition & Fees $4,443
- Room & Board $5,680
- Personal Expenses $2,004
- Books & Supplies $1,000
Faculty: 2003-04  (Full-Time Ranked Instructional)

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

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

<table>
<thead>
<tr>
<th>Rank</th>
<th>Total Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professor</td>
<td>$79.6</td>
</tr>
<tr>
<td>Associate Professor</td>
<td>$70.1</td>
</tr>
<tr>
<td>Assistant Professor</td>
<td>$62.2</td>
</tr>
<tr>
<td>Instructor/Lecturer</td>
<td>$58.2</td>
</tr>
</tbody>
</table>

Faculty and Staff, 2003-04

<table>
<thead>
<tr>
<th>Category</th>
<th>OIT</th>
<th>%</th>
<th>OUS</th>
<th>%</th>
<th>OIT’s % of OUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>364</td>
<td>100%</td>
<td>12,096</td>
<td>100%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Faculty*</td>
<td>131</td>
<td>36%</td>
<td>5,658</td>
<td>47%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Executive/administrative</td>
<td>28</td>
<td>8%</td>
<td>412</td>
<td>3%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Professional non-faculty</td>
<td>66</td>
<td>18%</td>
<td>2,486</td>
<td>21%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Secretarial/clerical</td>
<td>64</td>
<td>18%</td>
<td>1,812</td>
<td>15%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Technical/paraprofessional</td>
<td>18</td>
<td>5%</td>
<td>719</td>
<td>6%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Skilled craft</td>
<td>12</td>
<td>3%</td>
<td>310</td>
<td>3%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Services/maintenance</td>
<td>45</td>
<td>12%</td>
<td>699</td>
<td>6%</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

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

Campus Facilities: 2003

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
<th>(in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total all facilities</td>
<td>27</td>
<td>708,500 gsf*</td>
</tr>
<tr>
<td>E&amp;G facilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent built between 1960-1975</td>
<td>61%</td>
<td></td>
</tr>
<tr>
<td>Percent of E&amp;G in deferred maintenance</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>Total current replacement value</td>
<td>$131</td>
<td></td>
</tr>
<tr>
<td>E&amp;G plant</td>
<td>68</td>
<td></td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>63</td>
<td></td>
</tr>
</tbody>
</table>

*Gross square feet

Current Project:
- College Union expansion and renovation

Facilities Needs:
- Classroom, lab modernization
- Code, deferred maintenance
- Engineering, physics remodel in Cornett
- New student services bldg
- Physical & health sciences space reconfiguration
- Library addition
- Administration remodel
### Annual Revenues and Expenditures: 2002-03

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

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

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

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

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

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

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

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

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

4. **CONSENT ITEMS**

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

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

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

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

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

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

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

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

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

BOARD ACTION: This item was part of the consent agenda. Vote recorded on page 50.

**Undergraduate Admissions**

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

| Undergraduate Freshman Admission Requirements for 2005-06 (Residents and Nonresidents) |
|---------------------------------|---|---|---|---|---|---|---|
|                                 | EOU | OIT | OSU | PSU | SOU | UO  | WOU |
| High School Graduation         | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Subject Requirements – 14 Units | Yes | Yes | Yes | Yes | Yes | Yes*| Yes |
| SAT I / ACT Scores**           | Yes | Yes | Yes | Yes | Yes | Yes*| Yes |
| High School GPA                | 3.00*** | 3.00 | 3.00 | 3.00 | 2.75 | 3.00* | 2.75 |
| Additional Campus Review       | Below 2.75; or fewer than 16 subject units | Below 2.75; or fewer than 16 subject units | Below 2.75; or fewer than 16 subject units | Below 2.75; or fewer than 16 subject units | Below 2.75; or fewer than 16 subject units |

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

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>EOU</th>
<th>OIT</th>
<th>OSU</th>
<th>PSU</th>
<th>SOU</th>
<th>UO</th>
<th>WOU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum College Credits</td>
<td>30</td>
<td>36</td>
<td>36</td>
<td>30</td>
<td>36</td>
<td>36</td>
<td>24</td>
</tr>
<tr>
<td>Required*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GPA (Residents)</td>
<td>2.25</td>
<td>2.00</td>
<td>2.25</td>
<td>2.00</td>
<td>2.25</td>
<td>2.25</td>
<td>2.00</td>
</tr>
<tr>
<td>GPA (Nonresidents)</td>
<td>2.25</td>
<td>2.00</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.50</td>
<td>2.00</td>
</tr>
<tr>
<td>All Applicants Must Meet</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Specified Course</td>
<td></td>
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<tr>
<td>Requirements**</td>
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</tr>
</tbody>
</table>

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

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

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

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

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

1. High School Graduation

Public high school graduates must have graduated from a standard² high school.

Private high school graduates must have graduated from an accredited³ high school.

Students who did not graduate from a standard or accredited high school must meet the minimum score and average subtest score on the test of the General Educational Development (GED) as listed below.

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

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

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

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

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

³ Accredited high schools are those that are reviewed and recognized by a regional entity, such as the Northwest Association of Schools and Colleges, as meeting an appropriate level of academic rigor and support.
Additionally, students who did not graduate from an accredited or standard school must meet SAT/ACT requirements and have an average score of 470 or above (1410 total) on three College Board SAT II Subject Tests (Writing, Math level I or IIC, and a third test of the student’s choice).

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

<table>
<thead>
<tr>
<th>Campus</th>
<th>ACT or SAT I</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOU</td>
<td>Portfolio Required</td>
</tr>
<tr>
<td>OIT</td>
<td>21 or 1070</td>
</tr>
<tr>
<td>OSU</td>
<td>23 or 1000</td>
</tr>
<tr>
<td>PSU</td>
<td>21 or 1010</td>
</tr>
<tr>
<td>SOU</td>
<td>21 or 1070</td>
</tr>
<tr>
<td>UO</td>
<td>22 or 1070</td>
</tr>
<tr>
<td>WOU</td>
<td>21 or 1000</td>
</tr>
</tbody>
</table>

2. Admission Tests (ACT and SAT)

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

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

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

3. OUS Subject Requirements

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

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

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4 Minimum requirements for admission to UO include these 14 units. For automatic admission, students must complete two additional approved units in any of the five subject requirements.
Mathematics (3 units). Shall include first-year algebra and two additional years of college preparatory mathematics selected from geometry (deductive or descriptive); advanced topics in algebra, trigonometry, analytical geometry, finite mathematics, advanced applications, calculus, and probability and statistics, or courses that integrate topics from two or more of these areas. One unit is **strongly recommended** in the senior year. (Algebra and geometry taken prior to ninth grade will be accepted.)

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

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

Second Language (2 units). Shall include two years of the same high school-level second language, or a C- or above in the third year of a high school-level language, or two terms of a college-level second language with a grade of C- or above, or satisfactory performance on an approved assessment of second language proficiency. Demonstrated proficiency in American Sign Language meets the second language requirement. The second language requirement only applies to applicants graduating from high school in 1997 or later. Students failing to meet this requirement must complete it with a grade of C- or above or with two terms of the same college-level second language.

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

**Eastern Oregon University**
- High School Graduate or Portfolio Review
- Admission Test (ACT or SAT I)
- 3.0 high school GPA in courses that satisfy the OUS Subject Requirements
  - Alternative to GPA Requirement:
    - Review of a submitted portfolio that includes an essay on educational goals, recommendations, grades, coursework, test scores, and any other evidence of academic and community achievement.
- Subject Requirement: 14 units
  - Alternative to Subject Requirement:
    - Students who have below a 3.00 high school GPA in all subject requirement coursework may be selectively admitted based on a review of a submitted portfolio that includes an essay on educational goals, recommendations, grades, coursework, test scores, and any other evidence of academic and community achievement.
Oregon Institute of Technology
- High School Graduate
- Admission Test (ACT or SAT I)
- 3.0 high school GPA in courses that satisfy the OUS Subject Requirements
  - Alternative to GPA Requirement:
    - High School GPA between 2.75 and 2.99: SAT I math 400 or above and SAT I math and verbal combined score of 800 or above or ACT math of at least 17 and composite of at least 16.
    - High School GPA between 2.5 and 2.74: SAT math of 500 or above and SAT math and verbal combined score of 1000 or above or ACT math of at least 21 and composite of at least 21.
- Subject Requirement: 14 units
  - Alternative to Subject Requirement:
    - Score an average of 470 or above (1410 total) on three College Board SAT II Subject Tests (Writing, Math Level I or IIC, and a third test of the student’s choice).

Oregon State University
- High School Graduate
- Admission Test (ACT or SAT I)
- 3.0 high school GPA in courses that satisfy the OUS Subject Requirements
- Subject Requirement: 14 units
- Strength of Curriculum
  - Alternative to GPA and Subject Requirement
    - Insight Resume
    - Personal letter requesting special permission
    - Three letters of recommendation

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

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

**University of Oregon**

- High School Graduate
- Admission Test (ACT or SAT I)
- 3.00 minimum cumulative high school GPA and 14 academic subjects. Automatic admission requires a 3.25 GPA and two additional subject requirements.
  ➢ Applicants below a 3.25 GPA or with less than 16 academic units are considered for admission through a comprehensive review, which includes:
    o Rigor of courses taken in high school;
    o Grade trends throughout high school;
    o Number of senior year academic courses;
    o Quality of admission essay; and
    o SAT I or ACT scores and other factors provided by the applicant.
- Subject Requirement: 14 units (16 for automatic admission)
  ➢ Subject requirements can also be met alternatively by:
    o Score an average of 470 or above (1410 total) on three College Board SAT II Subject Tests (Writing, Math Level I or IIC, and a third test of the student’s choice).

**Western Oregon University**

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

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

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

Transfer Admission

1. **All Transfer Applicants**

   - Students who have earned between 12 and 36 quarter credit hours of college-level work (Oregon Institute of Technology, Oregon State University, Southern Oregon University, University of Oregon); 30 (Eastern Oregon University, Portland State University); or 24 (Western Oregon University) must meet both **freshman and transfer** admission requirements. Students who have completed fewer than 12 transferable quarter credits (or 8 semester hours) must meet freshman admission requirements.

   - Students who meet the above minimum college credits to be reviewed using **transfer** admission criteria must meet GPA requirements in acceptable college work: 2.25 (Eastern Oregon University, Oregon State University, Southern Oregon University, University of Oregon) or 2.00 (Oregon Institute of Technology, Portland State University, Western Oregon University).

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

2. **Applicants Must Meet Institutional Requirements**

   **Eastern Oregon University**

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

   **Oregon Institute of Technology**

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

   **Oregon State University**

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

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

**Southern Oregon University**
• A minimum GPA of 2.25 or above in 36 or more quarter credit hours of acceptable college-level work.\(^5\)

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

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

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

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

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

**DOCKET ITEM:**
Oregon Health and Science University proposed to offer an instructional program leading to the M.S. and Ph.D. degrees in Biomedical Engineering, effective immediately. No other university in Oregon offers a graduate-degree program in biomedical engineering.

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\(^5\) SOU limits the number of credits of physical education or team sports used to compute GPA to 12.
This program will prepare students to apply engineering principles to medical problems, resulting in research design, development, execution, and evaluation of biomedical systems and products. Examples of modern biomedical solutions include pacemakers, prosthetic limbs, and dialysis machines.

The proposed program allows students to choose one of three tracks: biomedical optics, biomaterials, and neuroengineering. The curriculum includes courses from a well-established program in biomedical optics and biomaterials, which has been part of the Oregon Graduate Institute (OGI) Department of Electrical and Computer Engineering for many years. Many additional courses have been developed to accommodate students with interests in other research and clinical specialties that are already strong within OHSU (e.g., neuroscience).

To be admitted, a student must have an acceptable Graduate Record Exam (GRE) score; and an acceptable grade point average with a B.S. in physics, mathematics, or an engineering discipline. Highly qualified individuals with degrees in biology may be considered if they have demonstrated adequate quantitative skills.

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

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

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

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

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

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

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

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

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

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

Staff Recommendation to the Board
Staff recommended that the Board authorize Oregon Health and Science State University to establish a program leading to the M.S. or Ph.D. in Biomedical Engineering. The program would be effective immediately, and the OUS Office of Academic Affairs would conduct a follow-up review in the 2009-10 academic year.
BOARD ACTION: This was a consent item. Vote recorded on page 50.

c. OSU, graduate certificate, Sustainable Natural Resources

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

The proposed program focuses on the development of integrated case studies. Students will complete 18 credits in:

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

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

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

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

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

**Staff Recommendation to the Board**
Staff recommended that the Board authorize Oregon State University to establish a program leading to the graduate certificate in Sustainable Natural Resources. The program would be effective summer 2004, and the OUS Office of Academic Affairs would conduct a follow-up review in the 2009-10 academic year.

**BOARD ACTION:** This item was part of the consent agenda. Vote recorded on page 50.

d. Resolution—refunding bond sale

**DOCKET ITEM:**

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

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

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

**RESOLUTION FOR THE SALE OF REFUNDING BONDS**

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

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

WHEREAS, ORS Chapters 351, 288 and 286 provide further direction as to how bonds are sold and proceeds administered; and
WHEREAS, ORS 286.051 authorizes the issuance of refunding bonds and ORS 288.605 et. seq. authorizes the issuance of advance refunding bonds by the State Treasurer upon finding that certain requirements and conditions have been met; and

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

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

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

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

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

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

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

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

Staff Recommendation to the Board
Staff recommended that the Board adopt the above bond resolution authorizing the issuance of refunding bonds.
BOARD ACTION: This item was part of the consent agenda. Vote recorded on page 50.

e. Naming of Southern Oregon University library

DOCKET ITEM:

- The Lenn and Dixie Hannon Library

Executive Summary

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

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

Public Schools and Post-secondary Education:
Senator Hannon is widely recognized for his stalwart support of public schooling and post secondary education via community colleges and public universities. Among his special endeavors was his role in helping the Oregon University System craft a feature to the Resource Allocation Model that accounted for economies of scale when allocating state appropriations to the OUS universities. In addition, he made sure that the four smaller institutions had the same opportunity as the larger universities to automate their libraries. He was instrumental in obtaining both the initial one-time funding for the hardware and software and the necessary ongoing funds to operate those systems. In this he laid the foundation for the Orbis Cascade Alliance, which began in 1993 and is a model of library cooperation to maximize scarce resources and enhance access to knowledge and information.
Southern Oregon University and Programs:
Senator Hannon recognized the changing mission and capability of Southern Oregon
State College and led the legislative action to rename the college Southern Oregon
University in 1997. When the Engineering and Technology Industry Fund was created to
advance engineering and computer science education, research, and innovation
capacity in Oregon, Senator Hannon secured an allocation of $500,000 for SOU to
recognize Southern’s growth in computer science education and potential for significant
contributions to technology and innovation in specific areas. SOU joined the
Engineering and Technology Industry Council conversation and earned respect in
computer and information technology education. Moreover, Southern is collaborating
with the University of Oregon in Materials Science research and is developing its special
niche in cyber-security education and research.

Senator Hannon had much to do with “behind the scenes” advancements as well. For
example, he was the motivation behind a quarterly meeting of law enforcement
personnel and school district officials from Ashland and the Rogue Valley. It serves as
an “Alliance of Community Agencies” to share information and expertise for coordinated
support of safety and security for students and the communities where they study.

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

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

Region and State:
Senator Hannon has secured millions of dollars for improvements for Southern Oregon roads, as well as funds for numerous construction projects throughout the Rogue Valley, including the Medford Armory and the Oregon Shakespeare Festival. He has worked hard to craft the Oregon Health Plan, to have health insurance carriers treat mental health illness the same as any other type of illness, and to support stable funding for the work of state police and firefighters. These illustrations don’t come close to chronicling the vast contributions he has made to his region and state.

In recognition of the unusually meritorious contributions made by Senator Lenn Hannon with the assistance of Dixie Hannon, this honor was requested by Southern Oregon University through an exception to the Oregon Administrative Rule precluding the naming of facilities for persons who are living.

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

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

BOARD ACTION: This item was part of the consent agenda. Vote recorded on page 50.

f. Authorization to award honorary degrees

- OSU/PSU/SOU:

DOCKET ITEM:

Summary
The Board of Higher Education policy permits institutions, with the concurrence of their faculty, to award honorary degrees. Each institution proposing the award of honorary degrees has received the Chancellor’s approval of criteria and procedures for selection that ensure the award honors distinguished achievement and outstanding contributions to the institution, state, or society.

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

Oregon State University

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

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

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

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

Developing countries have benefited the most from Rajaram’s work. He helped create a global network facilitating the free exchange of invaluable genetic resources among thousands of wheat researchers worldwide, and he has broken ideological and parochial barriers that might have separated the work of individual scientists. Rajaram, in collaboration with OSU wheat breeders, developed the International Winter-Spring Wheat Improvement Program that had a worldwide impact on food production through expanding the genetic biodiversity of wheat.
Throughout his distinguished career, Rajaram has shared his vast knowledge of wheat breeding through more than 300 journal articles, book chapters, and conference proceedings, and more than 500 invited lectures or symposia presentations. He has mentored over 700 young scientists from dozens of developing countries. Rajaram has received numerous awards, including the Monsanto Crop Science Distinguished Career Award, the Padma Shri Award from India, the Crawford Fund Derek Tribe Award from Australia, the Rank Prize Award for Nutrition from the U.K., and the Friendship Award from China.

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

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

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

Congressman John Lewis, the son of sharecroppers, has spent over 40 years as a leader in progressive social movements and the human rights struggles in the U.S. As a student, he organized sit-in demonstrations at segregated lunch counters in Tennessee and participated in the Freedom Rides. During the height of the Civil Rights Movement, Lewis was chairman of the Student Nonviolent Coordinating Committee, which he helped form. By 1963, Lewis was recognized as one of the “Big Six” leaders of the Civil Rights Movements, along with the likes of Martin Luther King, Jr. In 1965, he helped lead over 600 marchers in Selma, Alabama, in what would become known as “Bloody Sunday” and would eventually lead to the Voting Rights Act of 1965.
Lewis’s next steps moved him into the larger political arena. Appointed by President Jimmy Carter, he directed over 250,000 volunteers of ACTION (the federal volunteer agency) and later served in various elected positions. He currently serves in Congress, where he has provided leadership in a number of capacities since 1986. In the 108th Congress, Lewis is a member of the House Budget Committee and House Ways and Means Committee, where he serves on the Subcommittee on Health. As Senior Chief Deputy Democratic Whip, he sits in a direct line of succession to the number two Democratic leadership positions in the House.

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

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

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

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

BOARD ACTION: This item was part of the consent agenda. Vote recorded on page 50.

- SOU:

DOCKET ITEM:
Summary
Board of Higher Education policy permits institutions, with the concurrence of their faculty, to award honorary degrees. Each institution proposing to award honorary degrees has received the Chancellor’s approval of criteria and procedures for selection
that ensure the award honors distinguished achievement and outstanding contributions to the institution, state, or society.

Southern Oregon University requested authorization to award an honorary doctorate to Geraldine Ferraro at the June 2004 Commencement ceremony.

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

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

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

_Staff Recommendation to the Board_
Staff recommended the Board authorize Southern Oregon University to award an honorary doctorate to Geraldine Ferraro at the 2004 spring Commencement ceremony.
BOARD DISCUSSION AND ACTION:

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

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

5. BOARD ORGANIZATIONAL STRUCTURE; COMMITTEE/WORKING GROUP ASSIGNMENTS

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

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

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

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

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

It was highlighted that the Board of Higher Education had an ongoing interest in working with the Board of Education through the work of the Joint Boards. “I think, given the effects of Measure 30 on public schools in our state, we need to let them (K-12) take a breather,” President Goldschmidt pointed out. He indicated that he would not immediately be appointing Board members to serve on the Joint Boards Working Group.

Another Working Group is focused on Academic Excellence and Economic Development. “This is the item that the Governor would like to have sooner than later,” Goldschmidt emphasized. However, because of the scope of work of the Working Group, it was acknowledged that it probably could not meet a June budget window.

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

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

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

Director Sohn asked if the Working Groups had any charters or charges. Director Nesbitt indicated that he has named appointees to bring a charge or mission statement to be used for his Working Group (Access/Affordability). Director Sohn indicated that he was thinking “strictly in terms of the outside world.”
Director Burns asked what the Board defined as ‘access,’ since it is rather an amorphous concept. President Goldschmidt indicated that “there is only one meaning and that is what the Governor says it is. ‘More, better, faster’ is ultimately a way for us to say to the legislature, ‘we can deliver an enormous amount of high quality product if you will help us make investments in the right place and we can reduce the time it takes for somebody to get from high school through to whatever destination they want.’”

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

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

Chancellor Jarvis reviewed the background of the results of a failure of Measure 30. With the defeat of Measure 30, the enactment of consequences of House Bill 5077 came into play, which meant a $7.5 million reduction for the OUS. He indicated that among the leadership of the System, there was a desire to ask the question, “What if? We know the Board is taking a look at the System office functions. We anticipate that there will be reassignments and reductions. What can we ask the campuses to do to think about how they would tackle this reduction?”

As a result, the System office provided the campuses with a “what if” planning scenario. “I should stress,” Chancellor Jarvis indicated, “that this is strictly a planning scenario number. And the campuses will point out, rightfully, that until they too know what those reductions mean, it’s not clear where eventual costs savings will come from. So, we find ourselves in a bit of a difficult spot to give you a precise response now. But we would like to give you a flavor of what is on the presidents’ minds and our own minds in the Chancellor’s Office as we know that, come May 1, we will have to have submitted to DAS a reduction plan of $7.5 million.”

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

Continuing, President Ray indicated that any resources they get back will not be put back where they came from, but “would be put back primarily in two areas. One area is into additional courses in high demand areas to give students greater flexibility and access to instructional resources, and the second area that we are very concerned about is financial aid for students—particularly need-based aid.” President Ray underscored the fact that for every $100,000 that would be available if cuts did not have to be made, four additional courses per quarter for 45 students could be retained or added. “We’re talking about access to high demand courses for approximately 500 students per year. Or 16 half-tuition or eight full-tuition awards could be given per quarter to students.”
For the University of Oregon, President Frohnmayer reported the strategies would be similar to those expressed for OSU. If the System Office were assigned a target of $3.5 million for reductions, the UO would need to reduce approximately $880,000 from its budget. “The practical effect is to roll all of that (reduction) into next year. In effect, we have to because we have commitments to our students for the balance of this academic year,” President Frohnmayer explained. “We don’t want to do things that imperil a student’s time to degree but that is a risk at the level of cuts that we would have to take.”

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

For SOU, the estimate of cuts would be approximately $212,000, which, according to President Zinser, “would be additional administrative and service reductions that would come on top of a series of administrative and service reductions over the last couple of years.” She indicated that the University Planning and Budget Committee is working to identify the most appropriate places for further reductions. “We have gotten to the point where we have to close service in the library one day a week,” she concluded.

President Dow indicated that OIT has already made substantial reductions in the administrative areas and that they have four director positions that have been left unfilled. “Our program with Boeing actually had some revenue in it and we are going to have to use that to offset some of the cuts. I would say the major impact, just from Measure 30, is reduced class sections for spring term and not hiring some critical faculty, as well as not filling administrative positions.”

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

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

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

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

Director Burns asked about what flexibility there was in distributing the reductions and the level of cash balances that institutions needed to have. Dr. Anderes said that there was maximum flexibility and that, at the present, institutions were examining the resources within their budgets and what the options would be. “We would like to bring forward, through the Budget Committee, a fairly clear statement of what we think are appropriate fund balances. In effect, put together a policy that presently doesn’t exist on fund balances. What that would do is provide guidance both for the Board and for the campuses as we talk about spending down fund balances or accruing monies.”

President Conn indicated that WOU has already suspended a number of support services and that at the present time there are seven director positions vacant. “This has major implications for our support services where we have cut about 25 percent of the budgets. Our hope, obviously, with a reduced amount of cuts, we can restore some activity in these critical areas. I think what is at stake right now,” President Conn continued, “is to continue to draw down on our reserves, which we are doing and continue to keep these director positions in limbo until we know precisely what the cut will be.”

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

President Goldschmidt continued, “What I would say to the chair of the Committee (Finance/Budget/Audit/Personnel/ Real Estate) and our chief financial officer is that, if any president is headed in this direction, you deserve a very quick conversation with the chief financial officer and the Committee because this is not one where we can afford to let you go over any cliffs because we can’t retrieve you. And, I don’t think the legislature is compelling us to eliminate all those reserves.”
President Lund reported that the uniqueness at EOU was captured in several ways. EOU is the smallest institution in the System and, therefore, probably the most reliant on the Chancellor’s Office for certain services. “I’m very sensitive to what is going on in that office and appreciate the fact that we are able to at least take off the table a planned tuition surcharge of $38.00 per student per term beginning spring term.” Continuing, President Lund indicated that, if the Chancellor’s Office absorbs part of the reduction, the amount that EOU will need to eliminate is in the range of $182,000. However, this reduction is on top of over a million dollars in cuts already required and will necessitate reducing staffing and operating hours even more than they have already been in student service operations.

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

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

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

7. REPORT ITEMS

a. Distance Learning

DOCKET ITEM:

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

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

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

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

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

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

Panelists highlighted several key points.

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

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

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

1. The state lacks a unifying vision that highlights the importance of e-learning and provides major e-learning goals around which educators and institutions can organize their efforts.
2. Campuses and schools must look for ways to “mainstream” e-learning. First-generation distance learning aimed at off-campus students is giving way to e-learning that provides flexible opportunities for all students.
3. There is a need to share information. Inventorying what we have in place and providing a central e-learning resource is critical to marketing, enhancing professional development, and avoiding duplication.
4. Collaboration is important to moving forward. Building on the comments from the leadership panel, all six workgroups highlighted the need to improve articulation among community colleges, universities, and K-12; address funding models that impede curriculum sharing; expand integrated networks; and present a unified voice to the legislature on issues of e-learning and educational technology.

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

**Distance Learning Report Items**

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

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

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

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

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

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

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

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

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

Director Schuette acknowledged the pioneering work of President Lund, remarking that, “Eastern has been at the forefront early on and made a tremendous difference. Many of us have gone to school on what Eastern has done,” she observed.

Director von Schlegell asked if there had been any reliable studies on the quality of distance education versus a campus-based education. Chancellor Jarvis responded that a great deal of research had been conducted and the overwhelming majority of the evidence shows no significant difference between distance education programs on campus-based programs.

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

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

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

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


**DOCKET ITEM:**

**Summary**

The report titled *2003 Annual Financial Report* (see supplemental materials) was prepared by the Chancellor’s Office and the financial statements included within were audited by Moss-Adams, LLP, under contract to the Secretary of State, Audits Division. The audit opinion issued by Moss-Adams, LLP, is an unqualified opinion, which means that their opinion as to the fair presentation of the financial statements was issued without qualification.

The *2003 Annual Financial Report* is the second year implementation of Governmental Accounting Standards Board statement number 35 (GASB 35). These new accounting principles provide for greater comparability between the financial statements of public and private higher education institutions and are more similar to financial statements of private industry.

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

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

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

*Staff Recommendation to the Board*

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

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

Dear Members of the Board of Higher Education:

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

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

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

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

**Fixed Asset Reconciliation (carryover comment)**

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

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

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

**Fixed Asset Depreciation Calculation**

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

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

**Fixed Asset Training**

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

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

Subcontract Audit Monitoring

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

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

Portland State University:

Subcontract Audit Monitoring

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

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

Southern Oregon University:

Recording Accounts Payable

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

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

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

Very truly yours,

Moss Adams LLP

MOSS ADAMS LLP
October 15, 2003

Oregon State Board of Higher Education
Eugene, Oregon

Oregon Secretary of State Audits Division
Salem, Oregon

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

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

* * * * *

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

ACCOUNTING ESTIMATES

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

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

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

AUDIT ADJUSTMENTS

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

DISAGREEMENTS WITH MANAGEMENT

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

CONSULTATION WITH OTHER INDEPENDENT ACCOUNTANTS

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

* * * * *

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

Very truly yours,

MOSS ADAMS LLP
CERTIFIED PUBLIC ACCOUNTANTS
### CORRECTING ENTRIES

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<th>No.</th>
<th>Description (Nature of Audit Difference)</th>
<th>Statement of Net Assets</th>
<th>Statement of Revenues, Expenses &amp; Change in Net Assets</th>
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<tr>
<td></td>
<td></td>
<td>Total Assets</td>
<td>Total Liabilities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dr (Cr)</td>
<td>Dr (Cr)</td>
</tr>
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<tr>
<td></td>
<td>Current Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Summer term deferred revenue</td>
<td>$ 2,491,966</td>
<td>$ (2,669,210)</td>
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<tr>
<td>2</td>
<td>Understatement of unamortized bond discount</td>
<td>$ 1,200,000</td>
<td>$ (1,400,000)</td>
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<td><strong>Total Current Year Differences</strong></td>
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<tr>
<td></td>
<td>Reversal of Prior Year</td>
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<tr>
<td>3</td>
<td>PERS Liability</td>
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<tr>
<td>4</td>
<td>Deferred bond refunding</td>
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<td>Compensated absences</td>
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<tr>
<td></td>
<td><strong>Total Current Year &amp; Prior Year</strong></td>
<td>$ -</td>
<td>$ 3,691,966</td>
</tr>
</tbody>
</table>
February 3, 2004

Office of the Chancellor
P.O. Box 489
Corvallis, OR 97339-0488
FAX (541) 737-0830
PHONE (541) 737-3636
http://www.osu.edu

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

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

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

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

System-Wide Observations and Recommendations

Chancellor’s Office – Controller’s Division

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

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

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

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

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

University of Oregon:

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

Portland State University:

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

Southern Oregon University:

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

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

Mr. Simpson indicated that he might be in contact with Board members to request a short meeting to discuss fraud within OUS. In explaining the new accounting standard, he indicated that as of June 30, 2004, the financial statements would change as the financial statements of the institution foundations were integrated into a single column.
“You’re going to see in the neighborhood of $700 million added to the Oregon University System.”

President Goldschmidt asked if Moss-Adams was going to audit the foundation accounts. Mr. Simpson indicated they would not. Continuing, President Goldschmidt asked if “by state law, is the Board responsible for them?” Clarifying the question, Director Blair said, “I see we’re not saying here that the Board only has responsibility for one column on the page. So, presumably, we as a Board will have responsibility for those integrated financial statements notwithstanding who does the audit, is that correct?” The answer was in the affirmative.

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

BOARD ACTION:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10. **PUBLIC INPUT**

Mr. Bruce Miller, a retail consultant, addressed the Board concerning the truth about the UO vs. the University of Washington. He appealed for a board of regents for the UO like the one at UW.

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

The Board concurred with the following Delegation of Authority:
Pursuant to Article II, Section 5 of the Bylaws of the Board of Higher Education, the Board delegates to the Executive Committee authority to take final action as here designated or deemed by the Committee to be necessary, subsequent to the adjournment of this meeting and prior to the Board’s next meeting. The Executive Committee shall act for the Board in minor matters, and in any matter where a timely response is required prior to the next Board meeting.

12. ADJOURNMENT

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

Meeting adjourned at 1:40 p.m.

Virginia L. Thompson
Secretary to the Board

Neil Goldschmidt
President to the Board