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1. **CALL TO ORDER/ROLL CALL**

President Neil Goldschmidt called the regular meeting of the Oregon State Board of Higher Education to order at 9:15 a.m.

On roll call, the following Board members answered present:

- Bridget Burns
- Kirby Dyess
- Henry Lorenzen
- Tim Nesbitt
- Rachel Pilliod
- Geri Richmond
- John von Schlegell
- Gretchen Schuette
- Howard Sohn
- Neil Goldschmidt

Absent: Director Don Blair (business conflict)

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

**Others:** Presidents Dan Bernstein, Phillip Conn, Martha Anne Dow, Dixie Lund, Ed Ray, and Elisabeth Zinser. Vice Provost John Moseley was also in attendance.

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

**a. Resolution: Chief Executive Officer**

WHEREAS, ORS 351.075 provides that the Oregon State Board of Higher Education shall appoint a Chief Executive Officer known as the Chancellor of the Oregon University System who serves at the pleasure of the Board, and one or more assistants as may be necessary, and

WHEREAS ORS 351.075 provides further that the Board shall fix the compensation of such assistants,

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

Section 1. The Board shall appoint an Assistant to the Chancellor of the Oregon University System who shall serve at the pleasure of the Board.
Section 2. The position of the Assistant to the Chancellor shall have the title of Chief Operating Officer and Executive Vice Chancellor.

Section 3. The duties and responsibilities for the position of Chief Operating Officer and Executive Vice Chancellor shall be those set forth in the position description attached as Exhibit 1 hereto.

Section 4. Jon Yunker is appointed as interim Chief Operating Officer and Executive Vice Chancellor on a one-half time basis and his compensation shall be $60,000 per year.

Section 5. The interim Chief Operating Officer and Executive Vice Chancellor is authorized to engage in and exercise authority expressly delegated to him by the Chancellor.

Section 6. The interim Chief Operating Officer and Executive Vice Chancellor is authorized to engage in and perform the duties and responsibilities set forth in Exhibit 1 hereto.

This Resolution of the Board of Directors is dated and deemed effective as of April 2, 2004.

OREGON STATE BOARD OF HIGHER EDUCATION

by:
Title:

EXHIBIT 1 to
RESOLUTION OF THE STATE BOARD OF HIGHER EDUCATION
Position Description
Chief Operating Officer and Executive Vice Chancellor
Oregon University System

General Duties and Responsibilities
The Chief Operating Officer and Executive Vice Chancellor (COO) reports to the Oregon State Board of Higher Education and the Chancellor and is responsible for the establishment and coordination of the financial and administrative management of the System and the provision of Centralized Services. The COO will serve at the pleasure of the Board. The COO will be the immediate supervisor of the Senior Vice Chancellors, General Counsel and Deputy to the Chancellor, the Board Secretary, and Deputy for Planning. The COO will lead System efforts, working with the Board and the campuses, to evaluate current business operations, and develop more cost effective ways to perform financial and business operations within the scope of a new working
relationship with the state of Oregon. A key component of this position is to work in tandem with the Board to implement a new vision for the administration of higher education within the state of Oregon. This position is also charged with making a successful effort on the part of the OUS to integrate its offerings with the Executive Branch budget and to coordinate the presentation of its budget in such a way that the Legislative Fiscal Officer and the Ways and Means Committee are satisfied with the methodology and the manner of the presentation.

The COO shall be immediately responsible for oversight of the following activities:

1. Review and evaluate fiscal and administrative operations of OUS;
2. Identify and implement specific strategies to realize Systemwide savings;
3. Oversee the establishment and implementation of fiscal systems, as well as provide guidance to institutions;
4. Facilitate the development of budget policies and procedures;
5. Monitor operating and capital budget results;
6. Develop financial and operational strategies within the institutions;
7. Enhance effectiveness of business management activities at the institution and the Chancellor’s Office and assist institutions in their business management practices;
8. Direct and supervise all collective bargaining with any certified or recognized exclusive employee representative;
9. Supervise the preparation of, adoption, repeal, and modification of Administrative Rules and Internal Management Directives; review proposed institutional rules;
10. Develop and monitor System and institution personnel policies for academic and classified staff;
11. Coordinate the provision of System legal and contracting services;
12. Provide liaison with the Board, the Governor, the Department of Administrative Services, other agencies, and local, state, and federal government as appropriate; and
13. Prepare and submit to the Board an annual operating budget for all institutions, departments, and activities of the Board.

Board Discussion and Action
Mr. Joe McNaught, Assistant Attorney General, Department of Justice, provided some background on the Resolution and the creation of the position. “What this Resolution does is add a new assistant, a statutory assistant, to the Chancellor,” Mr. McNaught explained. Furthermore, the resolution, through Exhibit 1, outlines the duties of the position and appoints Jon Yunker as interim Chief Operating Officer.”

Director Dyess moved approval of the Resolution and the appointment of Jon Yunker to the position of interim Chief Operating Officer. Those voting in favor: Directors Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, Schuette, Sohn, and Goldschmidt. Those voting no: None.
2. PRESIDENTS’ CONVERSATION WITH THE BOARD: PORTLAND STATE UNIVERSITY

Conversation with the Oregon State Board of Higher Education

Daniel O. Bernstine
Portland State University
April 2, 2004
OHSU

PORTLAND STATE UNIVERSITY—A PROGRESS REPORT AND AGENDA FOR THE FUTURE

Portland State University’s presentation will focus on the Board’s priorities to expand access, serve students better, improve academic excellence, and promote economic development. Portland State University’s work in these areas reflects its urban university mission; is successful because of partnerships, particularly with community colleges; and embodies the values of sustainability—economic, social, and environmental—broadly defined.

PSU's History and Mission – An Overview

Portland State University was formed in 1946 as an extension center for returning veterans. Today, the University is a premier urban university. Urban universities—like the land grant institutions—have federal legislation that defines their characteristics. In the 1992 Reauthorization of the Higher Education Act, Congress created Title XI, the Urban Community Service legislation, which establishes the criteria used by urban universities: urban universities are located in areas with a population of at least 350,000 residents; have programs aimed at increasing access to higher education; are responsive to the needs and priorities of the urban region; offer professional, technical, or graduate programs that are sufficient to sustain the university’s capacity to provide resources responsive to urban needs and priorities; and have a demonstrated sense of responsibility to the needs and priorities of the urban area.

Portland State University’s mission is consistent with this definition of urban universities: Portland State University’s mission is to enhance the intellectual, social, cultural, and economic qualities of urban life by providing access throughout the life span to a quality liberal education for undergraduates and an appropriate array of professional and graduate programs especially relevant to metropolitan areas. The University conducts research and community service that support a high quality educational environment and reflect issues important to the region. It actively promotes the development of a network of educational institutions to serve the community.
Portland State University’s history and its mission guide the University’s work in the areas identified by the State Board of Higher Education as priorities: access and affordability, excellence in delivery and productivity, academic excellence and economic development, and facilities and infrastructure needs. This report describes the work of PSU in each of these priority areas and identifies opportunities for investment and support.

**Access and Affordability**

Meeting the higher education needs of the metropolitan region is PSU’s mission. Access at Portland State University means providing an opportunity to those who can benefit from a college degree and attracting a diverse and highly talented student body. Access is important to the region’s economy because in order for it to be sustainable, there needs to be high quality educational degree and certificate programs available to prepare and support a highly-skilled workforce. OUS enrollment projections show that PSU will serve 30,000 students by 2016, up from 24,000 today. These projections may be conservative and, if resources are adequate, PSU is preparing to serve 35,000 in 2012. Figure 1 illustrates the growth potential for the University.

![Figure 1. Fall Term Enrollment 1994-2004 & Planned Growth through 2012](image)

As Table 1 illustrates, Portland State University has the sixth largest graduate enrollment among universities on the West Coast. Most of the graduate enrollment is in professional master’s degree programs, which further underscores the work PSU does
to support the workforce and industry needs of the region. This enrollment also includes students in several Ph.D. programs, as well as traditional master’s degrees across the disciplines in the University.

Table 1. *Institutions with Largest Graduate Enrollments on the West Coast*

<table>
<thead>
<tr>
<th>Rank</th>
<th>University</th>
<th>02-03 Graduate Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>University of Southern California</td>
<td>15,225</td>
</tr>
<tr>
<td>2</td>
<td>Stanford University</td>
<td>10,769</td>
</tr>
<tr>
<td>3</td>
<td>University of California - Berkeley</td>
<td>8,693</td>
</tr>
<tr>
<td>4</td>
<td>University of California - Los Angeles</td>
<td>8,685</td>
</tr>
<tr>
<td>5</td>
<td>University of Washington</td>
<td>6,636</td>
</tr>
<tr>
<td>6</td>
<td>Portland State University</td>
<td>6,211</td>
</tr>
</tbody>
</table>

*New Programs – Bringing New Students to PSU*

Over the last ten years, Portland State University has received OUS Board approval for four new Ph.D. programs: civil engineering, computer science, mathematics, and mathematics education. These programs were developed in direct response to business and community needs. The development of new degree programs, particularly in areas that respond to workforce needs, will not only provide greater educational opportunities for Oregonians, but will also improve the University’s overall research agenda and its reputation regionally and nationally.

*Nontraditional Students -- Providing Opportunity*

Portland State University is the most diverse university in the Oregon University System. In 2000, a new initiative on diversity was established on campus and today the University has a goal of enrolling a student body that proportionately reflects diversity in the region and nation. Over the last ten years, the proportion of PSU’s student body representing ethnic minorities has grown. Presently, PSU is well on its way to achieving its goals of reflecting the diversity of the region, state, and the nation as Table 2 illustrates.
Table 2. Ethnic Composition of PSU Student Body Compared to the Region, State, & Nation*

<table>
<thead>
<tr>
<th>Ethnic Category</th>
<th>PSU</th>
<th>OR / WA Metro Area</th>
<th>OR</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>66.5%</td>
<td>84% - 86%</td>
<td>87% - 89%</td>
<td>75% - 77%</td>
</tr>
<tr>
<td>Asian or Pacific Islander</td>
<td>9.0%</td>
<td>5% - 6%</td>
<td>3% - 4%</td>
<td>4% - 5%</td>
</tr>
<tr>
<td>Black or African American</td>
<td>3.1%</td>
<td>3% - 4%</td>
<td>2%</td>
<td>12% - 13%</td>
</tr>
<tr>
<td>Hispanic or Latino**</td>
<td>3.9%</td>
<td>8%</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>American Indian or Alaska Native</td>
<td>1.1%</td>
<td>1% - 2%</td>
<td>1% - 2%</td>
<td>1% - 2%</td>
</tr>
<tr>
<td>Two or more races</td>
<td>1.1%</td>
<td>3%</td>
<td>3%</td>
<td>2%</td>
</tr>
</tbody>
</table>

* Sources: PSU Fall 2003 4th Week Regular Enrollment Data and Census 2000, US Census Bureau.
** US Census collects Hispanic status independently of race whereas PSU collects it as one of its ethnic categories.

Note. PSU and US Census data are not strictly comparable due to differences in how data are counted in ethnic categories. The PSU ethnic information presented here excludes international students and students who declined to provide their ethnic identity. US Census data are presented as approximate ranges.

Portland State’s access mission is most appropriately reflected in the composition of the student body by its diversity and its nontraditional students:

→ 18 percent of PSU students are ethnic minorities, on par with the representation in the region and the state and 5 percent are international students;

→ The number of community college transfer students has grown from 846 students in 1994 to 1,313 in 2003, representing 22 percent of newly enrolled students;

→ Women represent 55 percent of the student body;

→ The average age of PSU undergraduate students is 25.7 years and the average age of graduate students is 33.5 years;

→ 4,782 students enrolled in distance education programs;

→ 58 percent of PSU students are enrolled full-time; and

→ 76 percent of PSU students report that they work while attending college and 33 percent report working more than half-time.
Community College Partnerships – Making the System Work for Students

A key way PSU meets its access mission and meets diverse student enrollment needs is through partnerships with community colleges and alternative ways of delivering educational services. The first community college/OUS university partnership was established between Clackamas Community College and PSU. Today, PSU has co-enrollment agreements with PCC, Mt. Hood, Chemeketa, Blue Mountain, Columbia Gorge, Klamath, Oregon Coast, and Tillamook Bay community colleges. The University has also been working with Clatsop Community College on developing programs appropriate to their student population. Co-admissions means more than a seamless transfer program, it allows students to have single admissions and financial aid forms; coordinated advising; use of facilities at both campuses; and status as both a community college and University student. It also means that students are able to take classes at different institutions according to their needs.

In the early 1990s, a research consortium of Portland State and the region’s community colleges conducted a study to assess the enrollment patterns of students taking college credit courses. Prior to the study, the assumption was that most transfer students began their education at a single community college and then continued on at PSU to complete an undergraduate degree. Instead, the findings showed there were 74 distinct enrollment patterns among the region’s students. They accessed the educational institutions as a system, attending courses at different community colleges and PSU at the same time. The knowledge that students were accessing the educational resources in 74 different ways guided the development of partnerships between Portland State University and community colleges.

As part of this effort, PSU and four community colleges in the region have developed a combined catalogue that will soon be available online for all students. That means students looking for an introductory art course could, for example, access this website to find all of the art courses at PSU, PCC, Clackamas, Mt. Hood, and Chemeketa, and register for the appropriate course online.

In addition to these dual enrollment programs, PSU has worked with community colleges to offer degree completion programs on their campuses. For example, at Chemeketa and Mt. Hood community colleges, students can obtain a PSU bachelor’s degree in social science by taking courses onsite. PSU also has a weekend business degree program at the OIT/Clackamas Community College Center and students from Washington County can obtain a bachelor’s degree in social science, computer science, or electrical engineering at the Capital Center.
Flexibility, Convenience, and Delivery – Providing Greater Access

Portland State University is committed to delivering programs statewide where there is demand and need. For example, the Statewide MSW program is offering programs this fall in Ashland and in Salem. In the past, the program has been delivered in La Grande, Bend, Eugene, and Pendleton, but it will not be offered in these areas again until demand and labor force needs are sufficient.

Portland State University meets its access mission by providing classes at a variety of times throughout the week using various delivery modes. The University offers classes from 6 a.m. to 9:20 p.m., Monday-Friday. Weekend courses begin Friday evening and go through Sunday. Additionally, to accommodate the enrollment growth in the sciences, the University has been offering biology laboratories on Sundays. Now, the Biology Department is considering adding laboratories after 10:00 p.m. to meet the ever-increasing enrollment. In reviewing PSU’s class grid, the only “non peak” times are before 8:00 a.m. and after 9:20 p.m. Monday-Friday, between 3-5 p.m. Fridays, and on Saturday and Sunday afternoons.

Cost of Education and Limited Financial Aid – Addressing Barriers to Success

Portland State University enrolls a large number of first generation and low-income students and is therefore designated as a Title III institution by the federal government. As a result, access is also tied to affordability and the cost of education. Many PSU students would not be able to attend college if state and federal financial aid were not available. That is why Portland State University is involved in issues related to the Reauthorization of the Higher Education Act by Congress and the State Student Assistance Commission.

Rational tuition policies and predictability are directly linked to PSU’s ability to meet its mission. High tuition combined with limited financial aid has hit PSU students hard. Tuition increases are always decided in consultation with student and faculty leadership. Despite the University’s best efforts, tuition at PSU has increased in direct proportion to decreases in state funding (see Figure 2).
PSU’s Future Initiatives – Access and Affordability

Portland State University is committed to working with the Board Working Group on Access and Affordability. As part of its work to promote this initiative, PSU will seek support to:

1. Increase student enrollment and serve all eligible residents; recruit more out-of-state and international students who bring cultural diversity to the campus and who also pay four times the tuition of in-state students;
2. Expand partnerships with community colleges, including degree completion programs;
3. Increase the use of facilities and adjust the academic calendar to meet the needs of students, including offering programs in a variety of term lengths to provide students with accelerated degree options, expanding the academic day, and offering more weekend-based programs;
4. Keep tuition low and increases predictable, while growing foundation and scholarship support for low-income and highly talented students.
Excellence in Delivery – More, Better, Faster

High School Seniors – Getting Started on College Early

Portland State University is responding to the challenge of serving more students—better and faster—in part through extensive partnerships with community colleges. Additionally, PSU is expanding efforts with regional high schools to offer freshman courses in its award winning general education University Studies program to high school seniors. This allows seniors to make better use of their last year in high school, test their ability to do college-level work, and earn college credit. If they enroll at PSU, these students enter having completed their first-year general education requirements. This program is delivered at Grant, Westview, and Jefferson high schools, as well as the Portland Public Schools alternative program called Vocational Village. PSU also offers credit to high school students in advanced courses through the Challenge and Link programs. The University allows students to take up to eight credits a term without being admitted, which enables high school students to supplement their education throughout the school year and summer break and get a head start earning their college credits.

Innovation and Excellence – Reforming the Undergraduate General Education

The cornerstone of Portland State University's work to serve more students, better, and faster is the University Studies program. Created ten years ago by faculty working with community and business leaders, University Studies is an innovative general education curriculum that has garnered foundation support and national recognition. In creating the program, graduate schools and employers alike indicated that undergraduate education should focus on developing inquiry and critical thinking skills; strong communication methods including writing, public speaking, and team work; an understanding of the human experience; and a commitment to ethics and social responsibility. The interdisciplinary approach to undergraduate general education incorporates these themes throughout the curriculum.

The program begins in the freshman year and includes an interdisciplinary 15-credit course that students take throughout three quarters. Sophomores take a more intensive interdisciplinary course focusing on declared major areas. In the junior and senior years, students complete the requirements for their major. The educational experience culminates in a senior capstone project that is community-based and gives students an opportunity to apply their classroom learning in a real world setting, giving them a product that can help them in their pursuit of a job or admission to graduate school.

U.S. News and World Report has recognized the University Studies program as among the best in the nation for its senior capstone, learning communities, and service learning. PSU joins Harvard, Reed, Duke, Brown, Georgetown, and others in earning this distinction.
New Delivery Systems – Improving Time to Degree Completion

One aspect of social sustainability for a community is the ability of its residents to earn family wages. A college degree is key to family wage jobs. That is why degree completion is a priority for PSU. The six-year completion rate for first-time freshman at PSU in 2002 was 39.3 percent. The reasons for this are as varied as the student population, but for many the length of time to degree completion is extended because of work and family obligations. Most PSU students work, and when tuition or living costs exceed their budgets, they take time out or reduce their academic course load to earn money. Therefore, improving financial aid will improve the University's time to degree completion statistics.

Under the direction of Provost Mary Kay Tetreault, the faculty continues to explore ways to deliver academic programs that help student's progress to degree completion more quickly, including the development of web-based programs. The University offers students more than 500 online courses that are accessible from home and from work. In its first year, Portland State University's distance-delivered Master’s in Business Administration program was ranked in the top 25 of all e-MBA programs in the nation. It joined schools such as Arizona State University, University of Florida, Rensselaer, and the University of Massachusetts-Amherst in this ranking.

With funding from the Pew Charitable Trusts, the University is engaged in a course redesign effort to improve student learning, student progress toward meeting degree requirements, and reduce the cost of instructional delivery. In the Department of Foreign Languages and Literature, this project has yielded very positive results. The department is now able to serve 83 percent more students at an additional cost of only 35 percent. Mean course grades improved from 80.3 percent to 83.7 percent and both students and faculty are reporting increased satisfaction. Using web-based competency assessments for course placement, developing new course materials, and involving peer mentors are components of the course redesign initiative. The University has invested funding in nine other departments in the last two years to move this program forward.

Portland State University has developed accelerated degree programs in the areas of biomedical informatics (in partnership with OHSU) and accounting that allow students to complete both a baccalaureate and master’s degrees in five years. The traditional time for both of these degrees in both areas would generally be at least six years.

The length of time to degree completion is an issue that goes beyond finances and family obligations. At PSU, one strategy being pursued to increase degree completion rates is a comprehensive advising initiative that helps students navigate the educational system better and ensures that students are able to integrate life planning, career planning, and academic choices in order to develop a personally relevant educational and career plan.

Another way to look at how PSU is doing in the area of degree completion is to examine the numbers of students who receive degrees each year. Over the past ten years, the
University has increased the number of graduates by 54 percent. Figure 3 shows the growth in degrees granted by the University.

![Figure 3. Degrees Granted by Type 1994-95 through 2002-03](image)

**PSU's Future Initiatives – Excellence in Delivery**

Portland State University is committed to working with the Board Working Group on Excellence in Delivery. As part of its work to promote this initiative, PSU will seek support to:

1. Expand high school programs, particularly in a rural high school in the metropolitan region;
2. Develop additional degree completion programs with community colleges and enhance PSU's partnership with Clatsop Community College;
3. Examine new degree programs with the community colleges that incorporate appropriate coursework gained by students in applied programs; and
4. Improve time to degree completion rates through better advising and expanded student services.
Academic Excellence and Economic Development

*Research and Graduate Education – Targeting Investments and Building Excellence*

Given limited resources, Portland State University is building excellence in programs and research areas that relate to the economy and to the workforce needs of the region—those that can stimulate (in the short term) and sustain the economy in the future. PSU has targeted its investments to the areas of engineering, science, technology, and business.

*The University Transportation Center – Increasing Research and Building Programs*

The Portland State University Transportation Center and its Intelligent Transportation Systems Laboratory is an example of how the University has identified a research and workforce need and made targeted investments. It is now gaining regional and national distinction as it increases research funding. This interdisciplinary program involves faculty from the College of Engineering and Computer Science, the College of Urban and Public Affairs (and its School of Urban Studies and Planning), the School of Business Administration, and the College of Liberal Arts and Sciences and focuses primarily on regional transportation services and planning research that has national implications for livability. Faculty members involve both undergraduate and graduate students in research projects. This past year, faculty members working in this area secured nearly $2 million in external funding to support their work, up from $700,000 in 1999. This growth in funding is the result of key investments made in recent years. First, the University used targeted ETIC funding to hire talented and productive faculty; the Board approved a Ph.D. in civil engineering in 2000; and support has been given to upgrade facilities. Dr. Robert Bertini, director of the Center, and its associated faculty have worked with the region’s transportation planners and agencies to propose that PSU be designated as a University Transportation Center in the reauthorization of the Federal Transportation Act. The Congressional delegation is working to advance this plan and, if approved, it could mean as much as $2.5 million a year in federal funding.

Portland State University’s focus in transportation studies is also a workforce issue. It is estimated that in the next 15 years, more than half of the transportation employees will retire, leading to a labor shortage in this family wage occupation. An expanded University Transportation Center at PSU will serve the best and the brightest aspiring engineers and planners, support regional research priorities, and bring national recognition to Oregon and to PSU.
Transportation research and planning is just one example of the faculty excellence and research work done at PSU. The faculty members are building regionally and nationally recognized research portfolios in the areas of circuit design and test, cyber security, nanoscience and nanotechnology, astrobiology, thermal and fluid science, and biomedical signal processing.

**Sustainable Communities – Supporting Healthy Children, Successful Families, and Vital Communities**

Good schools and strong community organizations are fundamental to the development of healthy children, successful families, and vital communities. Here, the PSU Graduate School of Education, Graduate School of Social Work, School of Fine and Performing Arts, and the College of Liberal Arts and Sciences make essential contributions. Research shows that the performance of schoolchildren is tied to strong principal leadership. The PSU Portland Metropolitan Leadership Development Initiative is working to prepare school administrators to lead high performing schools. Good schools and strong school leaders attract business and industry and thus, this initiative is also a key element in PSU’s economic development agenda.

**Economic Development – Strengthening Businesses and Creating Jobs**

Portland State University’s mission compels it to be a catalyst for economic development. PSU’s success in this area is tied to the University’s growth in nationally recognized and funded research. Therefore, investments will continue to be made in faculty and facilities to support growth in research, especially in the areas of science, engineering, and technology.

Research funding is a priority, not just because it provides indirect funding support, but also because it enhances the prestige of the University. It can result in innovations and discoveries leading to new businesses and job creation. To support the expansion of its research agenda, Portland State University is working with the Portland Development Commission, OHSU, the State Economic and Community Development Department, and Providence Hospital to establish a business accelerator that will house start-up research-based companies that will work with PSU faculty on product development, commercialization, and marketing. PSU and Lewis and Clark Law School have collaborated on the Interdisciplinary Center for Law and Entrepreneurship (ICLE) project that links MBA and law students to this initiative and they will provide companies with early business and legal assistance.

The first company to affiliate with PSU is Octavian Scientific, Inc., a start-up firm engaged in the development of products to enable full wafer burn-in and test of semiconductor wafers. Although they have not yet made a product announcement, they
are already working closely with several of the world leaders in semiconductor manufacturing. With offices on the PSU campus, Octavian is collaborating with Portland State faculty in the Integrated Circuits Design and Test Laboratory to characterize and prove the new technology. There are great expectations that Octavian will soon need expanded space to house their growing employee base and that because of their early connections with PSU, they will stay close to the central city and close to PSU. This relationship was made possible by the passage of Ballot Measure 10, allowing higher education institutions to hold stock in companies.

PSU is in the developmental stages of the accelerator project and is seeking federal and private sector funding to support its expansion. Several start-up companies like Octavian are interested in a PSU partnership. Today, PSU has signed leases with Mediscrew (a medical device company) and Stratyx Bioscience, Inc. (a consulting company that facilitates the FDA approval process for start-up bioscience companies). Later this spring, PSU expects to have companies in fields such as medical devices and bioscience, wi-fi (wireless fidelity) networking, hybrid publishing, digital imaging, and cyber security join the accelerator project.

Several of Portland State University’s graduate degree and certificate programs are aimed at preparing people for success in key industry areas of the region. PSU has worked with the Portland Development Commission, the City of Portland, leading businesses, and others to develop a creative industries initiative. This program includes strengthened undergraduate courses, a master’s degree, and continuing professional development for those employed throughout this diverse industry cluster.

As the tenth largest employer in Portland, PSU has a positive impact on the economy in the way purchasing and real estate development decisions are made. This year, under the leadership of Jay Kenton, vice president of finance and administration, PSU has embarked on an aggressive strategy to buy locally, particularly from minority- and women-owned businesses. Supporting these businesses helps the local economy grow and that, in turn, is good for PSU.

**PSU's Future Initiatives – Academic Excellence and Economic Development**

Portland State University is committed to working with the Board Working Group on Academic Excellence and Economic Development. As part of its work to promote this initiative, PSU will seek support to:

1. Continue to recruit highly talented and productive faculty who will build expansive research programs tied to the economy of the region;
2. Increase PSU’s research funding to $50 million a year by 2008;
3. Grow enrollment in graduate programs, particularly Ph.D. programs in engineering, science, technology, and others central to the regional economy;
4. Develop new degree programs and certificates that are important to the economic base of the region; and
5. Expand PSU’s business accelerator initiative and build partnerships with the community college small business development centers.

Facilities and Infrastructure Needs – Making PSU a Sustainable Enterprise

Making Portland State University a model of a sustainable business has guided administrative decisions with the goals of diversifying revenue streams, reforming campus operations, and delivering high quality educational programming and services.

Administrative Efficiency – Engaging in Continuous Improvement to Keep Administrative Costs Low

Portland State University is a lean administrative operation. Whenever possible, the University has used technology, reinvention, reform, and continuous improvement as guiding principles to meet the academic needs of the growing student enrollment. Over the last decade, as Figure 4 illustrates, administrative costs as a percentage of the overall University expenses have declined substantially.

![Figure 4. PSU Institutional Support (Administrative) Expenses as a Percentage of Total Expenses](image)

The University has operated efficiently while at the same time working to diversify the revenue streams that support the overall enterprise. The University’s strategic plan for addressing reduced revenue is a multifaceted approach to generating revenues while building excellence and enhancing the reputation of PSU. These strategies are consistent with the Board’s initiatives and involve:
1. Growth in enrollment, including an emphasis on out-of-state and international students who pay tuition in excess of the actual cost of instruction;

2. Enhanced philanthropic and endowment funding in partnership with the PSU Foundation;

3. Increased Federal support through special Congressional appropriations and authorizations that support PSU programs;

4. New research grants and contracts, as well as other sponsored activities;

5. Expanded auxiliary enterprise activities, such as student housing and food services;

6. Development and acquisition of real estate, including new retail and commercial enterprises;

7. Use of Ballot Measure 10 and increasing the number of companies in which PSU holds stock, as well as expansion of the business accelerator project;

8. Increased involvement in intellectual property development and management;

9. Establishment of new professional training and lifelong learning programs targeted to meet the needs of business and industry, as well as government and nonprofit organizations; and

10. Creation of new partnerships with public agencies and private companies that leverage the University’s resources.

This strategic plan is necessary because the future of the University can no longer be overly dependent on state funding, nor can the students shoulder the burden of reductions in state support through increased tuition. In recent years, the University’s overall funding has improved, in large part because of a substantial increase in gifts, grants, and contracts – this funding has grown by 160 percent over the past ten years. However, gifts, grants, and contracts are just one of the many strategies being pursued to establish sustainability in PSU funding and operations.

Increasing private philanthropy to support academic programs, students, and new buildings is a priority at Portland State University. Cassie McVeety, PSU’s new Vice President for University Relations, will complete the first-ever capital campaign over the next few years. An example of the progress PSU is making in attracting donations from a relatively young alumni base is the recent gift of $8 million for the College of Engineering and Computer Science. At the April meeting, the Board will be asked to approve the naming of the College to the Fariborz Maseeh College of Engineering and
Computer Science in recognition of Dr. Maseeh’s leadership in industry and philanthropy.

**A Vital Learning and Living Community – Building the University District**

To support the University’s planned growth in enrollment, the increase in research funding, expanded business partnerships, and economic development agenda, the City of Portland and PSU have established the University District Plan. Approved by the City Council in 1994, this plan links the University’s goals with the City’s in the areas of transportation, open spaces, business development, and housing. The University will develop the District into an exciting neighborhood known for its intellectual vitality, community spirit, and amenities appropriate to downtown living and learning. Recent reports have indicated the importance of Portland attracting a highly educated and young workforce to sustain its growth in the future. The University District will be a magnet for this population and a place that will gain national distinction because of the unique attributes of downtown living and learning. Key to this is upgrading the architectural quality of the campus and making PSU a downtown attraction that contributes to the overall livability and beauty of Oregon’s largest city.

The Urban Center, which opened in 2000, was the catalyst for the development in the University District. Soon, PSU expects to start construction on the NW Center for Engineering, Science, and Technology that will support further efforts to expand research and educational programs relevant to the industries in the region.

In constructing new buildings, PSU has followed the principles of best practice taught in its nationally known School of Urban Studies and Planning, including a commitment to sustainable buildings and to leveraging public funding with private resources. The University seeks recognition by the Leadership in Energy and Environmental Design (LEED) organization for its commitment to building and operating sustainable structures.

The Native American Student and Community Center was built with state, federal, student, and private funds. It is constructed of sustainable wood and local stone and brick materials. The building has an eco-roof to mitigate storm water runoff and keep the building cool in the summer and warm in the winter.

Stephen Epler Hall was opened last September. It replaced an old and deteriorating building, Birmingham Hall. The University reused or recycled 90 percent of the materials from the Birmingham; created a more energy efficient building, saving at least 30 percent on energy costs; and installed a rainwater harvesting system that saves at least 100,000 gallons of water a year. This student housing building is also helping PSU meet the housing needs of international and out-of-state students. The “Global Village,” a student housing program, pairs an international student with an American student, thus helping each learn more about diverse cultures.
The Broadway Housing Project is now under construction and is scheduled for completion in September 2004. Built with the Portland Development Commission, the PSU Foundation, and a private developer as partners, this building will have the largest eco-roof in the City of Portland. Broadway Housing is built with recycled content and locally sourced materials and is being constructed with sensors so that it will be a learning laboratory and research project for faculty and students.

These new residential projects, combined with those being planned in the University District by private developers, will drive expanded retail and business development. Portland State University set the mark for mixed development involving retail with the Urban Center. The businesses located on the Urban Center Plaza report robust sales and are pleased with their decision to come to PSU. Broadway Housing will have several street-level retail outlets, consistent with City of Portland requirements. The NW Center for Engineering, Science, and Technology will have retail on the first floor. Also, PSU is planning to redevelop Parking Structure II to accommodate a restaurant. The PCAT building, located on the Urban Plaza, south of the Urban Center, will also be developed soon and will include a major retail development. With the growth in enrollment and expansion of the neighborhood, businesses located in the University District will have a ready and captive market.

The University District Plan calls for expansion of public transit options to serve the students and community residents. The Portland Streetcar, Inc. has been a positive addition to the campus and the University is a strong proponent of the extension to North Macadam and Lake Oswego. The next line of the MAX light rail is planned for the transit mall and Portland State University. Portland State University administrators have been engaged in the local planning process that will guide the next phase of the light rail development.

**PSU’s Future Initiatives – Sustainability and Facilities and Infrastructure**

Portland State University is committed to working with the Board on facilities and infrastructure support. As part of its work to promote this initiative, PSU will focus on sustainability and seek support to:

1. Pursue the overall funding plan outlined above;
2. Redevelop the recently acquired Doubletree site;
3. Expand the partnership with OHSU and coordinate planning for North Macadam; and
4. Invest in renovation, remodeling, and repair of existing buildings.

**PSU – Planning for the Future and Guided by Vision and Values**

Portland State University will serve more students, strengthen research, and expand its economic development initiatives despite declining state resources. PSU will sustain its operations through growth, efficiencies, and innovations. PSU’s challenge in the near
future will be to remain true to its mission, vision, and values, while repositioning the University in ways that recognize the realities of today's funding environment. The budget challenge has, and will continue to, hit all aspects of the University. Every segment of the organization from Athletics to the College of Urban and Public Affairs has been affected. At the same time, PSU faculty, staff, and students have resolved to work together to serve the students, build programs of excellence, and develop the University District Plan.

VISION AND VALUES
(Approved by PSU Faculty Senate February 2003)

Vision Statement

Our vision is to be an internationally recognized urban university known for excellence in student learning, innovative research, and community engagement that contributes to the economic vitality, environmental sustainability, and quality of life in the Portland region and beyond.

Values Statement

The pursuit of our vision rests on our success in transforming undergraduate education, our growing research programs, our strong collaboration with the community, and the core values we hold. These values describe not only what PSU is now, but also what it will be in the future.

- Learning and Discovery

PSU values intellectual inquiry in its undergraduate and graduate programs, provides leadership in the development of knowledge, and creates opportunities for the application of knowledge to real-world problems.

We maintain a welcoming and stimulating environment that is conducive to success for students, faculty, and staff. We value tenure as an essential component of this environment.

- Access to Learning

PSU is committed to providing access and opportunity to learners from regional, national, and international communities in their pursuit of lifelong learning and diverse educational goals.
• A Climate of Mutual Respect

PSU values diversity and fosters a climate of mutual respect and reflection that supports different beliefs and points of view and the open exchange of ideas.

• Openness and Reflection

PSU endeavors to improve continuously as a university through reflection and open assessment of our activities.

• Community and Civic Engagement

PSU values its identity as an engaged university that promotes a reciprocal relationship between the community and the university in which knowledge serves the city and the city contributes to knowledge in the university.

We value our partnerships with other institutions, professional groups, the business community, and community organizations, and the talents and expertise these partnerships bring to the university.

We embrace our role as a responsible citizen of the city, the state, the region, and the global community and foster actions, programs, and scholarship that will lead to a sustainable future.

Closing Remarks
In closing, President Bernstine said, “In many ways, the University’s history, an institution that fought to survive, defines the University today. PSU is flexible, tenacious, and not bound by tradition – except the tradition of being what the late Professor Gordon Dobbs titled his book, ‘The College That Would Not Die.’ But, above all else, PSU will always be true to its motto, ‘Let Knowledge Serve the City.’”

BOARD DISCUSSION:
In answer to Director von Schlegell’s question regarding the status of the PSU endowment, President Bernstine reported that at the present time it is close to $80 million and growing.

Director Lorenzen wondered to what extent PSU has experienced problems with oversubscribed classes, thus hindering students from progressing on a speedy path toward graduation. “It’s been a problem,” President Bernstine responded. “One of the reasons we are eliminating the tuition plateau is to help change student behavior. We find, for example, 25 percent of our students actually drop classes because there is no cost to dropping. Part of our strategy with having the degree completion program with the community colleges is to allow us to leverage their facilities, their parking, their classrooms, and their faculty as a way of accommodating our growth.”
Director Sohn was interested in how PSU attracts faculty and to what extent the faculty is full-time versus part-time “folks who are experts in their fields and are coming to do a course versus full-time and research oriented.” The tenure-track faculty is close to 60 percent, the President reported. “Once we know what the final budget situation is going to be, we’re actually hoping to make one of our initial investments in hiring more tenure-track faculty,” President Bernstine added.

3. **APPROVAL OF MINUTES**
   - Regular Board Meeting, February 20, 2004
   - Board Executive Session Meeting, February 20, 2004
   - Regular Board Meeting, March 5, 2004

Director Burns requested an amendment to the Regular Board Meeting minutes of March 5, 2004, on page 187. “At the very end of the discussion regarding the Access and Affordability Working Group, I made a comment that instead of going through the Oregon Opportunity Grant, we were going to be moving toward a flat grant proposal. That’s not reflected in the minutes and considering that it’s fairly revolutionary, I think it should be.”

Director Nesbitt moved that the minutes, as amended, be approved. Those voting in favor of the motion: Directors Burns, Dysess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, Schuette, Sohn, and Goldschmidt. Those voting no: None.

4. **ACTION ITEMS**
   - Finance/Budget/Audit/Personnel/Real Estate Committee
     - Managerial Reporting—Quarterly Management Report

**DOCKET ITEM:**

*Background*
The Board of Higher Education, at the April 20, 2001, meeting, authorized the Chancellor’s Office to undertake a project to design a fiscal accountability framework consistent with fulfilling the fiduciary responsibility of the Board, Chancellor’s Office, and institutions, while recognizing the increased responsibilities of the individual institutions. For purposes of this project, a fiscal accountability framework was defined as the management structure, controls, and guidance that assist the Oregon University System (OUS) Board, Chancellor’s Office, and institutions in setting fiscal-related goals and monitoring the performance of those goals. This project was undertaken in response to concerns expressed by the System’s external auditors regarding a diminution, or weakening of internal controls within OUS resulting from changes that had taken place over the previous years affecting fiscal operations. In particular, the auditors noted increased risk of the inconsistent or lack of application of Generally Accepted Accounting Principles, reduced effectiveness of the management review control, and inconsistent application of standard System policies. The auditors supported this project...
as a means to address these issues. The final report on the fiscal accountability framework project was presented to the Board in February 2002. Detailed information related to the project, as well as the final project report, can be found at the following URL: http://www.ous.edu/cont-div/faf/.

Monitoring OUS’ financial activity is a significant challenge given that its annual revenues exceed $1.5 billion and its accounting records comprise over 31,000 funds in 28 major fund groups. The management reporting workgroup of the fiscal accountability framework reviewed various external resources to identify managerial reporting needs. One key resource included a publication entitled, Financial Responsibilities of Governing Boards of Colleges and Universities (Second Edition), which was produced jointly by the Association of Governing Boards of Universities and Colleges (AGBUC) and the National Association of College and University Business Officers (NACUBO). Other resources included sample reports from a number of major institutions and systems of higher education, as well as certain reports already produced within OUS, both by the Chancellor’s Office and University personnel. The workgroup identified 15 management reporting needs, in varying degrees of detail, that would be prepared by each university, reviewed by the Chancellor’s Office, and summarized for the Board. The 15 management-reporting needs are listed in Appendix A.

A subsequent work team developed reporting formats to satisfy five of the 15 management-reporting needs. The report formats resulted in three reports:

- Comparison of projected end of year amounts to initial and operational budgets
- Comparison of year-to-date financial activity to prior year
- Tracking of monthly cash balances

The intent was to report the operating activity of the seven OUS universities and the Chancellor’s Office a series of summarized and useful reports.

The reports noted above and presented herein focus on unrestricted funds (including budgeted operations of the Education and General and Statewide Public Service Programs; designated operations; service departments; clearing funds; and auxiliary enterprise funds). Reports addressing the other funds of OUS will be incorporated in future phases of the managerial reporting project.

The above reports are intended to be prepared quarterly. It was determined that first quarter reports would not be presented because of the timing of the Board approval of the annual operating budget, and because the first quarter occurs before the beginning of fall term and therefore may not be useable for making reasonable year-end projections. Therefore, it was determined that reports would be prepared and presented to the Board for three quarters each year:

<table>
<thead>
<tr>
<th>Quarter Ending</th>
<th>Presented to Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>December</td>
<td>March</td>
</tr>
</tbody>
</table>
The attached management reports of unrestricted funds are designed to provide information on the financial activity of the current fiscal year, to identify potential problems, and to provide consistent documentation that ongoing monitoring is taking place. The three reports contain data from the unaudited accounting records as of December 31, 2003.

The actual December 31, 2003, amounts represent unaudited amounts without adjustments. After reviewing the series of unrestricted funds and auxiliary enterprise reports received from each university, the following items are noted:

### Comparison of Current Projections to Initial and Operational Budgets:

#### Initial Budget Approved by the Board for 12 Months Ending June 30, 2004

The Board approved the FY 2003-04 budget for the unrestricted funds and auxiliary enterprises in October 2003. The total expenditure budget was $1.174 billion.

For the Education and General program (including Statewide Public Services), the $845 million expenditure budget comprised General Fund appropriations and a legislative expenditure limitation of other funds revenue. Universities’ revenue forecasts for FY 2003-04 totaled $1.143 billion. The $30 million difference was to be made up as follows:

- Issuance of COPS: $3 million
- Planned Use of Beginning Fund Balances: $13 million
- FY 2003-04 Legislative Expenditure Limitation in excess of Revenue Forecasts: $14 million

#### Operational Budget for 12 Months Ending June 30, 2004

The operational budget refers to the budget amounts in the university accounting records. Universities have varying approaches for recording their operational budgets. One approach is to enter an annual budget in July and, to provide for consistency, not update the budget amounts throughout the year. Another approach revises the budget amounts throughout the year as additional information becomes available. Presenting the operational budget on this report fulfills a requirement established by the fiscal accountability framework relating to the tracking of budget variances. **It is not a projection of final expected results.**

The current projections refer to amounts based on current information available from university budget officers. The projections are initially determined from a trend analysis of the prior two years. The projections are then reviewed and revised by university budget officers. The projections become more accurate as the year continues.

**General Fund Appropriations**

General fund appropriations in the initial budget were $322 million. Current projections for government appropriations are $4 million or one percent less than the initial budget approved by the Board. These reductions are due to the failure of Measure 30, which is estimated to have a biennial impact of $8 million.

**Student Tuition and Fees**

The initial budget projected student tuition and fees revenue of $389 million. The current projection of $386 million is lower in comparison to the initial budget due to lower student enrollment than originally projected.

**Other Education and General Revenues**

Current projections for other Education and General revenues have declined by $29 million compared to the initial budget. This is partially related to accounting for the estimated $3 million activity of AHA International (recently merged with UO) in designated operations rather than the Education and General program as originally budgeted. OSU has $15 million in revenues originally included in the initial budget that it does not believe to be recognizable, $7 million of which relates to statewide activities. Other revenue shortfalls relate to the transfer of activities originally included in Education and General to designated operations, lower student enrollment, and other revisions to original projections.

**Education and General Expenditures**

The current projections for Educational and General expenditures are lower by $52 million (net of transfers out of $22 million) or six percent less than the initial budget approved by the Board. Approximately $14 million of the decrease is due to the total General Fund appropriations and other revenues being less than the total expenditure limitation approved by the Legislature. An additional decrease is due to the shifting of programs from the Education and General program to designated operations, including the activity related to AHA International at UO of $3 million. The remaining variance is believed due to the current reluctance of university departments to spend their budgets. The recent history of mid-year budget cuts and unknown impact of the defeat of Measure 30 have caused budgeted spending to be delayed. Spending levels may increase when the final outcome of Measure 30 cuts is known.

**Designated Operations**

Projected revenues and expenditures for designated operations have been adjusted upward by $12 million and $13 million, respectively. This is due mainly to an adjustment for the activity of AHA International, originally estimated as a $3 million program, but now projected to be a $6 million program; and other general growth in designated operations programs.
Auxiliary Enterprises
Projected revenues and expenditures for auxiliary enterprises have declined by $16 million and $29 million, respectively, compared to the initial budget. Housing occupancy rates, athletic ticket sales, and athletic tournament participation are lower than projected in the initial budget.

Ending Fund Balance of Unrestricted and Auxiliary Enterprise Funds
The current projected fund balance of $98 million is $2 million less than the beginning fund balance.

Comparison of the Six Months ended December 31, 2003 and 2002:

Government Appropriations
Government appropriations decreased $45 million for the first six months ended December 31, 2003, compared to the same period in 2002. This is due mainly to a two percent state appropriation decline of $4 million (pre-Measure 30 decline) and a timing difference between the years in the monthly allocation causing a temporary decline of $41 million. Government appropriations are allocated monthly, based on an allocation plan established at the beginning of the fiscal year. For Fiscal Year 2004, a larger proportion of government appropriations will be received later in the year.

Student Tuition and Fees
Student Tuition and Fees recorded through December 31, 2003, of $272 million increased by $36 million compared to the same period last year. The increase is attributed to the following:
- Tuition and fee increases of approximately $33 million.
- Increased enrollment of approximately $4 million.

Designated Operations Revenues
Designated operations revenues increased approximately $5 million to $22 million for the first six months ended December 31, 2003, compared to the same period last year. The increase is primarily attributed to approximately $3 million relating to the activity of AHA International and approximately $1 million relating to increased sales and services.

Auxiliary Enterprises Revenues
Auxiliary Enterprises Revenues increased $6 million to $135 million for the first six months ended December 31, 2003, compared to the same period last year. The net increase is primarily attributed to the following:
- Increased rates for housing, student incidental fees, and parking fees of approximately $6 million.
- Increased athletic revenue of approximately $4 million relating to OSU now recognizing NCAA and television revenues in the month earned instead of the month received.
- Increased housing revenue of approximately $2 million relating to PSU’s housing management. PSU housing was previously managed by a non-profit agency.
• Partially offset by a timing difference in housing revenue of $6 million relating to a change in the revenue allocation between terms at OSU and UO. OSU and UO recognized 33 percent of annual housing receipts as revenue in the fall term 2003 compared to 40 percent in the fall term 2002.

Education and General Expenditures
Education and general expenditures for the six months ended December 31, 2003, are lower than the education and general revenues. This is because the recording of revenues in the first half of the fiscal year includes a portion of winter term student tuition and fees while the winter term expenditures are primarily incurred in the third quarter.

Education and General expenses of $347 million for the six months ending December 31, 2003, decreased by $7 million or two percent compared to the same period in 2002. Equipment and library purchases declined approximately $4 million, services and supplies and internal sales reimbursements both declined approximately $1 million. This is believed to be due to the current reluctance of university departments to spend their budgets given recent history of mid-year budget cuts and the unknown impact of Measure 30. Wages and benefits remained flat.

Designated Operations Expenditures
Designated operations expenditures increased approximately $4 million, with approximately $3 million relating to the activity of AHA International and approximately $1 million relating to sales and services.

Auxiliary Enterprise Expenditures
Auxiliary expenditures increased approximately $3 million for the six months ended December 31, 2003 compared to 2002. Total salaries and wages and benefits increased by $2 million. Depreciation increased $1 million.

Net Operating Surplus (Deficit)
Net Operating Surplus increased four percent for the six months ended December 31, 2003, compared to 2002. This can be attributed to small net increases in all categories.

Beginning Fund Balance Adjustments
This variance relates to the cumulative effect of change in accounting principle reported in the 2003 Annual Financial Report.

Tracking of Monthly Cash Balances:

Cash Balances at December 31, 2003
The cash balances at December 31, 2003, were comparable to prior months and to the same periods in prior year.

Additional reports to support the above analysis are on file and are available upon request.
**Conclusions**
OUS universities are responsible for monitoring their financial activity. Much of the financial activity is monitored in relation to the projected year-end totals of revenues and expenditures.

The Controller’s Division requested the management of each university to verify the amounts in the managerial reports, to update annual projections, and to identify and provide explanations to significant variances. The Controller’s Division reviewed the managerial reports and variance explanations provided by each university for reasonableness, and compiled the managerial reports of each University into a series of consolidated Systemwide reports.

The fiscal status of OUS unrestricted funds (including designated operations, service departments, and auxiliary enterprise funds) at December 31, 2003, is stable. University management have adjusted their budgets and managed revenues and expenditures in response to anticipated revenue and expenditure fluctuations.

**Staff Recommendation to the Board**
Staff recommended that the Board accept the above management reports for December 31, 2003. Additional reports will be prepared for the quarter ending March 31, 2004, and will be presented to the Board in June 2004.
Appendix A – 15 Management Reporting Needs
The managerial reporting workgroup identified 15 reports, falling into the following categories:

<table>
<thead>
<tr>
<th>Managerial Reporting Need</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preliminary Estimates of Revenue and Expense (annual report)</td>
<td>Implemented</td>
</tr>
<tr>
<td>Estimates versus Actual Comparisons</td>
<td>Implemented</td>
</tr>
<tr>
<td>Revised Estimates of Annual Revenue and Expense</td>
<td>Implemented</td>
</tr>
<tr>
<td>Comparison of Actual Revenue and Expense to Prior Year</td>
<td>Implemented</td>
</tr>
<tr>
<td>Capital Projects Summary</td>
<td>To be implemented</td>
</tr>
<tr>
<td>Development (fund-raising)</td>
<td>To be implemented</td>
</tr>
<tr>
<td>Cash</td>
<td>Implemented</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>To be implemented</td>
</tr>
<tr>
<td>Investments – Endowments</td>
<td>Investment Committee</td>
</tr>
<tr>
<td>Debt Capacity</td>
<td>To be implemented</td>
</tr>
<tr>
<td>Legal</td>
<td>To be implemented</td>
</tr>
<tr>
<td>Grants/research</td>
<td>To be implemented</td>
</tr>
<tr>
<td>Technology (Information Technology)</td>
<td>To be implemented</td>
</tr>
<tr>
<td>Regulations</td>
<td>To be implemented</td>
</tr>
<tr>
<td>Risk Management</td>
<td>To be implemented</td>
</tr>
</tbody>
</table>
## Comparison of Current Projects to Initial and Operating Budgets

### Current Unrestricted Funds

December 31, 2003

*(In thousands, except percentages)*

<table>
<thead>
<tr>
<th></th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
<th>Column 4</th>
<th>Column 5</th>
<th>Column 6</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational and General *</td>
<td>815,087</td>
<td>1,037</td>
<td>816,124</td>
<td>780,280</td>
<td>(35,844)</td>
<td>-4%</td>
</tr>
<tr>
<td>General Fund Appropriations</td>
<td>322,285</td>
<td>9,556</td>
<td>331,841</td>
<td>322,285</td>
<td>(9,556)</td>
<td>-3%</td>
</tr>
<tr>
<td>Measure 30 Reduction</td>
<td></td>
<td></td>
<td>(3,750)</td>
<td>(3,750)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Tuition and Fees</td>
<td>389,460</td>
<td>6,709</td>
<td>396,169</td>
<td>386,119</td>
<td>(10,050)</td>
<td>-3%</td>
</tr>
<tr>
<td>Indirect Cost Recovery</td>
<td>38,764</td>
<td>(1,090)</td>
<td>37,674</td>
<td>39,675</td>
<td>2,001</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>64,578</td>
<td>(14,138)</td>
<td>50,440</td>
<td>41,356</td>
<td>(1,804)</td>
<td>-5%</td>
</tr>
<tr>
<td>Designated Operations</td>
<td>29,577</td>
<td>13,359</td>
<td>42,936</td>
<td>41,356</td>
<td>(1,804)</td>
<td>-5%</td>
</tr>
<tr>
<td>Service Departments</td>
<td>46,339</td>
<td>(5,284)</td>
<td>41,055</td>
<td>41,304</td>
<td>249</td>
<td>1%</td>
</tr>
<tr>
<td>Clearing Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>252,869</td>
<td>(13,857)</td>
<td>239,012</td>
<td>237,066</td>
<td>(1,946)</td>
<td>-1%</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>1,143,872</td>
<td>(4,745)</td>
<td>1,139,127</td>
<td>1,100,011</td>
<td>(39,116)</td>
<td>-3%</td>
</tr>
<tr>
<td><strong>Less: Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational and General</td>
<td>(828,937)</td>
<td>(22,691)</td>
<td>(851,628)</td>
<td>(772,034)</td>
<td>79,594</td>
<td>9%</td>
</tr>
<tr>
<td>Designated Operations</td>
<td>(29,577)</td>
<td>(11,819)</td>
<td>(41,396)</td>
<td>(42,220)</td>
<td>(675)</td>
<td>-1%</td>
</tr>
<tr>
<td>Service Departments</td>
<td>(46,339)</td>
<td>4,629</td>
<td>(41,710)</td>
<td>(42,220)</td>
<td>(510)</td>
<td>1%</td>
</tr>
<tr>
<td>Clearing Funds</td>
<td></td>
<td>(102)</td>
<td></td>
<td>(19)</td>
<td>83</td>
<td>1%</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>(252,869)</td>
<td>7,556</td>
<td>(245,313)</td>
<td>(223,801)</td>
<td>21,512</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>(1,157,722)</td>
<td>(22,427)</td>
<td>(1,180,149)</td>
<td>(1,080,240)</td>
<td>99,909</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Net Operating Surplus (Deficit)</strong></td>
<td>(13,850)</td>
<td>(27,172)</td>
<td>(41,022)</td>
<td>(19,771)</td>
<td>60,793</td>
<td></td>
</tr>
<tr>
<td>Transfers In (Out)</td>
<td>-</td>
<td>(25,501)</td>
<td>(25,501)</td>
<td>(22,023)</td>
<td>3,478</td>
<td>14%</td>
</tr>
<tr>
<td>Fund Additions/(Deductions)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(171)</td>
<td>(171)</td>
<td></td>
</tr>
<tr>
<td>Beg. Fund Balance Adjustments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Beginning Fund Balance</strong></td>
<td>99,998</td>
<td></td>
<td>99,998</td>
<td>99,998</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Ending Fund Balance</strong></td>
<td>86,148</td>
<td>(52,673)</td>
<td>33,475</td>
<td>97,575</td>
<td>64,100</td>
<td></td>
</tr>
</tbody>
</table>
## Oregon University System
### Comparison of Year-to-Date Financial Activity to Prior Year
#### Current Unrestricted Funds
December 31, 2003
(In thousands, except percentages)

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Actual 6 Months Ended December 31, 2003</th>
<th>Actual 6 Months Ended December 31, 2002</th>
<th>Variance $(1) less (2)</th>
<th>Variance % $(3)/(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational and General</td>
<td>474,069</td>
<td>479,693</td>
<td>(5,624)</td>
<td>-1%</td>
</tr>
<tr>
<td>Government Appropriations</td>
<td>175,323</td>
<td>220,051</td>
<td>(44,728)</td>
<td>-20%</td>
</tr>
<tr>
<td>Student Tuition and Fees</td>
<td>271,559</td>
<td>235,069</td>
<td>36,490</td>
<td>16%</td>
</tr>
<tr>
<td>Indirect Cost Recovery</td>
<td>16,530</td>
<td>13,323</td>
<td>3,207</td>
<td>24%</td>
</tr>
<tr>
<td>Other</td>
<td>10,657</td>
<td>11,250</td>
<td>(593)</td>
<td>-5%</td>
</tr>
<tr>
<td>Designated Operations</td>
<td>21,920</td>
<td>17,274</td>
<td>4,646</td>
<td>27%</td>
</tr>
<tr>
<td>Service Departments</td>
<td>17,979</td>
<td>16,485</td>
<td>1,494</td>
<td>9%</td>
</tr>
<tr>
<td>Clearing Funds</td>
<td>7,974</td>
<td>6,386</td>
<td>1,588</td>
<td>25%</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>135,311</td>
<td>129,490</td>
<td>5,821</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>657,253</td>
<td>649,328</td>
<td>7,925</td>
<td>1%</td>
</tr>
<tr>
<td>Less: Expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational and General</td>
<td>(347,239)</td>
<td>(354,618)</td>
<td>7,379</td>
<td>2%</td>
</tr>
<tr>
<td>Designated Operations</td>
<td>(21,946)</td>
<td>(17,964)</td>
<td>(3,982)</td>
<td>-22%</td>
</tr>
<tr>
<td>Service Departments</td>
<td>(19,149)</td>
<td>(18,938)</td>
<td>(211)</td>
<td>-1%</td>
</tr>
<tr>
<td>Clearing Funds</td>
<td>(2,388)</td>
<td>(1,156)</td>
<td>(1,232)</td>
<td>-107%</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>(97,497)</td>
<td>(94,216)</td>
<td>(3,281)</td>
<td>-3%</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>(488,219)</td>
<td>(486,892)</td>
<td>(1,327)</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Net Operating Surplus (Deficit)</strong></td>
<td>169,034</td>
<td>162,436</td>
<td>6,598</td>
<td>4%</td>
</tr>
<tr>
<td>Transfers In (Out)</td>
<td>(11,586)</td>
<td>(8,300)</td>
<td>(3,286)</td>
<td>-40%</td>
</tr>
<tr>
<td>Fund Additions/(Deductions)</td>
<td>(282)</td>
<td>(771)</td>
<td>489</td>
<td>-63%</td>
</tr>
<tr>
<td>Beg. Fund Balance Adjustments</td>
<td>97,940</td>
<td>773</td>
<td>98,713</td>
<td>-12770%</td>
</tr>
<tr>
<td><strong>Beginning Fund Balance</strong></td>
<td>124,454</td>
<td>277,166</td>
<td>(152,712)</td>
<td></td>
</tr>
<tr>
<td><strong>Ending Fund Balance</strong></td>
<td>379,560</td>
<td>429,758</td>
<td>(50,198)</td>
<td></td>
</tr>
</tbody>
</table>
### Oregon University System
#### Quarterly Cash Report – Current Unrestricted Funds
#### December 31, 2003
(In thousands, except percentages)

#### Total Current Unrestricted Funds

<table>
<thead>
<tr>
<th>Month Ending</th>
<th>FY2004</th>
<th>FY2003</th>
<th>FY2002</th>
<th>FY2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>183,616</td>
<td>162,614</td>
<td>146,449</td>
<td>124,712</td>
</tr>
<tr>
<td>August</td>
<td>167,375</td>
<td>150,599</td>
<td>147,592</td>
<td>101,014</td>
</tr>
<tr>
<td>September</td>
<td>199,071</td>
<td>194,860</td>
<td>182,801</td>
<td>159,496</td>
</tr>
<tr>
<td>October</td>
<td>205,715</td>
<td>203,024</td>
<td>184,290</td>
<td>158,774</td>
</tr>
<tr>
<td>November</td>
<td>178,043</td>
<td>179,047</td>
<td>160,915</td>
<td>141,006</td>
</tr>
<tr>
<td>December</td>
<td>177,366</td>
<td>173,508</td>
<td>160,777</td>
<td>118,882</td>
</tr>
<tr>
<td>January</td>
<td>216,405</td>
<td>193,485</td>
<td>166,107</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>219,675</td>
<td>192,442</td>
<td>149,984</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>211,652</td>
<td>189,388</td>
<td>155,658</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>182,764</td>
<td>163,776</td>
<td>129,680</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>188,971</td>
<td>154,283</td>
<td>129,065</td>
<td></td>
</tr>
<tr>
<td>Total Current Unrestricted Funds Cash Summ</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Balance</td>
<td>177,366</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due From/(To) Other Funds</td>
<td>(1,185)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash Position</td>
<td>176,181</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Educational & General

<table>
<thead>
<tr>
<th>Month Ending</th>
<th>FY2004</th>
<th>FY2003</th>
<th>FY2002</th>
<th>FY2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>112,066</td>
<td>103,549</td>
<td>93,249</td>
<td>77,836</td>
</tr>
<tr>
<td>August</td>
<td>98,973</td>
<td>94,491</td>
<td>74,603</td>
<td>39,317</td>
</tr>
<tr>
<td>September</td>
<td>132,433</td>
<td>133,474</td>
<td>127,540</td>
<td>105,168</td>
</tr>
<tr>
<td>October</td>
<td>140,480</td>
<td>127,540</td>
<td>127,540</td>
<td>105,168</td>
</tr>
<tr>
<td>November</td>
<td>115,427</td>
<td>112,540</td>
<td>96,919</td>
<td>90,281</td>
</tr>
<tr>
<td>December</td>
<td>117,631</td>
<td>112,540</td>
<td>96,919</td>
<td>90,281</td>
</tr>
<tr>
<td>January</td>
<td>155,743</td>
<td>142,461</td>
<td>124,924</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>130,807</td>
<td>108,113</td>
<td>96,138</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>156,144</td>
<td>117,474</td>
<td>95,558</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>150,101</td>
<td>132,785</td>
<td>104,647</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>113,705</td>
<td>102,844</td>
<td>77,041</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>113,073</td>
<td>95,580</td>
<td>77,885</td>
<td></td>
</tr>
</tbody>
</table>

#### Designated Operations

<table>
<thead>
<tr>
<th>Month Ending</th>
<th>FY2004</th>
<th>FY2003</th>
<th>FY2002</th>
<th>FY2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>14,434</td>
<td>13,778</td>
<td>15,197</td>
<td>13,959</td>
</tr>
<tr>
<td>August</td>
<td>14,030</td>
<td>12,399</td>
<td>12,230</td>
<td>12,803</td>
</tr>
<tr>
<td>September</td>
<td>12,855</td>
<td>12,518</td>
<td>12,653</td>
<td>13,929</td>
</tr>
<tr>
<td>October</td>
<td>12,853</td>
<td>12,149</td>
<td>11,110</td>
<td>10,873</td>
</tr>
<tr>
<td>November</td>
<td>12,433</td>
<td>11,348</td>
<td>14,093</td>
<td>14,435</td>
</tr>
<tr>
<td>December</td>
<td>12,686</td>
<td>11,444</td>
<td>12,879</td>
<td>14,181</td>
</tr>
<tr>
<td>January</td>
<td>11,049</td>
<td>14,506</td>
<td>14,976</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>11,511</td>
<td>13,684</td>
<td>14,358</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>11,490</td>
<td>13,972</td>
<td>14,908</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>11,402</td>
<td>12,630</td>
<td>15,685</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>12,149</td>
<td>13,210</td>
<td>15,276</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>14,364</td>
<td>14,229</td>
<td>15,627</td>
<td></td>
</tr>
</tbody>
</table>
### Service Departments

<table>
<thead>
<tr>
<th>Month Ending</th>
<th>FY2004</th>
<th>FY2003</th>
<th>FY2002</th>
<th>FY2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>3,722</td>
<td>3,717</td>
<td>4,364</td>
<td>6,315</td>
</tr>
<tr>
<td>August</td>
<td>3,398</td>
<td>3,340</td>
<td>4,436</td>
<td>6,220</td>
</tr>
<tr>
<td>September</td>
<td>2,387</td>
<td>2,438</td>
<td>4,414</td>
<td>6,191</td>
</tr>
<tr>
<td>October</td>
<td>1,735</td>
<td>2,560</td>
<td>4,679</td>
<td>7,028</td>
</tr>
<tr>
<td>November</td>
<td>3,452</td>
<td>2,216</td>
<td>4,947</td>
<td>5,988</td>
</tr>
<tr>
<td>December</td>
<td>2,991</td>
<td>1,523</td>
<td>4,467</td>
<td>5,108</td>
</tr>
<tr>
<td>January</td>
<td>2,746</td>
<td>5,148</td>
<td>5,490</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>2,898</td>
<td>4,771</td>
<td>4,681</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>2,351</td>
<td>1,104</td>
<td>5,011</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>2,816</td>
<td>4,111</td>
<td>5,808</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>2,915</td>
<td>3,678</td>
<td>6,460</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>4,470</td>
<td>4,740</td>
<td>5,060</td>
<td></td>
</tr>
</tbody>
</table>

### Clearing Funds

<table>
<thead>
<tr>
<th>Month Ending</th>
<th>FY2004</th>
<th>FY2003</th>
<th>FY2002</th>
<th>FY2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>11,290</td>
<td>10,460</td>
<td>9,665</td>
<td>8,490</td>
</tr>
<tr>
<td>August</td>
<td>13,457</td>
<td>11,763</td>
<td>29,643</td>
<td>26,533</td>
</tr>
<tr>
<td>September</td>
<td>1,363</td>
<td>4,487</td>
<td>33,284</td>
<td>21,764</td>
</tr>
<tr>
<td>October</td>
<td>546</td>
<td>6,125</td>
<td>2,918</td>
<td>3,225</td>
</tr>
<tr>
<td>November</td>
<td>4,788</td>
<td>1,874</td>
<td>14,081</td>
<td>17,485</td>
</tr>
<tr>
<td>December</td>
<td>169</td>
<td>2,592</td>
<td>17,880</td>
<td>349</td>
</tr>
<tr>
<td>January</td>
<td>2,278</td>
<td>(4,119)</td>
<td>(2,364)</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>3,393</td>
<td>8,943</td>
<td>4,361</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>(622)</td>
<td>19,992</td>
<td>14,046</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>(573)</td>
<td>(2,531)</td>
<td>(905)</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>9,114</td>
<td>5,552</td>
<td>6,245</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td></td>
</tr>
</tbody>
</table>

### Auxiliary Enterprises

<table>
<thead>
<tr>
<th>Month Ending</th>
<th>FY2004</th>
<th>FY2003</th>
<th>FY2002</th>
<th>FY2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>42,104</td>
<td>31,110</td>
<td>23,974</td>
<td>18,112</td>
</tr>
<tr>
<td>August</td>
<td>37,517</td>
<td>28,606</td>
<td>26,680</td>
<td>16,141</td>
</tr>
<tr>
<td>September</td>
<td>50,033</td>
<td>41,943</td>
<td>35,551</td>
<td>27,331</td>
</tr>
<tr>
<td>October</td>
<td>50,101</td>
<td>43,343</td>
<td>36,043</td>
<td>28,480</td>
</tr>
<tr>
<td>November</td>
<td>41,943</td>
<td>38,890</td>
<td>30,658</td>
<td>20,290</td>
</tr>
<tr>
<td>December</td>
<td>43,889</td>
<td>39,664</td>
<td>26,686</td>
<td>12,880</td>
</tr>
<tr>
<td>January</td>
<td>44,589</td>
<td>35,489</td>
<td>23,081</td>
<td>14,046</td>
</tr>
<tr>
<td>February</td>
<td>41,727</td>
<td>32,598</td>
<td>18,607</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>49,782</td>
<td>36,900</td>
<td>20,461</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>47,906</td>
<td>42,393</td>
<td>30,423</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>44,881</td>
<td>38,492</td>
<td>24,658</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>57,065</td>
<td>39,726</td>
<td>30,494</td>
<td></td>
</tr>
</tbody>
</table>

---

**Oregon University System**

**Quarterly Cash Report – Current Unrestricted Funds**

**December 31, 2003**

(In thousands, except percentages)
BOARD DISCUSSION AND ACTION:
It was moved by Director Lorenzen that the Board approve the recommendation of the Finance/Budget/Audit/Personnel/Real Estate Committee to accept the Management Report. Those voting in favor of the motion: Directors Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, Schuette, Sohn, and Goldschmidt. Those voting no: None.


DOCKET ITEM:

Pursuant to Internal Management Directive 6.130, a comprehensive report on the Oregon University System’s investment portfolio, consisting of endowment funds (both pooled and separately invested), donation funds, and plant funds, was incorporated in the System’s Investment Report (Report), which is included with the supplemental materials (on file with the Board’s office). This report summarizes the findings of the Investment Report.

As of June 30, 2003, total OUS investments had a combined market value of $291 million, summarized as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Market Value June 30, 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment Funds (Pooled - $53.4 million and Separately Invested - $3.3 million)</td>
<td>$56,747,938</td>
</tr>
<tr>
<td>Current Donation Funds</td>
<td>47,380,212</td>
</tr>
<tr>
<td>Plant Funds</td>
<td>186,913,348</td>
</tr>
<tr>
<td>Total</td>
<td>$291,041,498</td>
</tr>
</tbody>
</table>

The total Pooled Endowment Fund return for Fiscal Year 2003 was 4.5 percent, which out-performed the policy benchmark return of 2.5 percent. The ten-year average return was 8.9 percent compared to the policy benchmark return of 8.1 percent. During the FY 2003, $2.4 million was distributed for spending to the universities from the Pooled Endowment Fund.

U.S. Treasury Notes and FNMA Securities in the Current Donation Funds and Plant Funds earned between 1.75 percent and 5.35 percent. Other funds invested in the Oregon State Treasury Short-Term Investment Pool earned an average of 1.71 percent.

For additional details of investments and investment performance for each fund, see the complete Report for the year ended June 30, 2003.

Staff Recommendation to the Board:
Staff recommended the Board approve the 2003 Annual Report on Investments as presented.

BOARD DISCUSSION AND ACTION:
It was moved by Director Lorenzen that the Board accept the recommendation of the Finance/Budget/Audit/Personnel/Real Estate Committee to approve the 2003 Annual Report on Investments. Those voting in favor: Directors Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, Schuette, Sohn, and Goldschmidt. Those voting no: None.

- Full Board

a. Proposed adoption of administrative rule on the use of employee Social Security Numbers (OAR 580-021-0044) (roll call vote)

DOCKET ITEM:

**Staff Report to the Board:**
On November 21, 2003, the Oregon State Board of Higher Education adopted temporary Oregon Administrative Rule (OAR) 580-021-0044. The permanent rule establishes authority for Oregon University System (OUS) institutions to request voluntary disclosure of employees’ Social Security Numbers.

A public hearing was held on February 23, 2004, and public comment closed March 1, 2004. Public comment was limited to one written comment. At the request of Oregon State University, Section (2)(b) was amended to include specific reference to voluntary use of Social Security Numbers for employment-related background checks.

The permanent rulemaking process is complete, save for Board adoption of the rule.

**Staff Recommendation to the Board:**
Staff recommended the Board adopt OAR 580-021-0044, effective on filing.

**580-021-0044**
**Use of Employees’ Social Security Numbers**

(1) The Oregon University System and each institution within the System shall comply with the requirements of Section 7 of the Privacy Act of 1974 when requesting disclosure of an employee’s Social Security Number. Pursuant to the authority of the Oregon University System to implement personnel systems and exercise payroll authority, the Chancellor’s Office and each institution within the Oregon University System may request that employees furnish valid Social Security Numbers for mandatory and voluntary uses, subject to the use and disclosure provisions of the Privacy Act.

(2) (a) An institution may require disclosure of an employee’s Social Security Number for mandatory uses as provided for under Section 7(a)(2) of the Privacy Act, including:
(A) Use and disclosure for certain program purposes, including disclosure to the Internal Revenue Service, the Social Security Administration, the Federal Parent Locator Service, the Department of Veterans Affairs, the Bureau of Citizenship and Immigration Services, Aid to Families with Dependent Children, Medicare and Medicaid, Unemployment Insurance, Workers Compensation, and, in appropriate cases, epidemiological research.

(B) Administration and accounting purposes including the payment of state, federal and local payroll taxes; withholdings for FUTA and FICA; calculation and applicable reporting of pre-tax salary deductions for benefits including, but not limited to, IRC 117 and IRC 127 scholarship and educational assistance programs; IRC 457 deferred compensation and IRC 403(b) tax-sheltered annuity plans; IRC 401(a) retirement plans; IRC 132 pre-tax parking and transit plans, IRC 125 flexible spending account or cafeteria plans; or IRC 105 or 106 health reimbursement arrangements.

(C) To the extent required by federal law, an employee’s Social Security Number may be provided to a foreign, federal, state, or local law enforcement agency for investigation of a violation or potential violation of a law for which that entity has jurisdiction for investigation or prosecution.

(b) An institution may request voluntary disclosure and consent to use an employee’s Social Security Number for the following purposes: internal verification and identification for personnel administration, employment-related background checks, payroll records, enrollments or elections for participation in campus programs and services provided by the public universities.

(c) An institution may request voluntary disclosure and consent to use the Social Security Number of an employee or the spouse, partner or dependent of the person requesting participation, as required by the administrator of each record-keeping system, benefit, program or service.

(3) A request for disclosure of an employees’ Social Security Number will notify the employee:

(a) whether disclosure is mandatory or voluntary;

(b) under what statutory or other authority the Social Security Number is requested;

(c) what specific use or uses will be made of the number; and

(d) what effect, if any, refusal to provide the number or to grant consent for a voluntary use as described above in (2)(b) and (c) will have on an individual.
(4) An employee’s Social Security Number may not be put to a voluntary use as described above in (2)(b) and (c) unless the employee has granted consent for that use. If, after having provided notice and received consent to use an employee’s Social Security Number for specified purposes, an institution wishes to use the Social Security Number for additional purposes not included in the original notice and consent, the requesting entity must provide the employee notice and receive the employee’s consent to use the number for those additional purposes.

(5) An employee’s refusal to permit a voluntary use of his or her Social Security Number will not be used as a basis to deny the employee a right, benefit, or privilege provided by law.

(6) The Office of the Chancellor will develop a model disclosure and consent form for use by institutions in the Oregon University System. An institution may use a disclosure and consent form that differs from the model form only if:

(a) the differences are required to satisfy specific programmatic requirements or the entity’s particular administrative needs, and

(b) the form complies with all requirements of the Privacy Act of 1974 and this rule.


BOARD DISCUSSION AND ACTION:
Ms. Denise Yunker, OUS Benefits Director, briefly explained that the rule before the Board was primarily a housekeeping rule. Director von Schlegell asked if any objections had been raised concerning the rule. Ms. Yunker reported that one change was requested by Oregon State University to specify, in section 2b, that “employment related background checks” be added.

Director von Schlegell moved that the Board adopt OAR 580-021-0044, effective on filing. On roll call, the following voted in favor of the motion: Directors Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, Schuette, Sohn, and Goldschmidt. Those voting no: None.

b. Proposed rule to define unclassified service within the Oregon University System (OAR 580-020-0006) (roll call vote)

BOARD DOCKET:

Summary:
The purpose of this rule was to distinguish certain positions that do not meet the criteria for academic faculty and are not otherwise represented by a labor union.
Background:
In 1995, Senate Bill 271 gave the Oregon University System (OUS) independent authority to administer personnel and labor relations separate from the regulations that governed other state agencies. Since that time, OUS has relied on an informal practice of categorizing employees who do not meet the criteria for academic faculty and are not otherwise represented by a labor union. Now that the Service Employees International Union Local 503 (SEIU) has asked to represent a large number of non-teaching positions, OUS needs a method to evaluate which positions are appropriate for representation by SEIU. OUS will use this definition in conjunction with other employment practices and policies.

On March 15, 2004, OUS held a public hearing and testimony was received from SEIU, the American Association of University Professors (AAUP), and an employee at Oregon State University, which influenced the proposed language. SEIU has reviewed the proposed rule and supports the definition that OUS has developed.

Staff Recommendation to the Board:
Staff recommended that the Board adopt OAR 580-020-0006 as printed below.

OAR 580-020-0006
Definition of Unclassified Service
Unclassified service includes positions that do not meet the criteria for academic faculty, but where professional job requirements and responsibilities:
(1) are exempt from the provisions of the Public Employee Collective Bargaining Act (PECBA), ORS 243.650-243.782; however, not all positions in unclassified service are exempt from PECBA, or
(2) share a community of interest with academic faculty, and
(a) include academic research, public service, or instruction, or
(b) exercise discretion in establishing policy, or
(c) require education and training comparable to academic faculty, or
(d) have administrative decision-making responsibilities beyond office clerical duties.

Examples of unclassified positions that may meet the criteria listed above include:
(1) Chancellor, Chancellor’s cabinet (senior vice chancellors, vice chancellors, board secretary, deputy for planning/chief information officer, general counsel and deputy to the chancellor, director of government relations, associate vice chancellors, assistant vice chancellors, and associate board secretary);
(2) Presidents, president’s cabinet;
(3) Provosts, vice provosts, associate vice provosts, and assistant vice provosts;
(4) Vice presidents and associate vice presidents;
(5) Deans and associate deans;
(6) Directors and associate directors of academic, administrative, and service units;
(7) Controllers and budget officers;
(8) Registrars and associate registrars;
(9) Legal counsel and attorneys;
(10) Athletic directors and associate athletic directors;
(11) Executive and other special assistants to each of the positions listed in numbers one through ten (above), providing that the executive or other special assistant positions otherwise meet the criteria for unclassified service (stated above);
(12) Assistant vice presidents, assistant deans, department heads/chairs, assistant directors, managers, and assistant registrars where positions require specialized/degree education and training;
(13) Librarians, archivists, and museum or collection curators where positions require specialized/degree education and training or where responsibilities include academic research or instruction but does not include positions having primarily clerical responsibilities;
(14) Advisors and counselors, including academic, financial aid, admissions, career, residential life, and athletic, where positions require specialized/degree education and training;
(15) Assistant athletic directors, athletic coaches, assistant athletic coaches, athletic trainers, assistant athletic trainers, and athletic eligibility and compliance officers where positions require specialized/degree education and training;
(16) Interpreters;
(17) Development and advancement officers where positions require specialized/degree education and training;
(18) Physicians, psychologists, and clinical counselors where positions require specialized/degree education and training;
(19) General managers, directors, producers, and announcers of state radio and television service;
(20) Managers, directors and administrators of student affairs functions, where positions require specialized/degree education and training.

Stat. Auth.: ORS 351.070  
Stats. Implemented: ORS 351.070

BOARD DISCUSSION AND ACTION:
Director Nesbitt complimented all those who had worked on formulating the rule.

It was moved by Lorenzen to adopt OAR 580-020-0006. On roll call the following voted in favor of the motion: Directors Burns, Dyess, Lorenzen, Nesbitt, Richmond, Pilliod, von Schlegell, Schuette, Sohn, and Goldschmidt. Those voting no: None.

c. Legislative Concept pertaining to the Optional Retirement Plan (ORP)

DOCKET ITEM:

Staff Report:
Since the Optional Retirement Plan (ORP) for unclassified employees was implemented in 1996, experience with the authorizing statute has illustrated that linking plan guidelines to those of the Public Employees Retirement System (PERS) should be reconsidered to provide the full advantages of ORP participation to employees who elect the ORP and to the universities that sponsor the ORP.
Background:
The ORP was created by the 1995 Legislature and began accepting participants in January 1996. As written in Oregon Revised Statute 243.800(9), the employer contribution rate for the ORP is linked to the employer contribution rate of PERS. In recent years, the PERS rate has risen dramatically and, due to the infusion of $2.0 billion in Pension Refinance Bond revenue into the PERS fund, the rate dropped dramatically. Neither circumstance was anticipated at the time the ORP was adopted, and the plain language of the statute inadequately addresses the complexities of funding and management policies of the state retirement plan linked to the ORP.

Current Status:
OUS representatives and other stakeholders are currently exploring a number of possible options to modify the process by which the ORP employer contribution rate is determined, while still preserving the three principal goals of the ORP: that it be competitive in the national marketplace in relation to other such ORPs; that it is sustainable within the OUS Budget; and that it be reasonably stable over time for the participants. The work group will continue to develop a consensus option during the spring, for submission to the Department of Administrative Services (DAS).

Staff Recommendation to the Board:
Staff recommended the Board vote to approve the submission of a placeholder for a legislative concept that would include language currently being developed to amend ORS 243.800(9). Submission of the placeholder to DAS is due April 15, 2004.

BOARD DISCUSSION AND ACTION:
Ms. Lisa Zavala from the OUS Office of Government Relations explained the purpose of the Legislative Concept Placeholder for the 2005 Legislative Session. Dr. Gilkey, president of the Interinstitutional Faculty Senate (IFS), indicated that the IFS had been actively engaged with System staff on the Legislative Concept. The IFS is organizing a series of meetings on the campuses to enable more faculty to benefit from further information on the matter. “We’re in the business of education and we need to educate our faculty on what happened, what the short-term fix is, and how to get to a long-term solution. I believe shared governance is about respectful communication and I believe we are working well,” Dr. Gilkey concluded.

Director Nesbitt moved approval of the staff recommendation to submit a placeholder for a Legislative Concept to include language currently being developed to amend ORS 243.800(9). Those voting in favor of the motion: Directors Burns, Dyess, Lorenzen, Nesbitt, Pilliod, von Schlegell, Schuette, Sohn, and Goldschmidt. Director Richmond abstained from the vote because of a possible conflict of interest as a faculty member. Those voting no: None.
d. Proposed Legislative Concepts and Policy Packages

BOARD DOCKET:

Summary:
The Oregon University System (OUS) Board Working Group on Excellence in Delivery and Productivity proposed the following set of concepts and policy packages that will increase the number of Oregonians who successfully complete their college education. The actions are a combination of activities that will benefit all Oregon students and lead to more efficient delivery of education for a greater number of students.

Background:
The Working Group has held four public meetings and a series of fact-finding and development activities that led to the creation and development of potential activities that would address its responsibility. The potential activities have been reviewed and modified by a wide range of education representatives including OUS and community college presidents, provosts, academic deans, representatives from the Oregon Department of Education, and the OUS Interinstitutional Faculty Senate.

Staff Recommendation to the Board:
Staff recommended that the Board adopt the following items as potential legislative concepts or policy packages:

1. Increase the successful retention of OUS undergraduates to degree completion.

2. Create a statewide K-16 Student Data System through linkage to the Oregon Department of Education’s Integrated Data System.

3. Increase the successful transfer of community college students to OUS campuses through the creation of a dual enrollment framework and a fully transferable lower-division common core of student educational outcomes.

4. Increase the successful transfer of community college students to OUS campuses through the creation of a fully transferable lower-division set of common student educational outcomes leading into an academic major.

5. Expand the use of on-line courses to assist students in making more timely progress towards degree completion.

6. Ensure that all Oregon high school students have an opportunity to take rigorous courses in high school that may result in the earning of college credits or advanced placement prior to the student’s college matriculation.

7. Increase course availability to support timely student progress towards post-secondary educational goals.
BOARD DISCUSSION AND ACTION:
Director Schuette provided further explanation of the Legislative Concept placeholders that have emerged from the Excellence in Delivery and Productivity Working Group. Items #2 and #3 (above) relate to successful transfer in three different aspects: dual enrollment for students who are simultaneously enrolled at community colleges and in institutions in the OUS. “So we have students who are jointly admitted, tracked, advised, and a single coordinated financial aid package. This certainly relates to faster time to degree for students with the goal of increased access, particularly for low-income students and those of non-traditional backgrounds. We’re looking for reduced expenses and debt as a result of our efforts.”

Continuing, Director Schuette explained the importance of the fully transferable lower-division common core. “Getting to a basic agreement among all of Oregon’s public two-year and four-year colleges and universities on a core of outcomes that will count throughout the state is critically important. Each of these three pieces that are reflected in points #2 and #3 are important and the Board’s adoption of these concepts is really critical to ensuring that the work will get done and also that there won’t be drift in the agreements over time.” The other points were highlighted and it was reinforced that total Board support would be critical to seeing that these changes are implemented.

Returning to item #1, Director Schuette remarked that the data system relates to the dual enrollment concept as it supports easier and faster admission application processes in OUS and the community colleges through the electronic transmission of high school transcripts and web-access to information. “It also relates to motivating, encouraging, and inspiring young students to enroll in post-secondary education because of early, more effective feedback about their preparation for their education.”

Director Richmond indicated that she would prefer having item #6 (increased success and retention) be #1 because she considers this too important to look like it comes last. Director Schuette pointed out that the items were not in priority order, and she agreed that retention was a high priority.

Continuing, Director Richmond asked about the issue of how students are assured they will be able to take the courses they need. Director Schuette acknowledged that it is a critical issue and partly a resource question of being sure that institutions can offer what the students need. “Our first step has been to take inventory, to find out where the high demand areas are, and where we need more. Then we will be able to address that as we expand the online offerings by adding the courses that students need,” she explained.

Director Lorenzen asked if all of these concepts would need legislation or if they were more administrative in nature. President Goldschmidt offered that the concepts would be reconfigured in other formats and that some of them would not require any funding or legislative action. “These concepts,” he said, “are placeholders in the event it takes a request for resources or change in legislation. The purpose of the current discussion was to get the sense of the Board for support of the items.”
Continuing a line of questioning, Director Lorenzen pointed out item #1 and the development of a data system. He reminded the Board that he had been assigned the responsibility for the “IT section (of the Chancellor’s Office) and this is going to play right into that. It seems as if this is more of an internal administrative function in determining what direction we want the Chancellor’s Office to go as opposed to a policy package.”

President Goldschmidt responded that “the really big money on this is being spent in the K-12 system, so the question ultimately for us is, do we want to attach to that with some particular benefit we see.”

Director Schuette said she would consider a friendly amendment to have the Board’s support to address, specifically, course availability. Director Richmond raised the question on another topic. “When you say ensure that all Oregonian high school students have an opportunity to take rigorous courses – we’re all enthusiastic about that. But, just briefly, what role can this Board have in ensuring that K-12 will provide these courses?” President Goldschmidt mused, “OUS and the community colleges are already offering courses. The question is, ‘Are they rigorous enough?’ And if they are, are there enough of them?”

In concluding the discussion, Director Schuette indicated that a part of the approach of the Working Group has been to address issues from a statewide perspective. They are asking questions such as, “How can we have a statewide impact in this regard? What’s the current menu and how can we fill in the gaps? Is there a statewide system that would be more effective than the patchwork that we currently have?” She said that each of the proposals would have its own metrics such as numbers of people served and the progress of students through the system.

There was discussion about the need for other working Groups to submit placeholder Legislative Concepts. It was agreed that there would probably be at least one from each of the Working Groups. Those are due on April 15 – so it was generally agreed that the Executive Committee would convene to approve them.

Director von Schlegell moved that the Board approve policy packages and/or legislative concepts. Those voting yes: Directors Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, Schuette, Sohn, and Goldschmidt. Those voting no: none.

5. **Consent Items**

   a. **OIT, A.A.S. and B.S., Respiratory Care**

   **Docket Item:**

   Oregon Institute of Technology proposed to offer an instructional program leading to the Associate of Applied Science and Bachelor of Science degrees in Respiratory Care,
effective September 2004. Lane and Mount Hood Community Colleges both offer the A.A.S. in Respiratory Care; no other Oregon institution offers the bachelor’s degree.

Respiratory care is the allied health profession that cares for patients with deficiencies and abnormalities of the cardiopulmonary system (e.g., illnesses/conditions such as asthma, cystic fibrosis, pneumonia, emphysema, as well as conditions instigated by trauma or shock). The respiratory therapist cares for people of all ages, newborn through the elderly, and in a variety of settings (e.g., hospitals, nursing homes, outpatient clinics, homes, physician offices).

Several environmental factors contributed to OIT’s development of this program proposal. Respiratory care is a high-demand health care profession across the U.S. As our citizenry ages, the need for respiratory therapists is becoming more critical. In addition, Rogue Community College (RCC) plans to terminate its long-standing, Medford-based respiratory care associate degree program. Consequently, several CEOs of area hospitals and the ASANTE Systems requested that OIT assume the program.

OIT proposed to fully implement both the A.A.S. and B.S. programs, on site, at RCC’s Medford facilities. RCC will provide classrooms, labs, currently owned equipment, lower-division general education classes, and logistical support such as registration and financial aid. The program faculty currently employed by RCC will become OIT faculty.

OIT will offer the A.A.S. program as designed by RCC, which prepares students to become Certified Respiratory Therapists. This is a “1 + 2 + 1” program. During the first year, students will complete the program’s prerequisites. Years 2 and 3 are devoted to completion of the A.A.S. Following professional registration, (i.e., becoming a Registered Respiratory Therapist), students will spend the fourth year in an online bachelor’s degree-completion program designed to accommodate working professionals.

Students in the baccalaureate program would complete a total of 192-194 credits, including completion of an Individual Development Plan that explains, in detail, the means by which the student will establish competence in four areas and fulfill the requirements for subsequent professional coursework. The student’s employer and group of classmates, as well as OIT faculty, must approve the plan. Baccalaureate-degree graduates will have established competence in data collection and analysis relating to system improvement, evidence-based clinical leadership, cooperative learning, and technology.

OIT anticipates admitting 25 sophomore students and up to 15 senior degree-completion students each fall.

With the addition of two faculty, all current faculty are sufficient to offer the program. Modest funds will be allocated to increase library holdings, and OIT will pay RCC
$10,000 for the first year to cover maintenance, office space, and library and computer-lab access, as well as advising, financial aid information, and secretarial support. 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 Institute of Technology to establish a program leading to the A.A.S. and B.S. in Respiratory Care. 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 DISCUSSION AND ACTION:**
This item was part of the consent agenda. Final action noted on page 157.

b. OSU, Ph.D., Applied Anthropology

**DOCKET ITEM:**

Oregon State University proposed to offer an instructional program leading to the doctoral degree in Applied Anthropology, effective fall 2004. This would be the only applied anthropology doctoral program west of the Mississippi. OSU currently offers bachelor’s and master’s degrees in Applied Anthropology and those curricula are being redesigned to articulate well with the proposed doctorate. The University of Oregon offers a doctorate in Anthropology, with the subfields of archaeology, cultural anthropology, anthropological linguistics, and physical anthropology.

The proposed program combines a strong interdisciplinary component with an applied focus. Students will complete 18 credits in the anthropology core, which will provide them with a theoretical framework and set of qualitative and quantitative methods. Students will also choose one of three concentrations (18 credits), with courses from both the anthropology department and affiliated cognate departments. Other requirements include completion of 18 credits in a minor area, 6 skills/methods credits, 3 gender/ethnicity credits, 1 seminar, and 53 dissertation credits, for a total of 121 quarter credits. All students must also demonstrate proficiency in a foreign language.

The first concentration—local values, indigenous knowledge, and environment—focuses on expressive and material aspects of culture and their relationship to local, global, and environmental forces. Students will gain the theoretical and practical tools to understand local values and indigenous knowledge in their holistic context, including environment, subsistence practices, language, archeology, history, religion, and art forms. Among other things, students will explore the relationships between local and/or indigenous culture and the powerful ideologies of global processes. Graduates from this concentration area will be well-prepared to work in museums; with agencies, interest groups, and non-governmental organizations concerned with public-sector folklore and protection of natural and cultural resources; and various tourism and interpretive
enterprises, especially those focusing on indigenous cultural identity and communication across cultures.

The second concentration—ethnicity, culture, and health—includes both substantive and technical aspects of the study of health and culture, focusing on such issues as multicultural health, cultural competency in health care, population change and health trends, and biocultural evolution. This area represents an important direction for the professional expansion in applied anthropology, with primary goals of providing professional training in the broad areas of the evolutionary and biocultural basis of health, ethnicity, and cultural factors that affect individual and community health, and qualitative health-data collection and analysis skills. Graduates from this focus area will be prepared for employment with U.S. or international academic institutions, government health departments, and non-governmental health agencies focusing on such issues as multicultural health, family planning, and health demography.

The third concentration—business, organization, and work—focuses on the complex and rapidly changing interconnections among people, communities, businesses, technology, and civil associations. Students will be trained to conduct in-depth ethnographic investigations, problem identification, and problem solving. Graduates will be prepared to work within corporations to inform decisions or in non-governmental organizations or nonprofits advocating for workers.

The proposed program is responsive to the increasing demand for applied anthropologists who are capable of conducting ethnographic studies relevant to local communities and key societal institutions. OSU has received requests for qualitative community studies from such organizations as Oregon Health and Science University, the National Forest Service, Oregon Health Department, National Park Service, local watershed councils, Intel, and local NGOs such as Stone Soup and Community Outreach Consortium, Food Share, and Linn-Benton Food Security Group. Employers recognize the need to have a deeper understanding of the values and experiences of the communities with which they interact and graduates of the program will have the skills to uncover multiple perspectives and values, identify problems, and facilitate negotiation and problem solving among various groups. Graduates will be able to find careers in cultural resources management, watershed management, NGOs, public health, product design and marketing, linguistic and cultural competency, language survival, and communication across cultures.

Current faculty, and institution/department commitments to strengthen program faculty, are sufficient to offer the program. The current 9.5 FTE faculty will be increased to 12.5 FTE by the fourth year of the program. Modest additional support is provided for teaching assistants to allow more time for mentoring doctoral students and providing program coordination. Current library resources are adequate, although in years two through four, additional funds are budgeted to support program-appropriate acquisitions. All facilities, equipment, and technology are sufficient to offer the program.
An external review team, composed of Marietta Baba, dean, College of Social Sciences, Michigan State University; Linda Bennett, associate dean, College of Arts and Sciences, University of Memphis; and Linda Whiteford, president, Society for Applied Anthropology and professor of anthropology, University of Florida; evaluated the program in late October/early November and recommended Board adoption of the program. They indicated that: . . . the demand for applied anthropologists in business, government, and communities has greatly increased in the past two decades. . . . [and they] are currently employed as researchers and product designers in major global corporations, as researchers and administrators in managed care health programs serving diverse communities, as specialists working for the Environmental Protection Agency and other federal agencies, and in myriad roles that require special skill in understanding and working with other cultures." (p. 3, report of external review team)

Among the strengths of the program identified by the review team are that the faculty are “outstanding teachers, leaders in the discipline, and highly respected in the university,” that the department consistently attracts external funding each year, and that affiliated faculty and OSU leadership are committed to the program. Minor recommendations, such as some curriculum revision and strong commitment to increase faculty FTE, have received endorsement from OSU faculty and administrators.

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 Ph.D. in Applied Anthropology. The program would be effective fall 2004-05 and the OUS Office of Academic Affairs would conduct a follow-up review in the 2009-10 academic year.

BOARD DISCUSSION AND ACTION:
This item was part of the consent agenda. Final action noted on page 157.

c. UO, B.A./B.S., Marine Biology

DOCKET ITEM:

The University of Oregon proposed to offer an instructional program leading to the baccalaureate degree in Marine Biology, effective fall 2004. This will be the only marine biology major offered in the Pacific Northwest. Currently, UO offers a marine biology emphasis in its biology major. Oregon State University has considerable strength in the marine sciences, including field courses at the Hatfield Marine Science Center in Newport, Oregon. OSU also offers a marine biology option for biology majors, as well as undergraduate degrees in oceanography and fisheries and wildlife science. Portland State University and Southern Oregon University both offer courses that cover aspects of marine biology.
Academics, fisheries, and service in government agencies have traditionally driven employment in marine biology. As genetic and molecular techniques have become available in recent years, many new opportunities have developed for research and employment in the marine realm. Some of these newer applied fields include marine natural product chemistry (search for promising pharmaceuticals in marine organisms), marine biotechnology (use of marine organisms to address economic and medical problems), aquaculture (farming and ranching of marine organisms for food, medicine), and marine environmental biology and toxicology.

Oregon has both a strong environmental ethic and significant environmental challenges associated with coastal development, fisheries, and industry. The marine biology major is designed to prepare undergraduates for graduate school in the life sciences and for a variety of careers in natural resource agencies, biological consulting firms, research laboratories, education and interpretation, and private-sector industries in marine resources. Students who choose to complete a fifth-year teacher certification program would become fully qualified science teachers.

Students in the proposed program will complete all introductory courses and prerequisites required for a biology degree – 61 to 66 lower-division credits and 44 upper-division biology credits, including coursework in cellular and molecular biology, ecology, evolution, systematics, and organisms. In addition, students will spend three full-time terms (enrolled for a minimum of 12 credits per term) at UO’s Oregon Institute of Marine Biology (OIMB), which is located in Charleston, Oregon. OIMB is a completely functional marine laboratory, well appointed for research and teaching, that can support a major in marine biology with no new commitment of resources. While at OIMB, students may choose upper-division electives in various subdisciplines of marine science, such as zoology, botany, physiology, ecology, embryology, and oceanography.

Currently, about 40 percent of UO students graduating with a biology degree have enrolled for at least one term at the OIMB. However, with the exception of summer term, enrollment at OIMB remains low. The proposed major will fully utilize this facility, as well as offer a major that is attractive to students and responds to workforce demand.

All faculty, staff, facilities, equipment, and other resources are in place to offer the program. No new courses will need to be developed. The courses at OIMB provide a unique learning experience for the student. Each course meets for the entire day and has a large laboratory and field component, with the faculty member and teaching assistant in full-time attendance. Four of the five classrooms are plumbed for running seawater, allowing classes to maintain marine organisms in the classroom. Library resources are substantial, and OIMB has a history of sharing materials (in both directions) with the Hatfield Marine Science Center. Modest additional resource requirements (e.g., one teaching assistant two terms per year) will be met through a resource fee. UO anticipates serving 100 marine biology students at any given time, graduating 25 to 30 students each year.
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 the University of Oregon to establish a program leading to the B.A./B.S. in Marine Biology. The program would be effective fall 2004, and the OUS Office of Academic Affairs would conduct a follow-up review in the 2009-10 academic year.

**BOARD DISCUSSION AND ACTION:**
This item was part of the consent agenda. Final action noted on page 157.

d. **PSU, Naming of the College of Engineering and Computer Science**

**DOCKET ITEM:**
Portland State University sought Board approval of the naming of the College of Engineering and Computer Science at Portland State University to the *Fariborz Maseeh College of Engineering and Computer Science*. Additionally, PSU sought Board approval of the naming of the auditorium in the Northwest Center for Engineering, Science and Technology, when completed, as the *Maseeh Auditorium*. The Board’s Internal Management Directive 1.305(2) specifies “Institution presidents shall have authority to name schools and colleges, provided that the Board shall approve the naming of a school or college after a living person.”

**Background**
At a public ceremony on Thursday, March 18, 2004, it was announced that Dr. Fariborz Maseeh, founder and president of The Massiah Foundation, was making the largest gift in Portland State University’s history—$8 million from the Foundation to the College of Engineering and Computer Science—and that the College would, upon Board of Higher Education approval, become the Fariborz Maseeh College of Engineering and Computer Science.

Dr. Maseeh, a first-generation immigrant born in Iran, received both his B.S. in Structural Engineering and M.S. in Mathematics from PSU before earning a doctorate of science from the Massachusetts Institute of Technology in 1990. Maseeh is an internationally known expert in the field of micro-technology (also known as MEMS) and is the founder and former president and chief executive officer of IntelliSense Corporation, based in Wilmington, Massachusetts.

IntelliSense was founded by Maseeh in 1991 with the vision of reducing the time and expense of creating next-generation micro-electro-mechanical systems (MEMS) devices. Under his leadership, IntelliSense successfully began the first custom design, development, and manufacturing MEMS operation and became the world’s fastest-growing MEMS corporation, twice named to both *The New England Technology Fast 50*
and The Forbes Fast 50. In 2000, IntelliSense was acquired by Corning, Inc., after which Maseeh founded an investment management firm located in Southern California.

Maseeh has published numerous scientific articles on topics such as business strategy, fabrication technologies and design, and software for MEMS, in addition to securing a number of patents and trademarks. He currently serves on the boards of several technology firms, engineering schools—including the University of California at Irvine and the University of Southern California—and non-profit organizations such as the Boys & Girls Club of Boston and the Children’s Hospital of Orange County Foundation for Children.

The $8 million gift includes funding for the following:

- $6 million to support the construction of a new 130,000 square-foot tower and the continued refurbishment of the Fourth Avenue Building (1900 S.W. Fourth Avenue) that together will be known as the Northwest Center for Engineering, Science and Technology;

- $1 million to establish two professorships, one to be known as the Maseeh Professor of Electrical and Computer Engineering and the other Maseeh professorship will be in an unnamed area of emerging technology within the College;

- $500,000, along with matching funding from Portland State, to establish five student fellowships; and

- $500,000 to endow a fund for the dean of the College. The endowment of the deanship will be known as the H. Chik M. Erzurumlu Dean of the College of Engineering and Computer Science. Dr. Erzurumlu is the founding dean of the College, established in 1982 at Portland State as the School of Engineering and Applied Science.

The Massiah Foundation was established and funded by Fariborz Maseeh as a platform for charitable contributions. The Foundation's mission is to make significant improvements in education, health, arts, literature, and science.

Staff Recommendation to the Board:
Staff recommended Board approval of the naming of the College of Engineering and Computer Science at Portland State University to the Fariborz Maseeh College of Engineering and Computer Science. In addition, staff recommends naming of the auditorium in the Northwest Center for Engineering, Science and Technology, when completed, as the Maseeh Auditorium.

BOARD DISCUSSION AND ACTION:
Director Schuette moved Board approval of the consent agenda. Those voting in favor: Directors Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, Schuette, Sohn, and Goldschmidt. Those voting no: None.
6. **DISCUSSION ITEMS**

a. **Tuition and Fees**

**DOCKET ITEM:**

Staff Report  
2004-05 Preliminary Tuition Proposals  
Revised OUS Fee Policies

The Board will receive final 2004-05 tuition and fee proposals for approval at the June 2004 Board meeting. At that time staff will request that the Board adopt the 2004-05 Academic Year Fee Book, which will include the OUS fee policies and detailed information on 2004-05 tuition and fees. This April report provides background information and an update of the preliminary 2004-05 tuition proposals from each institution.

**2004-05 Tuition Proposals:**

In April 2003, the State Board approved tentative tuition plans for 2003-04 and 2004-05. All campuses proposed increases in each of the two years in response to the severe state funding reductions.

In July 2003, the Board approved specific tuition and fee rates for 2003-04, including changes to the tuition plateaus. In taking action, the State Board approved the principles that OUS institutions may: 1) modify or eliminate tuition plateaus, and 2) develop individual plans to modify or eliminate tuition plateaus in the future on a schedule that best meets their needs and the needs of their students. These plans would be submitted to the State Board for approval.

Attached is a report that summarizes the current campus proposals and provides background on OUS revenues and per-student funding. Also attached is a survey comparing 2003-04 OUS winter term tuition rates with peer universities in response to a request from the Board at the March 2004 meeting.

**Oregon University System Fee Policies:**

The OUS Fee Committee, comprised of OUS and campus representatives, has conducted a review of OUS fee policies to update them to reflect current practice and to match the policies implemented with the Resource Allocation Model (RAM) initiated in 1999-00. The new policy draft is included as supplemental material to the Board docket. The 2003-04 policies are available on the OUS website at http://www.ous.edu/fr_tuit.htm Further detail on specific wording changes and edits is available at the OUS Budget Office.

The majority of the proposed changes and edits clarify existing policies, but a few of the proposals represent minor substantive policy changes and are highlighted in the introduction to the new policy draft. The revised policies have been reviewed by the OUS
Councils for Academic Affairs, Student Affairs, and Finance and Administration and will be presented to the Board in June 2004 for approval.
# Planned Tuition Increases for 2004-05

**Preliminary**

March 19, 2004

<table>
<thead>
<tr>
<th></th>
<th>Resident Undergraduate</th>
<th>Nonresident Undergraduate</th>
<th>Resident Graduate</th>
<th>Nonresident Graduate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Apr-03 Plan*</td>
<td>Current</td>
<td>Change</td>
<td>Apr-03 Plan</td>
</tr>
<tr>
<td>EOU</td>
<td>10%</td>
<td>10%</td>
<td>0%</td>
<td>10%</td>
</tr>
<tr>
<td>OIT</td>
<td>9%</td>
<td>3.1%</td>
<td>-6%</td>
<td>9%</td>
</tr>
<tr>
<td>OSU</td>
<td>5%</td>
<td>5%</td>
<td>0%</td>
<td>5%</td>
</tr>
<tr>
<td>PSU</td>
<td>8%</td>
<td>0%</td>
<td>-8%</td>
<td>4%</td>
</tr>
<tr>
<td>SOU</td>
<td>12%</td>
<td>12%</td>
<td>0%</td>
<td>8%</td>
</tr>
<tr>
<td>UO</td>
<td>12%</td>
<td>12%</td>
<td>0%</td>
<td>3.5%</td>
</tr>
<tr>
<td>WOU</td>
<td>6%</td>
<td>0%</td>
<td>-6%</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

*Apr-03 Plan - Approved by the State Board in April 2003

## Plateau Changes

<table>
<thead>
<tr>
<th></th>
<th>Resident Undergraduate</th>
<th>Nonresident Undergraduate</th>
<th>Resident Graduate</th>
<th>Nonresident Graduate</th>
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<tbody>
<tr>
<td>OIT</td>
<td>Eliminate Fall Term 2004</td>
<td>Eliminate Fall Term 2004</td>
<td>Eliminate Winter Term 2004</td>
<td>Eliminate Fall Term 2004</td>
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<tr>
<td>OSU</td>
<td>$50 per credit hr for 13-16 hrs</td>
<td>$50 per credit hr for 13-16 hrs</td>
<td>No change</td>
<td>No change</td>
</tr>
<tr>
<td>PSU</td>
<td>Eliminate Fall Term 2004**</td>
<td>Eliminate Fall Term 2004**</td>
<td>Eliminate Winter Term 2004**</td>
<td>Eliminate Fall Term 2004**</td>
</tr>
<tr>
<td>SOU</td>
<td>$56 per credit hr for 12-18 hrs</td>
<td>$205 per credit hr for 12-18 hrs</td>
<td>$152 per credit hr for 9-16 hrs</td>
<td>$268 per credit hr for 9-16 hrs</td>
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<tr>
<td>UO</td>
<td>$40 per credit hr for 14-16 hrs</td>
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<td>No change</td>
<td>No change</td>
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<tr>
<td>WOU</td>
<td>Eliminate Fall Term 2004</td>
<td>Eliminate Fall Term 2004</td>
<td>Eliminate Fall Term 2004</td>
<td>Eliminate Fall Term 2004</td>
</tr>
</tbody>
</table>

**Approved by State Board October 2003
### Oregon University System
Comparison of Tuition and Fee Rates to Shared Peer Institutions
for UO, OSU, PSU

<table>
<thead>
<tr>
<th>Institution</th>
<th>2003-04 Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Resident</td>
</tr>
<tr>
<td></td>
<td>Undergraduate</td>
</tr>
<tr>
<td>University of Illinois, Chicago</td>
<td>$6,798</td>
</tr>
<tr>
<td>SUNY, Buffalo</td>
<td>5,861</td>
</tr>
<tr>
<td>University of Memphis</td>
<td>4,234</td>
</tr>
<tr>
<td>Indiana University Bloomington</td>
<td>6,517</td>
</tr>
<tr>
<td>University of California, Davis</td>
<td>6,438</td>
</tr>
<tr>
<td>Purdue University, Main Campus</td>
<td>6,032</td>
</tr>
<tr>
<td>University of California, Santa Barbara</td>
<td>5,777</td>
</tr>
<tr>
<td><strong>University of Oregon</strong></td>
<td><strong>5,079</strong></td>
</tr>
<tr>
<td>University of Wisconsin, Milwaukee</td>
<td>5,107</td>
</tr>
<tr>
<td><strong>Oregon State University</strong></td>
<td><strong>4,944</strong></td>
</tr>
<tr>
<td><strong>Portland State University</strong></td>
<td><strong>4,278</strong></td>
</tr>
<tr>
<td>University of Colorado, Boulder</td>
<td>4,068</td>
</tr>
<tr>
<td>University of Iowa</td>
<td>4,993</td>
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<tr>
<td>Iowa State University</td>
<td>4,840</td>
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<tr>
<td>North Carolina State</td>
<td>3,970</td>
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<tr>
<td>University of North Carolina, Chapel Hill</td>
<td>4,072</td>
</tr>
<tr>
<td>University of Arizona</td>
<td>3,602</td>
</tr>
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</table>

Average without Oregon institutions: $5,165 | $5,024 | $16,085 | $12,716

Oregon institutions as % of average:
- Resident: 92.3%
- Nonresident: 172.2%
- Undergraduate: 100.4%
- Graduate: 111.8%
## Oregon University System
Comparison of Tuition and Fee Rates to Shared Peer Institutions for EOU, SOU, WOU

<table>
<thead>
<tr>
<th>Institution</th>
<th>2003-04 Annual</th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Resident</td>
<td>Nonresident</td>
<td>Resident</td>
<td>Nonresident</td>
<td>Resident</td>
</tr>
<tr>
<td></td>
<td>Undergraduate</td>
<td>Graduate</td>
<td>Undergraduate</td>
<td>Graduate</td>
<td>Undergraduate</td>
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<tr>
<td>Plymouth State College</td>
<td>$6,240</td>
<td></td>
<td>$12,290</td>
<td></td>
<td></td>
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<tr>
<td>SUNY College, Fredonia</td>
<td>5,362</td>
<td>7,912</td>
<td>11,312</td>
<td>11,092</td>
<td></td>
</tr>
<tr>
<td><strong>Eastern Oregon University</strong>*</td>
<td><strong>5,097</strong></td>
<td><strong>7,227</strong></td>
<td><strong>5,097</strong></td>
<td><strong>12,687</strong></td>
<td></td>
</tr>
<tr>
<td>Southern Oregon University</td>
<td>4,153</td>
<td>7,321</td>
<td>12,823</td>
<td>12,571</td>
<td></td>
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<tr>
<td>Western Oregon University</td>
<td>4,305</td>
<td>7,614</td>
<td>12,570</td>
<td>12,858</td>
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<tr>
<td>Mary Washington College</td>
<td>4,688</td>
<td>5,088</td>
<td>12,436</td>
<td>11,784</td>
<td></td>
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<tr>
<td>University of Wisconsin, Parkside</td>
<td>4,075</td>
<td>5,417</td>
<td>14,121</td>
<td>16,027</td>
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<tr>
<td>Eastern Washington University</td>
<td>3,687</td>
<td>5,877</td>
<td>12,543</td>
<td>17,190</td>
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<tr>
<td>Fort Hays State University</td>
<td>2,540</td>
<td>2,836</td>
<td>8,165</td>
<td>7,604</td>
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<tr>
<td>Southern Utah University</td>
<td>2,794</td>
<td>3,424</td>
<td>8,158</td>
<td>10,236</td>
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<tr>
<td>California State University, Stanislaus</td>
<td>2,503</td>
<td>2,713</td>
<td>15,193</td>
<td>12,865</td>
<td></td>
</tr>
</tbody>
</table>

Average without Oregon institutions            | **$3,986**     | **$5,544** | **$11,777** | **$14,536** |
Oregon institutions as % of average            | 113.4%         | 133.2%     | 86.3%      | 87.4%      |


## Comparison of Tuition and Fee Rates to Peer Institutions for Oregon Institute of Technology 2003-04 Annual

<table>
<thead>
<tr>
<th>Institution</th>
<th>Resident</th>
<th></th>
<th>Nonresident</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Undergraduate</td>
<td>Graduate</td>
<td>Undergraduate</td>
<td>Graduate</td>
</tr>
<tr>
<td>SUNY College of Technology, Alfred</td>
<td>$5,280</td>
<td>5,290</td>
<td>$7,930</td>
<td>11,230</td>
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<tr>
<td>Purdue University, North Central</td>
<td>3,769</td>
<td>3,167</td>
<td>8,696</td>
<td>7,209</td>
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<tr>
<td><strong>Oregon Institute of Technology</strong></td>
<td>4,443</td>
<td>6,630</td>
<td>13,623</td>
<td>11,274</td>
</tr>
<tr>
<td>East Tennessee State University</td>
<td>3,839</td>
<td>4,913</td>
<td>11,771</td>
<td>12,845</td>
</tr>
<tr>
<td>Southern Polytechnic State University</td>
<td>2,754</td>
<td>3,216</td>
<td>9,690</td>
<td>11,538</td>
</tr>
<tr>
<td>Western Carolina University</td>
<td>4,785</td>
<td>4,688</td>
<td>14,137</td>
<td>14,198</td>
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<tr>
<td>Pittsburg State University</td>
<td>2,962</td>
<td>3,348</td>
<td>8,784</td>
<td>8,334</td>
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<tr>
<td>Weber State University</td>
<td>2,632</td>
<td>2,956</td>
<td>7,958</td>
<td>8,704</td>
</tr>
<tr>
<td>University of Houston, Downtown</td>
<td>2,714</td>
<td>3,074</td>
<td>8,378</td>
<td>8,378</td>
</tr>
<tr>
<td>California Polytechnic, Pomona</td>
<td>2,508</td>
<td>2,718</td>
<td>9,276</td>
<td>7,794</td>
</tr>
<tr>
<td>University of Southern Colorado*</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>West Virginia University Institute of Technology*</td>
<td>3,430</td>
<td>N/A</td>
<td>8,488</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Average without Oregon Institute of Technology

| Average without Oregon Institute of Technology | $3,471 | $3,708 | $9,624 | $10,026 |

Oregon Institute of Technology as % of average

| Oregon Institute of Technology as % of average | 99.64% | 158.18% | 125.46% | 103.15% |
BOARD DISCUSSION:
Ms. Nancy Heiligman indicated that the purpose of the discussion was to present preliminary proposals from the campuses for the 2004-05 academic year and to provide the Board time to consider the proposals and to identify any other information needs Board members might have.

The Board was reminded that the total OUS budget was $4.15 billion for the 2003-2005 biennium. These resources come from three sources: 17 percent from state funding; 21 percent from tuition and fees; and other revenues at 4 percent. Director Burns asked what the category “student loans” meant. Ms. Heiligman responded that student loans would be the federal direct lending that shows as revenue going into the universities. Continuing, Director Burns indicated that, “although that’s going directly to the institutions, it is de facto paying for tuition. It makes it so the 21 percent seems less daunting, when it would theoretically be far more if we included student loan funds as part of tuition.” The response from Ms. Heiligman was that if looked at it that way, it would be a “form of double counting.”

President Goldschmidt asked for clarification of legislative guidance on tuition and Ms. Heiligman explained that the cap, or limit, set by the legislature is on gross tuition dollars at $812.4 million and an additional cap on resource fees in a budget note of 8.6 percent. Continuing, President Goldschmidt asked what their position might be on controlling summer session and continuing education revenue “when the Board has a Working Group that is busy trying to figure out how to accelerate time to completion and some of the techniques being used on the campuses of lofty pricing seems to me to get you also to summer school programs and continuing education tools, and distance learning. I guess what I’m trying to figure out is, are we at cross-purposes on our attempts to shorten time to graduation. I’m not talking about academic year tuition, which is a bigger policy, but just these two, which appear to be off-peak strategies.”

Continuing her presentation, Ms. Heiligman pointed out that OUS would be under the gross tuition cap set by the legislature. “However,” she added, “on resource fees, our initial analysis shows that it may not be possible to raise rates during the biennium because we are, at each campus, pushing up against that limit.”

The 2004-05 tuition proposals reflect first the percentage rate increases per credit hour, and then proposed plateau changes. The rates approved at the April 2003 Board meeting, in concept, are the basis for the budget projections that were presented to the legislature to meet the legislative limit. It was pointed out that historically, full-time students paid a fixed amount of tuition if they were enrolled between 12 and 18 hours, referred to as the tuition plateau. “Over the past two years,” Ms. Heiligman pointed out, “the campuses have all been making modifications to those plateaus, from elimination to some kind of modification in their plateaus.”

Director Burns asked about the data she had requested regarding implications of the tuition plateau after winter term. The response was that the information had been requested from the institutions. They reported that the changes in student behavior for
winter term were negligible due to the plateau changes. This is, in part, due to the fact that the changes have not been in effect for very long. Provost Moseley observed that the UO modified the plateau two years ago and that their carrying load has actually steadily increased over the period of time. "We have managed in other ways to maintain and even increase student carrying load as we reduced the plateau first from 12-18 down to 13-15 credit hours, and then had started to charge on the plateau. There has been no decrease; in fact, there has been a steady increase in carrying load over that period of time."

President Ray added that students are also attempting to adapt to the unhappy environment in which we all find ourselves. "So the notion that they're going to stop taking those credits because they now cost more than they did ignores the fact that they cost less than they will in the future, because everybody is talking about raising those rates and everything's going to cost more in the future."

The UO considers course availability as a very serious issue that is being impacted from a number of different directions: budget cuts; inability to hire the number of faculty to teach the number of enrolled students; and, at times, offering courses at what are considered “off hours.”

In summary, Ms. Heiligman indicated that the proposed tuition rate increases are at or below the rates approved by the Board in April 2003. "In addition, all campuses are planning to make further changes to their tuition plateaus with the exception of EOU, where the elimination of the plateau has been fully implemented. The tuition revenue has been projected to fall below the legislative limit set in the budget notes and increases in resource fees will likely not be possible within that 8.6 percent legislative limit."

There was discussion concerning the arena in which further discussion should occur concerning tuition, fees, and plateaus, how students should be involved, and the specific focus. Director Burns indicated that these issues affect the Access/Affordability Working Group. "I know that the enrollment numbers might not have been changed right now, but the big problem is that the federal financial aid form looks at full time student status as being 12 credits. So, if you are a low income student and the tuition plateau is eliminated, you don't get enough money to be able to get more than 12 credits because the amount of money you are given by the federal government or by the Oregon Opportunity Grant, uses the same indexing. We need to talk about how this is affecting low income students."

Director von Schlegell reminded the Board that it was going to be asked to make decisions that have “short term ramifications and then there are some long term stewardship implications in this. I would like some help from the presidents on how to sort out the difference because anytime you make a policy or fee change, short term things happen and, if you extrapolate from them, you're making a mistake because they might have the opposite effect long term."
Director Nesbitt added to the list of items for inquiry: “Why we would, on some campuses, be raising the resident tuition rate by greater percentages than the nonresident?” It was emphasized by Director Burns that she would not want the conversations framed in a way that the institutions felt as though money were going to be taken away from what they would be getting with the removal of the plateau. “I think you can have all that money, but it’s a matter of whether or not the plateau is the right way to distribute that load,” she added.

Director Lorenzen observed that there was a lot that was depressing about tuition levels. “In looking at the larger universities, it appears that our tuition is not out of line with regard to averages among peers. They are very close, which to me is very depressing. Then I’ll indicate my own regional bias. If you take a look at Eastern, the tuition there is substantially above the average for its peers.”

Presidents Ray and Zinser reminded the Board that materials had been distributed that present the situations on those two campuses. Both presidents indicated that they would be having extensive discussions on their campuses that would involve students. Director Burns commended President Ray for the email he sent to all students. “I think students really appreciate that kind of transparency and that’s how we prevent any kind of backlash in the end,” she added.

It was decided that the plateau and tuition discussion would occur immediately following adjournment of the regular Board meeting.

b. Update on Advocacy and Legislative Campaign (Neil Bryant)

There was no update from Neil Bryant.

7. REPORT ITEMS

a. Optional Retirement Plan (ORP) Employer Rate Correction

DOCKET ITEM:

Introduction:
OUS staff, working with the Office of the Attorney General, the Public Employees Retirement System (PERS), and PERS’ consulting actuary, has determined a series of steps to correct temporarily reduced employer contribution amounts for participants of the Optional Retirement Plan (ORP). The report outlined the issues that created a decrease in ORP employer contribution rates and the process for correcting under-contributions to ORP participants’ accounts.

Measure 29 PERS Rate Relief
In September 2003, Oregon voters passed Measure 29, permitting the State of Oregon to issue general obligation bonds in the amount of $2 billion, which had the effect of reducing the state’s PERS retirement costs by 6.60 percent of subject members’ salary.
In advice based on the plain language of ORS 243.800(9)\textsuperscript{1}, the Attorney General’s office advised the OUS that the state’s PERS employer rate reduction was also applicable to ORP participants’ employer contributions. In November 2003, OUS accordingly reduced ORP participants’ contributions to 3.71 percent and 4.27 percent, respectively, for Tier One and Tier Two ORP participants, using rates developed for the ORP by PERS’ actuary.

Subsequent discussions with the Attorney General’s office have recently yielded revised advice that permits restoration of ORP participants’ employer contributions reduced by the Measure 29 pension bond deposit to PERS. The OUS may retroactively increase the current employer contribution amount by the fully amortized value of the proceeds of the bond sale, which PERS’ actuary certifies is 6.60 percent of salary.

OUS established the November 2003 ORP rates through reliance on existing rules and statute, as well as advice from the office of the Attorney General. Under-contributions, to the extent that they occurred, were based on a plain language reading of the Oregon law and rules, and were not breaches of compliance with the Plan document. Therefore, counsel retained by the OUS with the firm of Miller Nash LLP has advised OUS that self-correction may be used to reset and restore contributions, to the amounts required, without using formal IRS procedure or filings.

OAR 459-005-0320 Repealed

The second impact on ORP employer contribution rates occurred in January 2004, when PERS repealed OAR 459-005-0320. The rule had required OUS to use separate, actuarially determined employer contribution rates for Tier One and Tier Two ORP participants. Since repeal of the rule, the OUS is not required to establish separate Tier One and Tier Two employer contribution rates. Instead, a blended Tier One/Tier Two rate will be contributed for both Tier One and Tier Two ORP participants effective January 1, 2004, to more closely comply with the direction of ORS 243.800(9).

**Correction Process:**
Correcting under-contributions to ORP accounts requires a series of actions to adjust rates for the Measure 29 rate relief and repeal of OAR 459-005-0320.

**Action Plan:**

1. Staff will calculate dollar amounts for each ORP participant sufficient to add 6.60 percent of salary to each ORP employer contribution account for November 2003, December 2003, January 2004, February 2004, and March 2004. These under-contribution amounts for the amortized pension bond rate reduction will be deposited as a lump sum contribution to ORP accounts in April 2004.

\textsuperscript{1} ORS 243.800(9) The State Board of Higher Education shall contribute monthly to the optional retirement plan authorized under this section the percentage of salary of each employee participating in the plan equal to the percentage of salary that would otherwise have been contributed as an employer contribution on behalf of the employee to the Public Employees Retirement System if the employee had not elected to participate in the optional retirement plan.
2. Staff will calculate dollar amounts for each Tier One and Tier Two ORP participant sufficient to adjust employer contributions from tiered rates to the blended Tier One/Tier Two rate. For Tier One ORP participants, the employer contribution will increase from 3.71 percent to 4.71 percent of salary, a total of 1.00 percent; for Tier Two ORP participants, the employer contribution will increase from 4.27 percent to 4.71 percent of salary, a total of 0.44 percent. Under-contributed amounts based on the adoption of the higher, blended employer contribution rate in January, February, and March 2004 will be deposited to ORP employer contribution accounts as a lump sum contribution in April 2004.

3. The ORP employer contribution rate will be reset to 11.31 percent, effective April 2004, for Tier One and Tier Two ORP participants. This revised rate incorporates the corrections for both the Measure 29 pension bond rate reduction and for the repeal of OAR 459-005-0320.

4. Consultants and ORP investment companies will calculate lost earnings, using employer census and wage data provided by OUS staff. “Lost earnings” deposited to ORP participants’ accounts is the dollar amount attributable to investment earnings and losses on under-contributed amounts from November 2003 through March 2004. Lost earnings amounts will be deposited to ORP employer contribution accounts upon completion of all calculations.

Conclusion:
The blended PERS employer contribution rate for ORP participants, plus an addition equal to the Measure 29 pension bond deposit rate reduction, yields the employer contribution rate required by ORS 243.800(9). Adopting this rate structure and adding lost earnings to under-contributions during the applicable periods meets the responsibilities of the Plan and the Oregon State Board of Higher Education.

BOARD DISCUSSION:
Ms. Denise Yunker reviewed the report on the Optional Retirement Plan Employer Rate Correction. Director Nesbitt asked if there was an estimated fiscal impact of the rate correction. Ms. Yunker responded that the reduction in the rate between November 2003 and March 2004 was about $1 million a month and, she added, “at the time we experienced that rate, the campuses were advised and we believe that they have recognized that those funds weren’t available for expenditure.” Vice Chancellor Anderes added that OUS would probably be looking at $6-7 million that comes back into play on the expenditure.

In response to Director Nesbitt’s question of whether or not this resolved the lawsuit, Ms. Yunker explained that a resolution is being sought.
b. Standing Committees

i. Finance/Budget/Audit/Personnel/Real Estate (Don Blair)

No further report was given.

c. Working Groups

i. Academic Excellence/Economic Development (Kirby Dyess)

Chair Dyess reported that the Working Group had a good review of research and graduate studies on OUS campuses and the economic engine that provides for the state. She indicated that OCKED is currently working on some of the same economic development areas. Ms. MardiLyn Saathoff, General Counsel to the Governor, indicated that she works with OCKED and had conversations with Chair Dyess concerning how the work can be coordinated.

ii. Academic Programs – no report.

iii. Access/Affordability (Tim Nesbitt)

Chair Nesbitt indicated his group was meeting following the Board meeting. “We have had a meeting with the Oregon Independent Colleges Association; have recruited Paul Bragdon, president of Lewis & Clark College, to serve on the Working Group; met with the state economist looking at some of the projected workforce needs and better ways to identify the underserved population for postsecondary education. It has come to our attention that we have a benchmark established by the Oregon Progress Board of getting to 45 percent of our population with four-year degrees by 2010 or the next ten years. That is a huge undertaking, so we’re going to be sending a very broad invitation to all segments – young adults, older young adults – to enable that kind of performance, that kind of access to postsecondary education.”

President Goldschmidt asked if he was correct that the goal has been to get to an understanding, if not a final agreement, among all the players that are working to create this affordability and access package, take it to the Governor’s team, the Budget Office, and others, “let them look at it, make sure we’re not standing on landmines without knowing it, and then I think you all expect to start visiting editorial boards and trying to get it out in some way to a broader community in Oregon. Is that correct?”

Chair Nesbitt concurred and indicated that there will be many stakeholder meetings on the design of the package.

iv. Chancellor’s Office Review (Neil Goldschmidt)

The report of the Working Group had been distributed the day before.
v.  Excellence in Delivery & Productivity (Gretchen Schuette)

No further report.

8.  REPORTS
    • Interinstitutional Faculty Senate (IFS) President

President Gilkey indicated he had covered the salient points of his report under the discussion on the Optional Retirement Plan.

• Oregon Student Association (OSA) Vice Chair Scott Pugrud

Mr. Pugrud indicated that Andy Saultz was ill and he would provide the report that focused on the tuition plateau. “We would like to re-emphasize why we believe it is a bad policy option for universities and students.” Mr. Pugrud emphasized that the tuition plateau encourages students to take fewer courses, especially low-income students. “We ask that over the next couple of months as you consider tuition and fee proposals, you reconsider campuses that have or want to eliminate or modify the tuition plateau. We understand the tuition plateau may not be reinstated completely, but we ask that it be reimplemented for students taking 12-16 credits so that they can graduate on time while taking four-credit classes that are often the only option.”

9.  CHANCELLOR AND UNIVERSITY PRESIDENTS’ REPORT

President Conn indicated WOU had a burst of energy when Governor Kulongoski visited the campus. The Governor explained his education initiatives and discussed the work of the Board of Higher Education.

President Dow, OIT, inserted that the “average GPA of her men’s basketball team is 3.45.

President Ray, OSU, reminded the Board that former Senator John Glenn has agreed to be commencement speaker this year. The UO alumni association, in conjunction with the OSU alumni association, has arranged a couple of receptions for him as a new president. He saw these as real signs of collegiality.

Provost Moseley highlighted that the UO’s College of Education ranked overall eighth in the nation, fourth among public universities, and first in special education and in the ability of the faculty to obtain federal grants.

President Lund, EOU, reported that students had participated in a Math Modeling Contest that involved 600 teams worldwide and they received honorable mention for being in the top 38 percent of the 600 teams. A team of business administration majors called, Students in Free Enterprise, participated in the Western regional competition, and were first runner up in its division. “We are competing against much larger schools. The larger schools’ budgets for this particular event range in the neighborhood of $130,000. EOU’s was just $5,000. So to become first runner up against this competition
is a great accomplishment.” EOU has a Native American Adolescent Mentorship Program and recently hosted 25 students, who visited the campus with their mentors. The program is dipping into the middle school to try to help stem the attrition of Native Americans in middle and high school programs.

10. **PUBLIC INPUT**
There was no public input.

11. **DELEGATION OF AUTHORITY TO BOARD’S EXECUTIVE COMMITTEE**
Director Burns moved approval of the following Delegation of Authority. Those voting in favor: Directors Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, Schuette, Sohn, and Goldschmidt. Those voting no: None.

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**
Prior to adjournment, President Goldschmidt made the following comments regarding Chancellor Jarvis.

“I’m sitting next to somebody who is just a total class act in Richard Jarvis.

“He has, from the day that the Governor asked this new crew of people to go the legislature to seek confirmation and to come here, been available at every godforsaken hour imaginable while all of us have hounded him for information and advice. His schedule has convened us in every way possible, and his advice has come without reservation.

“I can’t think of a time in my life when I’ve been more discouraged about the circumstance in which I have placed somebody of great reputation and ability. But this state is in, as I think Richard knew when he came, a rather unhappy and difficult circumstance that started with Measure 5 and will play out over a lot of time apparently still to come. Through this time, he has participated in searches for two of our campuses and we are fortunate about the results. One of those results is here today, President Ray; the other soon to come to take Dixie’s place. A lot of good things have been done and that’s one of the problems in times that are difficult.

“All anybody is writing about in the paper is the stuff that isn’t going right. We certainly spent time on it today when we started talking about more tuition increases and we look at these charts that show the difference between what the state was able to afford some less than a decade ago as a support for our universities and community colleges. The
effects on the students that followed are not attractive. The passion of people that take up teaching and education and research as a career never was to keep people out of their schools because they couldn’t afford to get in.

“So, I want to say to Chancellor Jarvis – it is a circumstance none of us quite understood when we came, what we were going to inflict on you and, in many respects, I am just saying I apologize because it was not something I could have predicted and I know it was not something you could have predicted when you agreed to come. I know that the Board that picked you is certainly discouraged on your behalf and not particularly proud that we all go to this place. It will be a good thing for us that we have your continuing help for the coming months and I hope you understand that we want you where you sit until your time to depart occurs and to continue weighing in on the matters that made a difference to you while you’ve been here.

“Thank you very much.”

There was a standing ovation for Chancellor Jarvis.

Director von Schlegell moved that the meeting be adjourned. All directors voted in favor.

The meeting adjourned at 11:55 a.m.

Virginia L. Thompson
Secretary to the Board

Geraldine Richmond
Board Vice President