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

President Ted Kulongoski called the meeting of the Oregon State Board of Higher Education to order at 9:15 a.m.

On roll call, the following Board members answered present:
- Don Blair
- Bridget Burns
- Kirby Dyess
- Henry Lorenzen
- Tim Nesbitt
- Rachel Pilliod
- Geri Richmond
- John von Schlegell
- Howard Sohn
- Ted Kulongoski

Absent: Gretchen Schuette (business conflict)

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

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

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

Governor Kulongoski welcomed attendees to the campus of Southern Oregon University and thanked President Zinser and her staff for the warm hospitality. “Those of us who spend some time in Ashland know that this is one of the best kept secrets in Oregon.”

Continuing, Governor Kulongoski acknowledged that this was the last meeting of Board Secretary Virginia Thompson and thanked her for her devotion and dedication. “I’m very grateful, and I know we all are, for her contributions to this Board and to the Chancellor’s Office over the years. We all wish her the best.”

Mr. Ryan J. Hagemann was introduced as the new Board Secretary.

The Governor acknowledged that both student Directors, Rachel Pilliod and Bridget Burns, had received their diplomas from the University of Oregon and Oregon State
University, respectively. They were congratulated on their contributions to their institutions and to the Board. It was also acknowledged that Director Pilliod was resigning from the Board to accept a position in Wisconsin as the head of that state's student association. “The best wishes of the Board go with her.”

Finally, best wishes were sent to Provost Tim White who had recently undergone heart surgery. “He was due to leave Oregon and take the position of president of the University of Idaho on July 1 and I understand that has been pushed back to August 1. We wish him and his family the best in his new position,” the Governor said.

2. APPROVAL OF MINUTES
   - Special Board Meeting, May 4, 2004
   - Regular Board Meeting, May 7, 2004
   - Special Board Meeting, May 14, 2004

Director Burns moved approval of the minutes of the Special Board Meeting of May 4, 2004. Those voting in favor: Directors Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, and Sohn. Those voting no: none. (Governor Kulongoski explained that, as Governor, he would abstain from all voting.)


Director Blair moved approval of the minutes of the Special Board meeting of May 14, 2004. Those voting in favor of the motion: Directors Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, and Sohn.

3. ACTION ITEMS
   - Finance/Budget/Audit/Personnel/Real Estate Committee
     a. OAR 580-050-0001 Temporary Adoption of New Rules related to Contract Administration (Roll call vote)

BOARD DOCKET:

Purpose:
The Oregon University System is not subject to Oregon Revised Statute (ORS) Chapter 279, the statutes related to public contracting. Instead, OUS was given specific statutory authority to develop its own procedures for competitively procuring construction and related services. OAR Chapter 580, Division 50 sets out those procedures. It has not been amended since 1996. At that time, the rules were amended to incorporate the changes from SB 271, the first Higher Education Efficiency Act. The Facilities Directors from all the campuses have been meeting for about two years with Wendy Robinson, Department of Justice, to review and revise the rules to deal with problems that have
The major changes to the rules are as follows:

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

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

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

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

Subsection (1): Clearly states that Consultants will be chosen on the basis of qualifications, not price. This tracks ORS 279.057, which requires that price only be negotiated after the Consultant is selected and as part of the process for determining the scope of work. Although OUS is not subject to ORS 279.057, at the Legislative hearings on this statute, OUS represented that it chose its professional consultants on the basis of qualifications.
Subsection (2): The advertising process for Consultants wishing to enter into Retainer Agreements may be done electronically. The proposal may also be submitted electronically. The maximum term of a Retainer Agreement is extended from three years to four, the same maximum term as used for construction contractor Retainer Agreements.

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

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

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

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

Subsection (4): The maximum amount payable to a contractor for a single project under a Retainer Agreement is increased from $200,000 to $500,000.

Subsection (6): This new subsection permits sole source contracts in the following limited situations: (a) if there is only one firm that can reasonably do the work; (b) if the work must be done by a particular firm so as not to void a warranty; (c) if the firm is the only one authorized by a supplier to install a certain item; or (d) if the contract will not encourage favoritism or substantially diminish competition.

Subsection (8): Added requirements prohibiting contracts with a firm that is not properly licensed or which has been determined ineligible by the Bureau of Labor and Industries or OUS.
Subsection (9): Added a requirement for a 100 percent performance and payment bond on all contracts in excess of $100,000. This protects OUS in the event the contractor does not pay its subcontractors or suppliers or fails to complete the work and OUS has to have another contractor finish the work.

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

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

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

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

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

The following minor changes were made in the rules:

1. Changed references from OSSHE to OUS throughout the rules.

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

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

4. OAR 580-050-0032: In general, distinguished between Invitations to Bid, Requests for Proposals, and design-build processes.
5. OAR 580-050-0033: Changed the title to refer to amendments because the body of the rule refers to amendments.

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

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

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

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

BOARD DISCUSSION AND ACTION:
Director Blair reported that the Committee had raised a number of questions concerning the temporary rule. “One of the requests we made for the group working on this is that as soon as possible the process would begin of developing a permanent rule. Further, I would also encourage the staff of the Chancellor’s Office, as well as the Attorney General’s office that is working on this, to seek input from Board members on those rules since there were a few key questions raised,” Director Blair explained.

It was moved by Director Blair that the Board approve the adoption of the temporary rule, OAR 580-050-0001. On roll call, the following voted in favor of the motion: Directors Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, and Sohn. Those voting no: none.
b. PSU, Northwest Center for Engineering, Science, and Technology—Bond Issuance Authority

BOARD DOCKET:

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

Staff Report to the Board

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

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

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

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

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

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

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

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

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

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

PSU believes that these challenges/risks are justified and can be overcome for the following reasons:
1. The bulk of the pledges are from blue-chip donors, such as the founders of Intel and Tektronix, the Miller Foundation, and Fariborz Maseeh, thus likelihood of payment is high;
2. More than $1.1 million in surplus pledges/funding is available to cover contingencies;
3. Fund raising will continue until the total Phase I and Phase II financing goals are met, thus there is a high probability that there will be additional funds for possible contingencies; and
4. Institutional unrestricted cash balances are more than sufficient to fund project advances (unrestricted cash balances have averaged $30.9 million since July 1, 2000 and the maximum advance is $12 million with an average advance of $3.5 million.
**Staff Recommendation to the Board:**
Staff recommended that the Board approve PSU’s request to report to the Legislative Emergency Board, to allow the issuance of bonds for the Northwest Center for Engineering, Science, and Technology Project, even though the Board has not received the total amount of other revenues identified for the project in the expenditure limitation.

**BOARD DISCUSSION AND ACTION:**
Director Blair stated that, following discussion with officials from Portland State University, the Committee voted to recommend adoption of the request. However, the Committee wanted to underscore that this request was viewed as an exception. “It was the quality of the donors involved and the financial resources of Portland State University that made us feel comfortable that the recommendation be approved,” he stated.

Director von Schlegell asked how this message would be conveyed to the E-Board and Chief Operations Officer Yunker assured him that, in the presentation, this would be made very clear.

Director Blair moved approval of the PSU request by the full Board. Those voting in favor of the motion: Directors Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, and Sohn. Those voting no: none.

c. **Budgeted Operations Fund Balances Policy**

**BOARD DOCKET:**

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

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

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

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

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

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

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

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

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

**BOARD DISCUSSION AND ACTION:**
Director Blair reported to the full Board that the Committee had an extended discussion on the topic, and at this point, there was no recommendation for adoption.

“There seems to be some ambiguity regarding the precise definition of fund balance,” he said, “but essentially, these are cash balances not required to fund the operations of the individual universities or of the Chancellor’s Office in a given period (fiscal year or biennium).

“The proposal by the staff yesterday was that there be a target established of about 10 percent fund balance number, and that the fund balances be managed in a range of 5 to 15 percent. I think, if I were to summarize the conversation, the Committee acknowledged the wisdom of maintaining some level of fund balance to manage the timing of cash flows over the course of a year, and also to maintain a hedge against revenue shortfalls or other unanticipated expenses. But, the Committee also believes, very strongly, that it’s inappropriate to maintain excessive fund balances beyond what’s required to cover known costs and a reasonable hedge against uncertainty. In a time of tight resources, we think that asking students in the state to invest more than what is required is not appropriate.

“In particular, the Committee is very concerned about the level of fund balances at Western Oregon University as well as at the Chancellor’s Office. And the Committee did request the administration of Western Oregon University and also the staff at the Chancellor’s Office to provide a much more detailed explanation of the origins of the fund balances and specific plans for the deployment of funds. So, from the discussion yesterday, we’re going to need to hold over the decision of the fund balance policy for a future date. I do believe the staff has done very good work and the Committee recognizes the importance and the wisdom of holding appropriate level of fund balances, but we need to hold over the item for future actions of policy. And for Western Oregon and for the Chancellor’s Office, we want to look in more detail at the plans for those fund balances,” Director Blair concluded.

Other members of the Committee agreed with the analysis provided by Director Blair.

Director Nesbitt added that there was a need for uniformity in the methodology and definition of fund balances so that all campuses and the Chancellor’s Office are making computations in the same way.
• Full Board

a. Selection of Executive Vice Chancellor and Chief Operations Officer

Director Blair noted that the statement he was going to present was being made on behalf of Director Lorenzen and himself.

Our purpose today is to propose to the Board the direct appointment of Mr. George Pernsteiner as permanent Chief Operations Officer for the Oregon University System. We recognize that such senior level administrative positions are normally filled through an open search process, considering a broad slate of candidates. However, in consideration of current circumstances, we believe this appointment is in the best interest of the Oregon University System and the people of Oregon.

Let me provide you with some background on how we’ve reached this conclusion and our reasons for making this recommendation.

Last fall, Governor Kulongoski outlined a bold new direction for higher education in the state of Oregon, focused on four key priorities:

1. Significantly improving access to higher education for all Oregonians;
2. Improving the delivery and productivity of higher education services in Oregon by eliminating barriers to graduation within the public university system and aligning the efforts of public and private universities, community colleges, and the K-12 public education system;
3. Continuing to deliver academic excellence at Oregon’s public universities and leveraging the higher education system to drive economic development in Oregon; and
4. Building support within the Legislature and across the state for reinvestment in the Oregon University System.

In order to realize this vision for higher education in Oregon, in January, Governor Kulongoski appointed, and the Legislature confirmed, seven new members and one continuing member to the 11-member Board.

As the new members assumed their duties in February, the Board faced other significant challenges. The failure of Measure 30 required that the Oregon University System identify $7.5 million in cost reductions for the remainder of the 2003–2005 biennium. Both the Governor and the legislature indicated their desire to minimize the impact of these reductions on the cost and quality of education delivered to students. In addition, in the course of the 2003–2005 biennial budget process, the legislature asked the Legislative Budget Office to review the operations of the Oregon University System Chancellor’s Office, with the objective of identifying potential efficiencies. As a result, the Board also undertook a review of the Chancellor’s Office with the objective of streamlining that organization and identifying cost savings to reduce the amount of Measure 30 cost reductions that had to be absorbed by the universities.
As the Board began its work on this ambitious agenda, the new Board members began to seek advice and counsel from individuals with the knowledge and experience to both understand the current state of the Oregon University System and help develop a vision for the future. One such individual was George Pernsteiner. George had served the Oregon University System for over 13 years, both at the University and the System level. As an Oregon University System Associate Vice Chancellor for Administration, George developed an understanding of the issues and capabilities of the System as a whole. Later, as Vice Provost and Chief Financial Officer at the University of Oregon and more recently as the Vice President of Finance and Administration at Portland State University, he built a robust base of knowledge and a strong record of accomplishments at the campus level.

As the conversations progressed, it became evident that George was uniquely qualified to provide an objective view of the current state of the Oregon University System and also grasp the possibilities of what the System could become. In February, the Board President began to discuss with Mr. Pernsteiner a more permanent appointment with the Oregon University System.

As you know, on March 30, Chancellor Jarvis announced his resignation. The Board had to consider what kind of transitional leadership was needed in a time of change and great uncertainty for both the Oregon University System and the Chancellor’s Office. In April, the Board formally approved the creation of the position of Chief Operations Officer and appointed Jon Yunker to the position on an interim basis. You will recall that Jon Yunker’s appointment was a half time appointment, and his intention was to serve no more than six months.

As a result of these events, discussions with Mr. Pernsteiner took on added specificity and urgency. At this point, the Board President arranged for small groups of Board members to meet with Mr. Pernsteiner and assess his qualifications for Chief Operations Officer of the Oregon University System. He also asked Henry Lorenzen and me to negotiate terms under which Mr. Pernsteiner would be willing to accept the position.

As a Board, we now face a number of extraordinary challenges. Our goals are ambitious: developing and realizing a new vision for higher education in Oregon. Many of us are new to higher education and are working very hard to climb the learning curve while making progress on our agenda of fundamental change. We are in the midst of changes in leadership at the Board level and are currently operating without a permanent Chancellor. And we are about to embark on the budgeting process for the 2005–2007 biennium, a process that will either begin the process of improving higher education in Oregon or contribute to continued decline.

Under these circumstances, we need senior leadership within the Oregon University System that can provide an immediate, positive impact. Ideally, such a leader would:
• Have a strong track record of performance at the System and campus levels, in order to demonstrate the ability to effectively lead a large system of universities and earn the confidence of university leaders;
• Understand the current strengths and weaknesses of higher education in Oregon, but recognize the need for change and have the ability to develop a vision for the future;
• Have a firm grasp of the current administrative and financial operating structure of the Oregon University System and its institutions, as well as an objective perspective on potential alternative approaches to managing these functions; and finally,
• Have existing relationships with other key leaders within the Oregon University System, the Executive Branch, and the Legislature.

We believe that George Pernsteiner has these qualifications. We have also discussed his candidacy and qualifications with his current supervisor at the University of California, Santa Barbara, as well as a number of Oregon leaders, including:

• President Dan Bernstine of Portland State University;
• State Senator Margaret Carter;
• President Dave Frohnmayer of the University of Oregon;
• Former Senator Lenn Hannon, now a member of the State Board of Parole and Post-Prison Supervision; and
• Duncan Wyse, President of the Oregon Business Council.

All of these individuals are highly supportive of Mr. Pernsteiner’s candidacy for this role.

We recognize that normally the Board would conduct an open search for a leader at this level. However, given George’s specific and unique qualifications, we believe that a general search would be misleading for both potential candidates and the public. Moreover, we believe that under current circumstances, the time and money that would be spent on a general search could be better invested elsewhere.

Recommendation to the Board:
Director Blair and Director Lorenzen recommend that the Board appoint George Pernsteiner as Chief Operations Officer of the Oregon University System, effective July 6, 2004, under the following contract terms:

• A two-year initial contract term, renewable for additional one-year periods;
• A salary of $219,500 per year, which is consistent with what his current employer has offered him as of August 2004;
• A housing allowance of $1,500 per month;
• A cash payment of $950 per month to be contributed to an Oregon tax deferred retirement plan (For the Board’s benefit, our analysis with the Oregon Attorney General’s office suggests that that is about half to two-thirds of what is required
to make him whole for what he has available to him at the University of California System);
- A state vehicle for business use;
- OUS unclassified benefit package; and
- Normal moving and storage expenses to relocate George and his family from California.

Governor Kulongoski added that he had been involved in the process of identifying and recruiting Mr. Pernsteiner. “I had a conversation with George for over an hour about a month ago in actually trying to get him to accept the position. I think everything that Don said is true. I think this is what we need to move this process forward. It is still, as all of you know, my top priority. I want to get the person in there that I think can actually help us move the agenda forward, but at the same time manage the System and the legislative process and legislators who have a great respect for him and will actually be able to work with them.

“What we ultimately do as the Board, he will be the driver with me in the legislative process and I think he is going to be a great partner of all of us. I’m very, very supportive of this and I think it is a tremendous step forward,” the Governor concluded.

Director Blair moved acceptance of Director Lorenzen’s and his report as the Board’s justification for the appointment of George Pernsteiner as Executive Vice Chancellor and chief Operations Officer of the Oregon University System, effective July 6, 2004.


Director Blair continued that he was informed by both OUS legal counsel as well as the Attorney General’s office that there are certain statutory responsibilities that are the responsibility of the Chancellor. “Their recommendation,” he stated, “is that we appoint someone as acting Chancellor for the period of time following the effective date of the resignation of former Chancellor Jarvis. That effective date is June 30, so as of July 1 we would need to appoint someone as acting Chancellor.

“I believe that our current interim Chief Operations Officer, Mr. Yunker, has agreed to serve in that capacity, so the second motion is that, in consideration of the fact that Richard Jarvis’ duties as Chancellor of the Oregon University System end as of June 30, 2004, and in consideration of the advice of counsel that the duties of Chancellor should be continuously assigned, I move that the Board designate Jon Yunker as interim Chancellor effective July 1, 2004, through July 5, 2004.”


Director Blair continued that his third motion is that, as of July 6th, it is appropriate to appoint George Pernsteiner as the acting Chancellor for the Oregon University System.
One item I do want to make sure the Board is aware of is that, and I would assume this applies for Mr. Yunker as well, is that traditionally there has been a $20,000 allowance for professional expenses incurred incident to the performance of the duties of Chancellor that go with the position.

“Therefore, with respect to Mr. Pernsteiner, in consideration of the fact that the state requires the responsibilities of the Chancellor be continuously assigned, and in consideration of the ending of Jon Yunker’s appointment as interim Chancellor, which will expire July 5, 2004, I move that the Board designate George Pernsteiner as interim Chancellor effective July 6, 2004.”


Mr. Pernsteiner was introduced to the Board and the audience. He thanked the Board for its support.

“This is an exciting day for me,” Mr. Pernsteiner said, “and I hope it’s the start of an exciting relationship among all of us. The first thing that I want to say is that perhaps the biggest enticement that could be offered to me was to work with this Board. This Board is excitement personified with respect to higher education as it goes forward in Oregon. And I have to tell you, after having met with each of you at one time or another over the last few weeks, you’re dynamite. So, thank you for this opportunity to work with you.

“Thank you, Governor, for your vision. A vision that will animate this state, I believe, for generations to come. Now I know that sounds pompous, but let me tell you what we’re talking about here. Because you all know it and I know it, and I hope that everybody in this room gets as excited about it as I am. We are talking about making higher education – a college education – accessible and affordable to every qualified Oregonian and that’s exciting. We’re talking about creating a System in which students are assisted to succeed – students are assisted to their degrees. And we don’t have artificial impediments set up that block their ability to attain degrees. We have only a 60 percent completion rate in six years in this state. We’re going to come up with a System that changes that, and I’m excited about that.

“The third thing is another one of your initiatives will take the research and knowledge creation that Oregon faculty and students are engaged in and put it right front and center in Oregon economic development—and that is going to make for an economic vitality in this state for generations to come. So I thank you for that.

“And the fourth thing that you’ve talked about is creating an environment in which this state will want to reinvest in higher education. And it’s really exciting to think about being part of that with all of you. I look forward to working with the Board members, with you, Governor, with your staff, with the presidents, with the provosts, the faculty, the students, the staff of the Oregon University System; with all of our educational partners in the community colleges, the independent colleges, and K-12; with the business and
community leaders; and especially with the members of the Oregon Legislative Assembly, to help make this vision a reality. Higher education is, yes, about the future, but it’s about a future of abundance and it’s about a future of optimism. We are in the optimism business because we are in the business of the future. And what I hope, coming out of all of this, is that more than any individual programs, we wind up with Oregonians believing their birthright is higher education. And that’s the exciting part, and I thank you, Governor, for that vision, and I thank the Board members for giving me a chance to help make that happen. I’m really happy to see all of my old friends in the audience and I look forward to renewing those friendships and to making new ones. So, thanks again.”

b. Proposed Opportunities for Chancellor’s Office Further Reduction (CORWG)

Director Richmond, referring to a paper prepared following a meeting of the Chancellor’s Office Review Working Group on June 3, 2004 (a copy of the paper can be found at http://www.ous.edu/board/dockets/ddoc040602-CORWG.pdf), offered that the Group was continuing to study ways to achieve savings through reorganization and downsizing of units within the Chancellor’s Office. “Progress to date has included the recommendation, accepted by the Board, in restructuring the System’s Academic Affairs unit that will result in $1 million in savings,” she reported.

Continuing, she highlighted that the Working Group was recommending reductions of $400,000 in the Finance and Administration area. “We have consulted extensively with Tom Anderes and Jon Yunker on the feasibility of doing those reductions in the Information Technology (IT) area over a longer period of time. Nevertheless, we also need to see if we can recoup any near term savings in that area and given the coincidence of the release of the fund balances in the Chancellor’s Office and trying to determine a constructive way of using those fund balances, we thought it would be prudent to go forth with taking a recurring cut in the IT area of approximately 15 percent of the $3.4 million operating budget of $500,000. That would not be an immediate cut in the sense that it would occur a year from now and, in the meantime, we would use the fund balance in the Chancellor’s Office to keep operations going as they are. That puts a target on IT to reduce a year from now by 15 percent. We realize that may need to be extended into the second year.”

Curt Pederson, Vice Provost, Information Services at Oregon State University, has concurred that it is feasible to consolidate the IT functions of OSU and the Chancellor’s Office. It has been agreed that an outside consultant would be retained to assist in the planning stages.

A portion of the fund balance of the Chancellor’s Office has been targeted to assist the regional campuses in getting appropriate training and/or software or system needs in the transition.

The additional million dollars in savings would come from the realigning of OCATE and CAPTIAL Center with Portland State University. This would allow them to grow and
expand the markets in the regional area and give them increased flexibility. “The deal is not finalized yet with PSU,” Director Richmond stated, “to achieve a seamless transition of those important courses for people in the Beaverton area to continue but also allow us to get out of the business of running that operation and have a campus assume it.”

Director Lorenzen added his thanks to Mr. Pederson, sharing that he had been “impressed both with his sense of understanding of what can be done and also his sensitivity with regard to the needs of the regional universities as well as the personnel involved. I look forward to assisting to the extent I can, but I do want to acknowledge him and OSU for taking on this task.”

In response to a question by Director Nesbitt about the amount of savings to be accrued from these reorganization steps, Director Blair stated that the $3 million is a permanent savings. “We may need to use some fund balances to bridge us to transition costs and so on, but the idea here is for the next biennium, there is a $3 million reduction each year in the Chancellor’s Office cost structure.”

Director Richmond asked Vice Chancellor Anderes to identify some of the commitments for use of the fund balance. “Part of what we have to do in the Chancellor’s Office,” Dr. Anderes suggested, “is to identify what other commitments might be there both in an operational sense and in then, obviously, what can be freed up for other purposes so that will be part of what we do over the next couple of months.”

Referring to a handout given to the Board (available at the Board’s Office), Vice Chancellor Anderes highlighted that it attempts to show two things. First of all, the fund balance in the Chancellor’s Office by June 30, 2004, will be $7.1 million. To date, there are additional commitments of $2,135,500, which is subtracted from the $7 million. It is for a variety of purposes. The most significant one is reorganization costs. There are multiple things that have been happening over the last couple of months that contribute to that,” Dr. Anderes stated.

“When you look at the second section, the additional possibilities tie in with ITS and a one year replacement of General Fund. That would be $500,000. On the one hand, we’re taking it out of the General Fund permanently this year at ITS, but we’re backfilling it with $500,000 in temporary money this year, so for one year they remain whole. $350,000 would go for the regional universities support. That is a very rough estimate, which really will depend, in part, on what the consultants tell us and also on other input. So that is really a placeholder. We have estimated the cost of the consultants at $100,000. The combination of those two—the $2,135,500 and the $950,000—that’s a total of $3,085,500. If you work that against the balance that we see where we'll be at the end of June 30, we’re down to $4 million.

“The discussion that I’ve had, to some degree, with Director Blair and some others, is that if you look at the policy as we had laid it out, and you’re looking at an operational amount of funding that’s needed in the Chancellor’s Office, that will be somewhere in the range of $1-$1.5 million, depending on where the budget ends up. So you can then
see about a $2 to $2.5 million availability of funds. The point that I tried to make yesterday is that there certainly will be available dollars for discretionary purposes as it relates to the reorganization and other uses, perhaps even with the initiatives. We just need to clarify what additional operational needs we might have and the roles of the Chancellor’s Office that would dictate anything more than what the reserve policy would suggest.”

Director Nesbitt noted that when “you first undertook this effort, you were hoping to find about half of $7.5 million, or about $3.25. This computes to about $6 million on a biennial basis, so I knew we were picking a target out of the air. I’m happy to see that you’ve actually exceeded the target and I think a lot of credit goes to all of you who worked on this. I’m a little bit worried that the magnitude of effort that went into developing this kind of a revised budget is going to be lost in other matters, so I just want to call attention to it.”


c. Amendment of OAR 580-040-0040, 2004-05 Academic Year Fee Book

DOCKET ITEM:

Background:
Staff requested approval of proposed OUS tuition and fee rates and related policies for the 2004-05 academic year.

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

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

In April 2004, campuses presented updated preliminary tuition proposals to the Board for 2004-05, to allow time for discussion and public comment prior to Board adoption of tuition and fees at the June Board meeting. Institutions have made minor adjustments to their tuition proposals since the April 2004 meeting, all resulting in small reductions to the proposed tuition increases.
Public Hearing on Academic Year Fee Book

A public hearing on the 2004-05 Academic Year Fee Book was held Tuesday, May 11, 2004, from 10:00 a.m. to 11:00 a.m., in Room 358 of Susan Campbell Hall on the University of Oregon campus. Approximately 20 students attended the public hearing. Oral and written testimony was presented at that time on the proposed changes outlined in the 2004-05 Academic Year Fee Book and a summary of the testimony is attached.

Tuition and Fee Proposals

The proposals in the 2004-05 Fee Book include proposed rate changes and tuition plateau changes. The various fee proposals submitted by each institution undergo a review by Chancellor's Office staff to assure that the proposals comply with related statutes, Board policy, and Legislative expectations. The enclosed 2004-05 Draft Academic Year Fee Book contains:

1) a summary of the tuition and fee proposals and changes from 2003-04 rates,
2) updated OUS fee policies,
3) detailed tuition and fee tables for each campus, and
4) housing policies and proposed rates.

Since the 2004-05 Draft Fee Book was printed, campuses have submitted revisions to the initial draft that are outlined in the attached document, Amendments to the 2004-05 Draft Academic Year Fee Book. Also attached to this report is a survey of representative universities comparing expected 2004-05 tuition and fees with 2003-04 rates.

Alternatives to Tuition Proposals in the 2004-05 Fee Book

The Board has requested that staff present information on possible alternatives to the tuition proposals contained in the 2004-05 Draft Fee Book as follows:

Plan A – Current proposals as contained in the 2004-05 Draft Fee Book as amended, including tuition rate changes and plateau modifications.

Plan B – No plateau changes beyond those approved by the Board in 2003-04. Tuition rates would increase sufficiently to generate the same amount of revenue for each campus as Plan A.

Plan C – No plateau changes beyond those approved by the Board in 2003-04. Campuses may increase tuition by the percentage rate increases approved by the Board in April 2003. Projected revenues would decrease.

Plan D – Implement a tuition plateau from 15–18 credit hours at each campus with rate increases as approved by the Board in April 2003.

A summary of the impact of these plans on tuition rates and campus revenues is included in the docket.
Oregon University System Fee Policies
The OUS Fee Committee, comprised of OUS staff and campus representatives, has conducted a review of OUS fee policies to update them to reflect current practice and to match the policies implemented with the Resource Allocation Model initiated in 1999-00. The revised policies have been reviewed by the OUS Councils for Academic Affairs, Student Affairs, and Administration and were provided to the Board for information in April 2004.

The 2003-04 policies are available on the OUS website at http://www.ous.edu/fr_tuition.htm Further detail on specific wording changes and edits is available at the OUS Budget and Management Office.

The majority of the proposed changes and edits clarify existing policies, but a few of the proposals represent minor substantive policy changes and are highlighted in the summary section of the 2004-05 Draft Fee Book.

Staff Recommendation to the Board:
Staff recommended that the Board amend OAR 580-040-0040 as follows: (Underlined material is added; brackets denote deletion.)

OAR 580-040-0040 Academic Year Fee
The document entitled Academic Year Fee Book, dated June 4, 2004 [July 18, 2003] is hereby amended by reference as a permanent rule. All prior adoptions of academic year fee documents are hereby repealed except as to rights and obligations previously acquired or incurred there under.

Through the amendment, the Board adopts the document entitled Academic Year Fee Book, the memo of attachment amending the draft document, and attached schedules noted in this agenda item. The Executive Vice Chancellor will be permitted to authorize minor clerical adjustments to the final document, if necessary.

(Board Action: roll call vote required.)
Plan A – Current Proposal  
Amendments to the 2004-05 Draft Academic Year Fee Book

Staff recommended the following revisions to the 2004-05 Draft Academic Year Fee Book:

**Health Fees**
The estimated rate for student health insurance premiums in the Draft Fee Book was $13.40 per term. The actual premium rate is $15.60 per term. Based on the change, SOU is proposing a $2.20 increase in the health fee and WOU is proposing a $2.00 increase since the Draft was printed. The changes are included in Attachments #1 and #2, which are summary tables, pages ii and iii from the draft, and will be made in the applicable detail tables in the Fee Book.

**Eastern Oregon University**
Tuition will increase for Nonresident Graduate students by 10 percent above the current rate. This change corrects the tuition increase proposed in the Draft, which was 22 percent above 2003-04 rates from 9-16 credit hours. The revision below will be made to page 22. See Attachment #2, revised summary page iii.

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<td>15</td>
<td>6,302</td>
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<td>16</td>
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**University of Oregon**
Increase housing rates for 2004-05 by 5 percent above current rates. The Draft Fee Book included no increase for UO housing rates. See Attachment #3, page v and Attachment #4, replacement page 77.

**Fee Policy Change**
The proposed policy change is for Graduate Assistant Fee Remissions on page 9 of the 2004-05 Draft Fee Book. The policy would be modified as follows:

"Graduate students appointed by the institution and paid at established institutional salary rates as graduate teaching assistants, graduate research assistants, or graduate fellows are exempt from the payment of the tuition up to first 16 credits per term subject to institutional policy."
The purpose of the change is to give campuses the discretion to determine the number of hours that qualify for graduate fee remissions. Given the proposed tuition plateau changes and the legislative cap on graduate assistant fee remissions, this change should give campuses the flexibility needed to operate within the cap. The OUS Fee Committee, with representatives from each campus, and the Academic Council concur with the proposed change.
Plan A Amendment - Attachment #1

<table>
<thead>
<tr>
<th>Table 2</th>
<th>2004-05 Tuition and Fees</th>
<th>Full-Time Undergraduate - 15 Credit Hours</th>
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<tr>
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Percentage Increase over Prior Year

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<th>PSU</th>
<th>SOU</th>
<th>UO</th>
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</thead>
<tbody>
<tr>
<td>Residents</td>
<td>10%</td>
<td>29%</td>
<td>11%</td>
<td>25%</td>
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<tr>
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<td>3%</td>
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<table>
<thead>
<tr>
<th>Fees</th>
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<tbody>
<tr>
<td>Energy</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Technology</td>
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<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
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<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
<td>-</td>
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Total Tuition and Fees*

| Residents | 8% | 23% | 8% | 19% | 20% | 12% | 19% |
| Nonresidents | 8% | 11% | 1% | 23% | 18% | 3% | 23% |

* Excludes Resource Fees. Amounts are rounded to nearest dollar. Changes since Draft Fee Book are in bold.
### Table 3

#### 2004-05 Tuition and Fees
Full-Time Graduate - 12 Credit Hours

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<tr>
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#### Total Tuition and Fees*

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<th>SOU</th>
<th>UO</th>
<th>WOU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residents</td>
<td>$ 3,057</td>
<td>$ 2,907</td>
<td>$ 3,115</td>
<td>$ 3,048</td>
<td>$ 3,018</td>
<td>$ 3,306</td>
<td>$ 3,052</td>
</tr>
<tr>
<td>Nonresidents</td>
<td>$ 5,459</td>
<td>$ 5,031</td>
<td>$ 5,194</td>
<td>$ 5,160</td>
<td>$ 5,049</td>
<td>$ 4,737</td>
<td>$ 5,164</td>
</tr>
</tbody>
</table>

#### Percentage Increase over Prior Year

<table>
<thead>
<tr>
<th></th>
<th>EOU</th>
<th>OIT</th>
<th>OSU</th>
<th>PSU</th>
<th>SOU</th>
<th>UO</th>
<th>WOU</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tuition</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residents</td>
<td>10%</td>
<td>37%</td>
<td>0%</td>
<td>22%</td>
<td>26%</td>
<td>12%</td>
<td>23%</td>
</tr>
<tr>
<td>Nonresidents</td>
<td>10%</td>
<td>37%</td>
<td>0%</td>
<td>17%</td>
<td>22%</td>
<td>4%</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Fees</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>0%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0%</td>
<td>-</td>
</tr>
<tr>
<td>Technology</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Building</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Incidental</td>
<td>0%</td>
<td>4%</td>
<td>-5%</td>
<td>0%</td>
<td>10%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Health</td>
<td>8%</td>
<td>4%</td>
<td>2%</td>
<td>5%</td>
<td>10%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Tuition and Fees</strong></td>
<td>9%</td>
<td>32%</td>
<td>0%</td>
<td>20%</td>
<td>24%</td>
<td>11%</td>
<td>20%</td>
</tr>
</tbody>
</table>

*Excludes Resource Fees. Amounts are rounded to nearest dollar.

Changes since Draft Fee Book are in bold
Plan A Amendment - Attachment #3

Residence Hall and Food Service Charges

Institutional residence halls and food services operate as auxiliary services. As such, auxiliary fees and charges are expected to cover the cost of their operations. In recommending residence hall room and board charges for 2004-05, institution administrators estimated residence hall occupancy in relation to enrollment projections and present occupancy patterns.

Recommended changes for 2004-05 in room and board rates will increase between 0 percent and 6.6 percent percent.

Not included in the comparison table below are rates for Portland State University. PSU recently began to manage the operation of its residence halls, after contracting for management services with Student Services Northwest, Inc., a private corporation. Monthly rents for rooms and apartments range from $211–$804 with an average increase of 2.5 percent above prior year rates.

Table 5
Room and Board Comparisons

<table>
<thead>
<tr>
<th>Institution</th>
<th>2003-04</th>
<th>2004-05</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Oregon University</td>
<td>5,725</td>
<td>6,100</td>
<td>6.6%</td>
</tr>
<tr>
<td>Basic multiple, 19 meals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oregon Institute of Technology</td>
<td>6,135</td>
<td>5,935</td>
<td>-3%</td>
</tr>
<tr>
<td>Basic multiple, 19 meals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oregon State University</td>
<td>6,258</td>
<td>6,627</td>
<td>5.9%</td>
</tr>
<tr>
<td>Basic multiple, 19 meals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southern Oregon University</td>
<td>6,039</td>
<td>6,351</td>
<td>5.2%</td>
</tr>
<tr>
<td>Basic multiple, 19 meals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University of Oregon</td>
<td>6,981</td>
<td>7,331</td>
<td>5%</td>
</tr>
<tr>
<td>Basic multiple, 19 meals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Western Oregon University</td>
<td>5,630</td>
<td>5,860</td>
<td>4.1%</td>
</tr>
<tr>
<td>Basic multiple, 19 meals</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Revisions from Draft Fee Book in Bold
Plan A Amendment - Attachment #4

UNIVERSITY OF OREGON
2004-05 Academic Year Room and Board Rates

<table>
<thead>
<tr>
<th>ROOM AND BOARD RATES</th>
<th>Standard Package</th>
<th>Premium Package</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>80 meal points / 7 days (approximates 16 meals)</td>
<td>95 meal points / 7 days (approximates 19 meals)</td>
</tr>
</tbody>
</table>

**Residence Halls**<sup>1</sup>

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Double</td>
<td>6,894.00</td>
<td>7,331.00</td>
</tr>
<tr>
<td>Deluxe Double</td>
<td>8,272.00</td>
<td>8,709.00</td>
</tr>
<tr>
<td>Small Single</td>
<td>7,194.00</td>
<td>7,631.00</td>
</tr>
<tr>
<td>Single</td>
<td>8,531.00</td>
<td>8,968.00</td>
</tr>
</tbody>
</table>

**Barnhart Hall**<sup>2</sup>

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Double</td>
<td>8,272.00</td>
<td>8,709.00</td>
</tr>
<tr>
<td>Small Single</td>
<td>10,239.00</td>
<td>10,676.00</td>
</tr>
<tr>
<td>Large Single</td>
<td>11,221.00</td>
<td>11,658.00</td>
</tr>
</tbody>
</table>

**East Campus Graduate Village**<sup>3</sup>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio Apartment</td>
<td>$459-$469 per month</td>
</tr>
<tr>
<td>1 Bedroom Apartment</td>
<td>$540-$555 per month</td>
</tr>
</tbody>
</table>

<sup>1</sup> Includes linen service, local telephone service, basic cable TV service, and internet access. Includes required social fee ($11 Fall, $8 Winter, and $5 Spring term).

<sup>2</sup> Includes linen service, maid service, local telephone service, basic cable TV service, and internet access. Includes required social fee ($11 Fall, $8 Winter, and $5 Spring term).

<sup>3</sup> Includes unfurnished apartment (range and refrigerator provided), internet access, local telephone service, water, and garbage service. Rates do not include TV cable service, electricity, or meals.
Summary of Testimony at Public Hearing

OAR 580-040-0040
2003-04 Academic Year Fee Book
May 11, 2004

A public hearing was held on Tuesday, May 11, 2004, from 10:00 a.m. to 11:00 a.m., in Room 358 of Susan Campbell Hall on the University of Oregon campus to provide an opportunity for comment on the proposed amendment to OAR 580-040-0040 to adopt the 2004-05 Academic Year Fee Book. Approximately 20 students attended the public hearing. Oral and written testimony was presented at that time and is summarized below.

Ximeng Yang, UO Freshman: Spoke in opposition to elimination of the tuition plateau, which will unfairly increase tuition. He is a science student enrolled in pre-med courses and the Honors College and has to take 17-18 hours per term to graduate in four years and fulfill the requirements of the major. Requests that tuition plateau not be eliminated.

Maddy Melton, ASUO President: Described a lack of participatory process regarding the tuition plateau elimination at UO. Student representatives are absolutely opposed to tuition plateau elimination and were told what tuition would be—they were not consulted. There is a need to reframe the discussion around the participatory process.

Sonia Aouriri, UO student: Has seen the impact of increasing tuition on students and realizes the need for tuition plateaus. One of her peers works three jobs and 11 hours a day while taking 15 credits so that she can graduate on time. Without tuition plateaus, she will be forced to pay $150-$300 more per term, forcing her to drop her full-time load, despite her passion and dedication to learning. Elimination of the plateau will also be eliminating the amazing potential that students offer to campus and the community.

Yuka Murai, UO international student: Described how elimination of the tuition plateau affects international students. To graduate in four years, international students need to take 16 or more credits per term because they usually take English classes before other coursework. Many international students are suffering financially due to the economic recession and they usually cannot get financial aid from their governments. Fall term, she took the ASUO internship class, but had to drop it because she could not afford the two extra credits. She is hurt by the lost opportunity to be involved with student leadership groups and attend workshops.

Kristen Clardy, UO student: With a 12 percent tuition increase, her family will pay $686 more next year. To put the increase in perspective, it is equal to groceries for 13 weeks, eight classes worth of books, or one term of housing. Her family saved for her education and she is on a fixed budget. When tuition goes up, the money comes from her budget for food, books, and housing. Now with the tuition plateau changes, staying in college is a hard choice. A good student who is on the Dean’s list, she should not be turned away because she cannot afford to pay.
Adam Petkun, *ASUO President-Elect*: Believes that tuition plateau elimination undermines the Board’s goal of *more, better, faster*. Presented data from three different states (Minnesota, Missouri, and Indiana) showing that removing the plateau leads to smaller student course loads, longer time to completion, and diminished revenue to universities. A tuition plateau allows students to take classes for educational enrichment and to explore ideas outside their majors. Another concern about per-credit hour systems is that it really hurts low-income students the most. Urges the Board to move from a finance-driven discussion to a student-driven discussion. The financial pressure could lead to a policy with lasting negative consequences for students.

Ashley Rees, *ASUO Executive Committee*: Has dreamt of attending law school and takes heavy course loads, achieving a 3.9 GPA. Will have to borrow heavily to pay $27,500 per year for law school and needs to save money as an undergraduate. If the Board changes the tuition plateau, it could be devastating to her plans and hopes of affording law school.

Amy DuFour, *ASUO Co-Legislative Associate*, and Mike Martell *ASUO Finance Coordinator*: Did not receive adequate hearing notice and would like additional time for public comment until May 19th in the event that additional issues arise. ASUO continues to object to the elimination of the tuition plateau. The encroachment on the plateau continues to hurt students. The proposed increase follows a trend and is highly burdensome. This system acts as a disincentive for students to enroll in classes, which broaden the depth of their liberal arts education, which is contrary to the mission of the UO. Increased charges through the refund policy also cause more expense. Recommends establishing a tuition plateau for 12-16 credit hours. Also objects to the $20 per term energy surcharge charged only at UO and EOU, which is outdated and unjustified.

Eddy Morales, *Vice-President ASUO*: Spoke against modifying the tuition plateau, which is bad policy for universities and students. It contradicts the Board goal to make education better for students. A per-credit hour system forces students to take the minimum requirements and does not allow them to benefit from all that a university has to offer. And tuition increases are just too high—students cannot be looked at simply as a revenue source. There must be a more balanced approach to tuition increases.

Mary Fletcher, *PSU student*: The current tuition proposal will price many students out of an education. As a low-income student, she is an Opportunity Grant recipient and works every day. She wants to graduate on time to decrease her debt load and cannot afford the increases. She must now choose between working an extra ten hours per week to pay for another class or staying in school longer. The university cannot continue to balance the budget on the backs of students.

Kelly Thoen, *PSU student*: Spoke against the proposal to modify or eliminate the tuition plateau. Eliminating the plateau will force students to take fewer credits and spend more time in school, further deteriorating access to education. Encourages the Board to come
up with alternatives and not to create long-term policy because of a current revenue shortfall. The current plateau proposal is bad policy with long-term effects.

Kristy Harper, *PSU Student Body President*: Tuition increases mean that she must take out an enormous amount of loans. Taking away plateaus is taking away the Board goals of more, better, faster education for students. Requests that the Board reconsider making changes to the tuition plateaus.

Taraneh Foster, *UO transfer student*: Transferred from the University of California System and is a five-year student in journalism, due to the transfer. Has to enroll for an additional term because her capstone course was full. She plans to start a business in Eugene after graduation and would like to take three business courses in the fall as well as the journalism course. But she will be unable to afford it with the plateau changes. Has already had to drop dance and yoga classes due to tuition increases beyond 18 credits. Urges the Board to make a commitment to tuition plateaus.

Bruce Miller, *retail advisor*: Stated that tuition increases are unnecessary and suggested reading *Prof Scam*, a book with information on how to reduce tuition. Said that he paid tuition per credit hour when he went to school. Recognized that universities have higher costs for science and other classes and have to pay more for high quality instruction.
## Annual Tuition and Fees in Representative Institutions 2004-05*

In Descending Order of Resident Undergraduate 2004-05 Rate

**Selected Comparator Public Colleges/Universities in the West**

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Year</th>
<th>Res U/Grad</th>
<th>Nonres U/Grad</th>
<th>Res Grad</th>
<th>Nonres Grad</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Oregon University</td>
<td>2004-05</td>
<td>5,508</td>
<td>5,508</td>
<td>9,171</td>
<td>16,377</td>
</tr>
<tr>
<td></td>
<td>2003-04</td>
<td>4,326</td>
<td>4,326</td>
<td>6,609</td>
<td>11,523</td>
</tr>
<tr>
<td></td>
<td>%Change</td>
<td>27.3%</td>
<td>27.3%</td>
<td>38.8%</td>
<td>42.1%</td>
</tr>
<tr>
<td>Western Oregon University</td>
<td>2004-05</td>
<td>5,142</td>
<td>15,447</td>
<td>9,156</td>
<td>15,492</td>
</tr>
<tr>
<td></td>
<td>2003-04</td>
<td>4,305</td>
<td>12,570</td>
<td>7,614</td>
<td>12,858</td>
</tr>
<tr>
<td></td>
<td>%Change</td>
<td>19.4%</td>
<td>22.9%</td>
<td>20.3%</td>
<td>20.5%</td>
</tr>
<tr>
<td>Western Washington University</td>
<td>2004-05</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>2003-04</td>
<td>4,182</td>
<td>12,954</td>
<td>5,694</td>
<td>16,221</td>
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<tr>
<td>Eastern Montana College</td>
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<td>12,831</td>
<td>5,259</td>
<td>13,541</td>
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<tr>
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<td>4,180</td>
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<td>4,814</td>
<td>12,174</td>
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<td>8.9%</td>
<td>11.2%</td>
<td>9.3%</td>
<td>11.2%</td>
</tr>
<tr>
<td>Southern Oregon University</td>
<td>2004-05</td>
<td>4,965</td>
<td>15,147</td>
<td>9,054</td>
<td>15,147</td>
</tr>
<tr>
<td></td>
<td>2003-04</td>
<td>4,152</td>
<td>12,822</td>
<td>7,320</td>
<td>12,570</td>
</tr>
<tr>
<td></td>
<td>%Change</td>
<td>19.6%</td>
<td>18.1%</td>
<td>23.7%</td>
<td>20.5%</td>
</tr>
<tr>
<td>Northern Arizona University</td>
<td>2004-05</td>
<td>4,076</td>
<td>12,596</td>
<td>4,276</td>
<td>9,622</td>
</tr>
<tr>
<td></td>
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<td>12,116</td>
<td>3,796</td>
<td>8,124</td>
</tr>
<tr>
<td></td>
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<td>13.3%</td>
<td>4.0%</td>
<td>12.6%</td>
<td>18.4%</td>
</tr>
<tr>
<td>Eastern Washington University</td>
<td>2004-05</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
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<td>2003-04</td>
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<td>5,202</td>
<td>15,387</td>
</tr>
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<td>-100.0%</td>
<td>-100.0%</td>
<td>-100.0%</td>
<td>-100.0%</td>
</tr>
<tr>
<td>Boise State University</td>
<td>2004-05</td>
<td>3,520</td>
<td>10,576</td>
<td>4,232</td>
<td>11,288</td>
</tr>
<tr>
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<td>3,252</td>
<td>9,972</td>
<td>3,930</td>
<td>10,650</td>
</tr>
<tr>
<td></td>
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<td>8.2%</td>
<td>6.1%</td>
<td>7.7%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Southern Utah University</td>
<td>2004-05</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>2003-04</td>
<td>2,794</td>
<td>8,158</td>
<td>3,756</td>
<td>11,442</td>
</tr>
<tr>
<td>Chico State University</td>
<td>2004-05</td>
<td>2,866</td>
<td>9,634</td>
<td>3,076</td>
<td>8,152</td>
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<tr>
<td></td>
<td>2003-04</td>
<td>2,718</td>
<td>9,486</td>
<td>2,832</td>
<td>7,908</td>
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<td></td>
<td>%Change</td>
<td>5.4%</td>
<td>1.6%</td>
<td>8.6%</td>
<td>3.1%</td>
</tr>
</tbody>
</table>
### Annual Tuition and Fees in Representative Institutions 2004-05*

In Descending Order of Resident Undergraduate 2004-05 Rate

**Selected Comparator Public Colleges/Universities in the West**

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Year</th>
<th>Res U/Grad</th>
<th>Nonres U/Grad</th>
<th>Res Grad</th>
<th>Nonres Grad</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western State College Colorado</td>
<td>2004-05</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>2003-04</td>
<td>2,584</td>
<td>9,766</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Western New Mexico University</td>
<td>2004-05</td>
<td>2,557</td>
<td>9,565</td>
<td>2,701</td>
<td>9,733</td>
</tr>
<tr>
<td></td>
<td>2003-04</td>
<td>2,470</td>
<td>9,022</td>
<td>2,614</td>
<td>9,190</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.5%</td>
<td>6.0%</td>
<td>3.3%</td>
<td>5.9%</td>
</tr>
<tr>
<td>University of Hawaii Hilo</td>
<td>2004-05</td>
<td>2,424</td>
<td>7,992</td>
<td>2,784</td>
<td>6,512</td>
</tr>
<tr>
<td></td>
<td>2003-04</td>
<td>2,376</td>
<td>7,944</td>
<td>4,032</td>
<td>9,552</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.0%</td>
<td>0.6%</td>
<td>-31.0%</td>
<td>-31.8%</td>
</tr>
<tr>
<td>California State University Stanislaus</td>
<td>2004-05</td>
<td>4,668</td>
<td>6,768</td>
<td>5,640</td>
<td>5,076</td>
</tr>
<tr>
<td></td>
<td>2003-04</td>
<td>2,210</td>
<td>8,978</td>
<td>2,316</td>
<td>7,392</td>
</tr>
<tr>
<td></td>
<td></td>
<td>111.2%</td>
<td>-24.6%</td>
<td>143.5%</td>
<td>-31.3%</td>
</tr>
</tbody>
</table>

*Note: Many of the 2004-05 numbers are tentative pending approval by policy setting body.*

### Annual Tuition and Fees in Representative Institutions 2004-05*

In Descending Order of Resident Undergraduate 2004-05 Rate

**Selected Comparator Public Universities in the West**

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Year</th>
<th>Res U/Grad</th>
<th>Nonres U/Grad</th>
<th>Res Grad</th>
<th>Nonres Grad</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Colorado Boulder</td>
<td>2004-05</td>
<td>0</td>
<td>0</td>
<td>0</td>
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### Annual Tuition and Fees in Representative Institutions 2004-05*

**In Descending Order of Resident Undergraduate 2004-05 Rate**

**Selected Comparator Public Universities in the West**

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Year</th>
<th>Res U/Grad</th>
<th>Nonres U/Grad</th>
<th>Res Grad</th>
<th>Nonres Grad</th>
</tr>
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<tbody>
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<td>Oregon State University</td>
<td>2004-05</td>
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<td>7.3%</td>
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## Annual Tuition and Fees in Representative Institutions 2004-05*
In Descending Order of Resident Undergraduate 2004-05 Rate

**Selected Comparator Public Universities in the West**

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Year</th>
<th>Res U/Grad</th>
<th>Nonres U/Grad</th>
<th>Res Grad</th>
<th>Nonres Grad</th>
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<td>9,792</td>
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<td>1.0%</td>
<td>-30.8%</td>
<td>-31.8%</td>
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<td>8,838</td>
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<td>8,648</td>
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<td>28.2%</td>
<td>7.7%</td>
<td>29.0%</td>
</tr>
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<tr>
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<td>2,486</td>
<td>8,838</td>
<td>2,302</td>
<td>8,648</td>
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</table>

*Note: Many of the 2004-05 numbers are tentative pending approval by policy setting body.*
### Annual Tuition and Fees in Representative Institutions 2004-05*

In Descending Order of Resident Undergraduate 2004-05 Rate

**Selected Shared Peer List of OUS Large Universities: OSU, PSU, UO**

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Year</th>
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<th>Nonres</th>
<th>Res</th>
<th>Nonres</th>
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<td>6,092</td>
<td>18,700</td>
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<td>2004-05</td>
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<td>0</td>
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<td>0</td>
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<tr>
<td><strong>Oregon State University</strong></td>
<td>2004-05</td>
<td>5,328</td>
<td>17,892</td>
<td>9,345</td>
<td>15,582</td>
</tr>
<tr>
<td>University of Oregon</td>
<td>2004-05</td>
<td>5,670</td>
<td>17,646</td>
<td>9,918</td>
<td>14,211</td>
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<td>16,866</td>
<td>9,144</td>
<td>15,480</td>
</tr>
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*Note: Many of the 2004-05 numbers are tentative pending approval by policy setting body.*
Oregon University System

Tuition Increase Alternatives

PLAN A - Tuition Proposals for 2004-05
Increase Rates per Credit Hour at or below rates approved by Board in April 2003
Plateau changes as proposed in 2004-05 Fee Book

PLAN B - Tuition Alternative for 2004-05
Increase Rates per Credit Hour to raise same amount of revenue as Current Plan
No plateau changes beyond those approved in 2003-04

PLAN C - Tuition Alternative for 2004-05
Increase Rates per Credit Hour as approved by the Board in April 2003
No plateau changes beyond those approved in 2003-04

PLAN D - Tuition Alternative for 2004-05
Increase Rates per Credit Hour as approved by the Board in April 2003
Plateau: 15-18 Credit Hour Undergraduate Tuition; 12-15 Hour Graduate

Percentage Increases per credit hour

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<thead>
<tr>
<th>Resident Undergraduate</th>
<th>Nonresident Undergraduate</th>
<th>Resident Graduate</th>
<th>Nonresident Graduate</th>
</tr>
</thead>
<tbody>
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<td>10%</td>
<td>10%</td>
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<tr>
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<td>3.1%</td>
<td>15%</td>
<td>9%</td>
</tr>
<tr>
<td>OSU</td>
<td>5%</td>
<td>11%</td>
<td>5%</td>
</tr>
<tr>
<td>PSU</td>
<td>0%</td>
<td>0%</td>
<td>8%</td>
</tr>
<tr>
<td>SOU</td>
<td>12%</td>
<td>17%</td>
<td>12%</td>
</tr>
<tr>
<td>UO</td>
<td>12%</td>
<td>15%</td>
<td>12%</td>
</tr>
<tr>
<td>WOU</td>
<td>0%</td>
<td>12%</td>
<td>6%</td>
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## Oregon University System

### Tuition Increase Alternatives

#### Plan A Proposed Plateau Changes

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<th>Nonresident Undergraduate</th>
<th>Resident Graduate</th>
<th>Nonresident Graduate</th>
</tr>
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<tbody>
<tr>
<td>EOU</td>
<td>None*</td>
<td>None*</td>
<td>None*</td>
<td>None*</td>
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<tr>
<td>OIT</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>
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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>
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<td>No change</td>
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<tr>
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<td>None*</td>
<td>None*</td>
<td>None*</td>
<td>None*</td>
</tr>
<tr>
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<td>$175 per credit hr for 10-16 hrs</td>
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<tr>
<td>UO</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>
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#### Plan B and Plan C Plateau Status - Same as Winter/Spring 2003-04

<table>
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<tr>
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<th>Resident Undergraduate</th>
<th>Nonresident Undergraduate</th>
<th>Resident Graduate</th>
<th>Nonresident Graduate</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOU</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>OIT</td>
<td>12 - 15 hours</td>
<td>12 - 15 hours</td>
<td>9 - 15 hours</td>
<td>9 - 15 hours</td>
</tr>
<tr>
<td>OSU</td>
<td>$25 per credit hr for 13-16 hrs</td>
<td>$25 per credit hr for 13-16 hrs</td>
<td>9 - 16 hours</td>
<td>9 - 16 hours</td>
</tr>
<tr>
<td>PSU</td>
<td>None**</td>
<td>None**</td>
<td>None**</td>
<td>None**</td>
</tr>
<tr>
<td>SOU</td>
<td>12 - 16 hours</td>
<td>12 - 16 hours</td>
<td>9 - 14 hours</td>
<td>9 - 14 hours</td>
</tr>
<tr>
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<tr>
<td>WOU</td>
<td>12 - 15 hours</td>
<td>12 - 15 hours</td>
<td>9 - 12 hours</td>
<td>9 - 12 hours</td>
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#### Plan D Plateau Status

<table>
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<th>Resident Graduate</th>
<th>Nonresident Graduate</th>
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<tbody>
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*Plateau elimination approved by State Board July/October 2003

OUS BAM 5/2004
## Oregon University System

### 2004-05 Tuition Alternative Plans - Undergraduate Resident Tuition per Term

<table>
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<th>Credit Hours</th>
<th>Plan A</th>
<th>Plan B</th>
<th>Plan C</th>
<th>Plan D</th>
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<tr>
<td></td>
<td>18</td>
<td>1,620</td>
<td>20%</td>
<td>90</td>
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OUS BAM 5/2004
### Oregon University System

### 2004-05 Estimated Tuition Revenue Increases

**Estimated Revenues generated by Proposed Rate Increases and Plateau Changes**

#### Plans A - Current Plan Revenues

Plan B generates the same total amount

*(in 000's of dollars)*

<table>
<thead>
<tr>
<th>Rate</th>
<th>Plateau</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>EOU</td>
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<tr>
<td>OIT</td>
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#### Plan C Revenues

No Plateau Changes beyond those approved in 2003-04

*Rates Increase at April 2003 Approved Rates*

*(in 000's)*

<table>
<thead>
<tr>
<th>Rate</th>
<th>Plateau</th>
<th>Total</th>
<th>Decrease*</th>
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<td>(853)</td>
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<td>UO</td>
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<td><strong>Total</strong></td>
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*Decrease from Current Plan A*

#### Plan D Revenues

Plateau from 15 - 18 Credit Hours

*Rates Increase at April 2003 Approved Rates*

*(in 000's)*

<table>
<thead>
<tr>
<th>Rate</th>
<th>Plateau</th>
<th>Total</th>
<th>Change*</th>
</tr>
</thead>
<tbody>
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*Change from Current Plan A*
BOARD DISCUSSION AND ACTION:

Ms. Nancy Heiligman, Assistant Vice Chancellor for Budget Operations, briefly reviewed the items that staff proposed to the Board. She stated that the process the Board has undergone in reviewing tuition and fees began at the April 2004 Board meeting, at which time the campuses presented preliminary tuition proposals to the Board. Those proposals contained proposed tuition rate increases that were either at or below the rates that had been approved by the Board in April 2003 in the biennial tuition planning process.

“We have analyzed the proposals very carefully and compared the proposals and the tuition that were approved by the Board in July 2003 and that were in place at the time that the legislature approved the budget. We’ve compared those proposals to the current plans and we believe that there is about $9 million in room below that cap. As noted by Director Nesbitt, the plateau increases amount to about $5.5 million. With the recent clarification from the Legislative Fiscal Office that they are looking at an overall dollar target, we also tried to isolate the increases from any enrollment changes that are expected. So we do believe that we are well within that cap. The other issue that we looked at, in terms of legislative limits, was resource fees. Staff did determine that there was no room for any increases in resource fees from any of the campuses based on the legislative limits that had been set.

“Several other actions have taken place. First, the campuses have continued to confer with student groups and then submitted their tuition proposals to the OUS budget office. We published the Academic Year Fee Book, which you have, and again, that is based on Plan A. A public hearing was held on May 11 at the Chancellor’s Office. Approximately 20 students attended that hearing and provided testimony. A summary of their testimony is included in the written materials in the Board docket. The other issue is that we did clarify in writing with the Legislative Fiscal Office the parameters of the tuition limits set by the legislature.

“Just briefly, I’ll go through Plan A. First, the proposed increases in rates per credit hour. These are very close to the rates that you saw in April; there have been just a few minor changes but these are the rate increases. In addition to the rate increases, the plateau change proposals – Eastern has eliminated their plateau; OIT, PSU, and WOU are all requesting elimination of the plateau in fall term; and OSU, SOU, and UO are requesting modified plateaus in Plan A. The result of that, if you consider the student enrolled for 15 credit hours, is a range from $1,292 per term to $1,440 per term, increases ranging from 10 percent to 29 percent. As you heard at the earlier session, there is much variability among students based on the credit hour carrying load and we chose 15 hours because that’s the number of hours a student would have to be enrolled, on the average, to graduate in four years.

“One other point of information. We did survey peer universities and other public universities in the West and I do have to say that the rates are preliminary at many of the universities that we were surveying and some had not yet reported their changes.
But the rates at OUS ranked at the top compared with the public universities in the West and the large university peers based on the limited data we have today,” Ms. Heiligman highlighted.

“After the Fee Book was put together and Plan A was completed, the Board asked us for some other alternatives and we developed Plans A, B, C, and D. Plan A is the current proposal. Plan B calls for no plateau changes from those previously approved in the current year and then to increase the rates per credit hour to generate the same amount of revenue at each campus so it was basically a revenue-neutral proposal. Plan C also called for no further plateau changes and then suggested increasing the rates as approved at the April 2003 meeting of the Board. That had a variable impact on the campuses and produced approximately $5.5 million less in revenue than Plans A and B. Plan D suggested plateaus at every university at a standard plateau and increasing the rates as approved in April 2003. This generated less revenue and had an extremely variable impact on the campuses because of where they are at this time.

“The impact of each of those plans on tuition rates and on total revenues are included in the written materials in the docket. I would like to mention also,” Ms. Heiligman inserted, “that up to this point, I’ve talked about Plan A. However, in the past week, OSU has been reviewing their proposals and talking with their campus community and are proposing basically to move to Plan B, which would mean that they would need to increase undergraduate resident tuition by 11 percent and leave their plateau where it is currently, which is a modified plateau.”

Continuing, Ms. Heiligman stated that the total revenues generated “under Plans A and B, $24.6 million, 7.7 percent across the System. The increases vary widely based on the number of hours of carrying load so it would affect different student groups differently. But overall, these are the amounts of revenue that are projected to be generated. I also did want to show you in Plan A what amounts are generated by the rate increases and what amounts are projected to be generated by the plateau changes: $11.5 million from rate increases, $13.1 million from the plateaus, and you can see the variability based on each campus proposal and their requirements.

“To summarize, I just wanted to be clear about the Board action requested. This would be an amendment to OAR 580-040-0040 to adopt the 2004-05 Academic Year Fee Book with amendments included in the docket. The Fee Book adoption, as proposed in the docket, would include 2004-05 tuition rates as proposed in Plan A, with the plateau changes, fees, housing rates, and updated fee policies,” Ms. Heiligman concluded.

Director Nesbitt observed that the issues were not about rate increases so much as they were about the changes in plateau and that includes some philosophical and practical issues about the incentives. “As I understand the plateau, I see it as kind of a volume discount. In a retail establishment, you tend not to think of that as a subsidy, you think about that as an incentive or enticement. I think the more positive way of looking at this is as an incentive to take a full course load and complete your education, get your
four-year degree in four years. I am concerned about the complete elimination of that incentive,” he said.

“Going back to impact, if we think there is reason to start moderating the discount, moderating the plateau, I’m very concerned about suddenly eliminating it. For full-time students, that produces the kind of sticker shock we’ve seen with gasoline prices in the past few months,” Director Nesbitt observed. “We’re seeing now, because some of the larger institutions like UO and OSU are going to retain some plateaus, a real compression of differential for full-time students in tuition between the smaller schools and the larger schools. I don’t know if that is an unintended consequence or not, but it is one we should look at.”

Continuing, Director Nesbitt pointed out that General Fund balances have to be returned at the end of the biennium. “So, if we’re looking at fund balances, no matter where they exist, it really is tuition and fees left over. And that includes a large amount that originally came to the Chancellor’s Office, as I learned yesterday, when the System went to the RAM in 1999. I think we should take a serious look at how to retain, or at least moderate, some of these proposals and their impact on those 15-hour students, with some of the available fund balances, either at the institution level or at the Chancellor’s Office level,” he emphasized.

“I think this needs to be done to some extent with one eye on the available fund balances in the Chancellor’s Office and another eye on the differential fund balances at each institution, so I hope we can look at this institution by institution. I would also carve out an exception for PSU because they got their approval last October to do in 2004-05 what we see in this document. So, I look at that in a different light; they also have a different student population and they’ve also negotiated with the student population. All the other changes for 2004-05 are new. They weren’t part of what had been adopted when the legislature adopted the budget and wrote the Budget Note. They haven’t really been blessed by this Board or our predecessor Board and I think we should really look carefully at them and do what we can to moderate these extreme impacts here with available fund balances in the 2004-05 year,” Director Nesbitt concluded.

Governor Kulongoski observed that if there were to be a fighting fund for faculty salaries, there should also be a good faith effort made of the same amount for relief of tuition increases. He also remarked that these were policy choices, which were not easy to make. “I understand as well as you all do that at some point, we just take existing dollars and move them around. I do think this access issue is so critically important that I would like to see if there is some way we could reduce the total number of dollars that we are trying to raise out of the tuition side of this and maybe we can look at a proposal on the plateaus.”

It is the cost of education, not tuition or plateaus that is at issue, Director Sohn added. “My sense is that the plateau concept is something of an inherited concept from another era. It used to be the case that most students went from high school to college and spent four years there and graduated,” he pointed out. Continuing, he stated that he
was “particularly sensitive to the equity issue. I think that, by inheriting a plateau from a
different era and applying it now as a significant way of setting the cost of education,
that we have created an equity problem and I think President Bernstine has articulated it
well, and I think it is a problem.”

Continuing, he stated that he differed with Director Nesbitt in the bulk-purchasing
eexample. “I always had problems with bulk purchasing from an equity standpoint in that
the people who can afford more money up front are being subsidized by the people who
have to buy things in small quantities over time and ultimately pay more for the same
amount of goods because they can’t afford the bulk discount. A lot of discounts in the
marketplace are taken advantage of by the people who can most afford to have those
discounts and that’s kind of the way the incentive in the economy works and I think it is
misapplied here.”

Directors Lorenzen and Dyess agreed with Director Sohn that the per credit hour tuition
charge is probably the most fair way of assessing tuition and that the “plateau does, in
fact, shift the burden among students. There is no such thing as free classes,” Director
Lorenzen emphasized. Director Dyess cautioned that the Board should be fairly careful.
“The plateau allows people to explore opportunities that they would have never explored
and found an area that may be an area of expertise that will make the biggest difference
in Oregon in the future. I am very concerned that we take this opportunity away without
replacing it with something else. Having said that, I am a very staunch believer in that
the campuses need to have some freedom to do the right thing on their own as opposed
to having us dictate exactly what everyone should do.”

Director Burns acknowledged that it was encouraging to see that OSU had decided not
to go with Plan A, but has reconsidered the original proposal. “It is an increase in
tuition,” she observed, “but I think it moves closer toward the goals that we have
articulated. I think that a thing that is important is that we still never seem to get over the
assumed argument that we are trying to stop students from dropping loads and that
makes this an attractive policy because I think that if the prize is students graduating on
time and getting out of each university and freeing up more space for other students to
move in, I think it is less of a deterrent from that prize if you have fees that happen as a
result of dropping classes or you change your refund schedule rather than stopping a
student from ever taking a class because they know they can never afford it. I think
there are better ways that we can implement policies that really actually achieve our
goals that we put forward.”

Continuing her comments, Director Burns shared appreciation for Governor
Kulongoski’s commitment to trying to eliminate some of the burden that would be placed
on students. However, she suggested that another option that should be considered is
one that would be institutionally based and need-based, similar to a program OSU
offered two years ago. Finally, Director Burns said that if the Board were really
committed to “protecting students and promoting equality, there is a recognized student
voice in this state and it’s the Oregon Student Association. If we really want to preserve
access for students, we should actually consult those students and listen to their issues
and their ideas. You have not heard one single argument that has supported this policy from students that are affected," she emphasized.

President Frohnmayer argued for a modicum of institutional self-determination. First, he stated that each of the institutions has a different incentive system at the present time and to mandate a uniform policy would destroy them. Second, each institution serves a different mix of students with differing circumstances. “That economic mix has been considered by us in the best available way we can analyze the data in terms of what our students can afford, the financial aid we can afford to give, the tuition remissions we assign to our students already to ameliorate their tuition issues,” he highlighted.

“Our only way of dealing with a reduction in revenue that would be occasioned by telling us we can’t do the plateau change that we have proposed to you, which by the way is not an elimination of the plateau, but simply a substitution of the credit hour change, is to reduce classes or to cut enrollment,” President Frohnmayer pointed out. “Each of the institutions are differentially affected, each of them has impacts that have been carefully considered.”

Director Blair made three points. First, he stated that there is a governance question involved in the discussions as to what the Board’s responsibilities are and what the institution’s responsibilities are. “We’ve been talking about the changing model of higher education, that people are, in many cases, using a menu of community colleges and four-year universities, and part time course work and essentially assembling their careers and their higher education experiences from a number of different places.”

Secondly, he observed, there was an analogy concerning sticker shock. “A principle we would probably want to articulate is that you can make changes over time but you have to make sure that you give people some time to adjust. Let’s make sure that as we look at the implications of the changes we make in the System, we consider how people adjust to that over time and how we can bridge the gap.” Finally, Director Blair counseled that the Board should think about “setting some boundaries as to what we consider to be appropriate funding decisions by the universities. We’ve spent a lot of time in the last two days talking about fund balances. I think that gets to a fundamental question of whether the policies have been appropriate. What we as a Board, I would suggest, need to do is first decide a principle that says what our role is and what is the role of the university presidents. Then my suggestion is that we set principles and the universities operate within those principles and find the solution that makes the most sense for their institution.”

It was pointed out by President Dow that “at this late stage in producing a budget and revenue opportunity for fall term, we are at a crisis threshold. So if there is some avenue that you are going to go down that requires us to rebalance our fund balances, which, in fact, are cash flow and a very small amount of actual operating reserve, we need to sit down with you immediately.”
Oregon State University was the only institution that opted to go with Plan B. President Ray read a message that he had sent to the campus community regarding the tuition plans. In summary, the proposal was an 11 percent increase in tuition for in-state undergraduate students and no increases in tuition rates for non-resident undergraduates, or professional or doctoral students, and no changes in the 13-16 plateau range for the next year. “The financial impact from these recommended changes will mean that OSU will have slightly less revenue than would have been.” Discussion will be on-going throughout the year regarding what options to pursue in the future.

President Conn opined that while there is a relationship between fund balances and tuition charges, “we’re going way too far in confusing one-time money with what we need to build a long-term educational institution with faculty hopefully with multi-year employment.” He mentioned the concept of a potential rebate, if it were determined that students had been overcharged in the past. However, he reiterated his hope that fund balances would be used wisely to take care of one-time needs.

Referring to minutes of April 2003, Director Nesbitt pointed out that the previous Board had expressed a goal of “limiting tuition increases at a predictable, minimal level to maintain access for Oregonians and allow students to better plan and manage costs. I think that word ‘predictable’ is just as important as the word ‘minimal’ and I think that gets to the argument for fairness in the adjustment period. I think the best measure of impact here is what we are charging now vs. what we will charge a year from now, not different versions of what we propose to charge a year from now. And it is those impacts that get to the level of 19 or 25 percent above current levels that are so concerning.”

It was suggested by Director Richmond that a subcommittee of the Board be set up to look at a proposal that might be put forward to utilize some of the Chancellor’s Office fund balance to offset the tuition increases. President Ray reminded the Board that there is a limit on fee remissions that can be provided to students and that the cap has been reached.

Director Blair said that it would be helpful if the institutions had time to look at the cohorts of students and determine where the increases for individual groups of students might be higher than for others and return to the Board with that information. Various arguments were put forth both in support of the notion and also indicating that it would be a very difficult task and costly to implement.

Governor Kulongoski, attempting to bring closure to the discussion, suggested that first, the Board needed to know “how much money we think we can actually put forward, how much that would cost, and then find out at the institutional level how we would actually administer such a program. . .If we have $4 million, instead of trying to reorganize this, it would be a program that you would actually be able to develop a refund to those students who are going to be hit the hardest. That is how I would like to approach it.
“There’s one other issue that I want you to know came out today that I think is critically important. I now speak to you, not as the Chairman of the Board but as the Governor of this state. The issue in the exchange between President Frohnmayer and Director Blair, I think is at the heart of it. At some time, this Board is going to have to sit down and come to an understanding on the governance issue. If I had to give you one of the reasons why I picked this issue it is that I actually went to a Board meeting shortly after I became Governor and what I found out is that the issues they were discussing and were going around about I remember them arguing 15 years before. I concluded that nothing ever changes in this System and it just goes around and around and around and we do the same thing. At the heart of it, I think, is an understanding of this Board and the relationship of the Chancellor to the Board and the Chancellor to the university presidents. It is critically important and part of that understanding is the role of the presidents in this System. I think the Board, and whether it’s guidelines or whatever, that debate among this Board must occur because all these things we do if we can’t get a fundamental structure in this line of governance, I don’t think we’ll ever be successful, to tell you the truth because I’ll get this push/pull all the time from the individual presidents. I think you have to get to this and whether it’s at a retreat or whether we can do that under a public meeting, I’m willing to facilitate that if, in fact, we can actually get an understanding and a written policy that gets us to that so I don’t want to walk away from that.”

Continuing, Governor Kulongoski stated that another item he would be following very closely are the ending fund balances. “If you think we’re going to walk away from it, you have another think coming because the legislature isn’t going to let us walk away from this issue and I’m not going to walk away from it when I present another budget to the legislature. This issue is going to stay alive. To be very frank with you, I’m going to be very blunt, that on Western Oregon, and I don’t mean to be cruel about this, what I see right now, if this were me, by myself, you’d never get a tuition increase at Western Oregon right now. I wouldn’t do it. You’ve got a 29 percent ending balance and I don’t see why there should be a tuition increase at that institution. So, I’m telling you what I’m going to be looking at and you’re going to see it again from me.”

Director Lorenzen moved adoption of the Academic Year Fee Book for 2004-05.

Director Nesbitt amended the motion to indicate that special consideration should be given to the plan from Western Oregon University.

On roll call the following voted in favor of the amendment: Directors Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, and Sohn. Those voting no: none.

Director Sohn moved to amend the primary motion to approve it assuming that the Board do so in view of a mitigation plan for the most affected students.
On roll call the following voted in favor of the second amendment: Directors Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, and Sohn. Those voting no: none.

Director Sohn moved that the primary motion be amended to accept the modification proposed by Oregon State University to what was presented in the fee book.

On roll call the following voted in favor of the third amendment: Directors Blair, Burns, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, and Sohn. Those voting no: none.

On roll call, the following voted in favor of the original motion as amended: Directors Blair, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, and Sohn. Those voting no: Burns.

Director Richmond added that, no later than the next Board meeting in July, the presidents should be notified of any changes the Board would recommend. She also noted that the resident graduate tuition rates are “way above our peers and we are talking about students that desire to pursue graduate education at a time when they realize the financial benefits. We need to start paying attention to this.”

President Ray responded that the OSU plan begins to address these concerns. “We have, in fact, been pricing ourselves out of the out-of-state undergraduate and professional and doctoral program markets and we need to moderate what has gone on in the past.”

It was acknowledged by Director von Schlegell that the appropriate role for the Board is governance and that needs to be addressed. “When you talk about affordability and access, there are only two or three variables – tuition levels, financial aid, and competitive factors and I’ve gotten a lot of different answers over the last several months on how high our tuition is. Oregonians’ ability to pay is another factor. If we’re going to operate at the right level, we need to look at the information we have to set policies so that the presidents can run their institutions. I don’t know if it’s a history of micro-managing. . . but I think we have to get away from that model and start looking at the real affordability issues – tuition, financial aid, and net income of Oregonians.”

Governor Kulongoski expanded on Director von Schlegell’s comments by offering that “the System has suffered a lot in the legislative process through a lot of its own doing. It is this lack of credibility on numbers and data. Now, I understand with the large institutions and seven independent bodies that this happens. But ultimately, somebody has to show up and make a presentation that the legislators can say, ‘I believe this.’”

Explaining her negative vote on the Tuition Fee Book, Director Burns stated it was not to “suppress the good moves that we’ve made in the past few moments towards what I believe to be a positive end. I just disagree with the idea of the elimination of the tuition plateau as previously articulated and I couldn’t, even though these are really
encouraging steps, and I totally agree with the amendments, I just couldn’t on principle vote for something that I didn’t necessarily support on the foundation level.”

Ms. Heiligman asked for clarification on the WOU proposal. Western had asked for fee increases in some of their self-supporting programs, including housing rates and health fees. She questioned if these were included or not in the motion about WOU. WOU was asking for a $2.00 increase in their health fee and housing rates which are self-supporting programs. It was agreed that these requests stand as presented.

President Conn stated that WOU was requesting elimination of the tuition plateau, a rate reduction for out-of-state students and graduate students, and no rate increase for in-state students and questioned if those proposals were accepted or not. Governor Kulongoski stated that everything would remain status quo until the Board had resolved the ending fund balance issue.

Director Richmond recommended that the Audit division of the Chancellor’s Office review the finances for WOU in a manner that can be done in a short period of time to assure that monies are not being spent unwisely in an attempt to lower the fund balance. Director von Schlegell added that perhaps some outside audit assistance would be helpful as well.

d. Adoption of OAR 580-040-0300, Surplus Property Disposal

BOARD DOCKET:

Summary:
The purpose of this rule is to establish parameters governing the disposal of surplus property by the Chancellor’s Office and the institutions of the Oregon University System (OUS).

Background:
In 2003, Senate Bill 437 gave OUS authority to dispose of surplus property independent of the regulations that govern other state agencies. The Chancellor’s Office Legal Affairs Office created a rough draft for discussion purposes and a conference call was held on October 23, 2003, with the campus purchasing managers and surplus property disposal staffs for initial input on the draft. The attorneys at the University of Oregon and Oregon State University had significant input thereafter into the draft that was revised to include campus input. On December 12, 2003, a copy of the revised draft was sent to the campus Directors of Business Affairs and the purchasing managers. Additional input was received from campus attorneys, and a final draft was sent out to the Directors of Business Affairs on March 23, 2004, with no further direction for change received.

The rule as proposed provides optimum latitude to the campuses in disposal of surplus property and scrap materials. Campuses may adopt their own rules in accordance with the OUS rule.
On May 14, 2004, OUS held a public hearing. No testimony or further input was received.

Staff Recommendation to the Board:
Staff recommended that the Board adopt OAR 580-040-0300 as presented below.

SURPLUS PROPERTY DISPOSAL

580-040-0300
Purpose
These rules establish, for the Institutions of the Oregon University System (OUS) and the Chancellor’s Office, a process for disposal of surplus and scrap property that safeguard’s state assets, creates efficiency in surplusing or scrapping, maximizes the value received for property that is surplus to institutional or the System needs, and is attentive to environmental impacts.

580-040-0301
Definitions
For purposes of OAR 580-040-0301 through 580-040-0311, unless context requires otherwise:
(1) “Board” means Oregon State Board of Higher Education.
(2) “Chancellor’s Office” means the offices that provide direct administrative support to the Chancellor and the Board, and are not part of an OUS institution.
(3) “Employee” means a person who, within the last twelve months, has been paid a wage for full-time, part-time, or temporary work by an institution or the Chancellor’s Office.
(4) “Federally Funded Surplus Property” means personal property, vehicles, and titled equipment, purchased with federal grant or other federal funds and that is worn-out, obsolete, or excess to the Chancellor’s Office or an institution’s needs, or otherwise unsuitable for intended use, the disposal of which would be to the financial benefit of the institution or Chancellor’s Office.
(5) “Institution” means any of the institutions of the Oregon University System.
(6) “President” means the chief executive officer of an Oregon University System campus or designee.
(7) “Scrap” means materials, including lost, mislaid, or abandoned property having no financial value or such low financial value as to make sale not cost effective.
(8) “Surplus Property” means all personal property, including lost, mislaid or abandoned property, vehicles and titled equipment that is worn-out, obsolete or excess to the Chancellor’s Office or an institution’s needs, or otherwise unsuitable for intended use, the disposal of which would be to the financial benefit of the institution or Chancellor’s Office.
580-040-0302
General
(1) The Chancellor's Office and Oregon University System institutions may, in accordance with these rules, dispose of any worn out, obsolete, scrap, or otherwise unsuitable surplus property, the disposal of which would be to the benefit of the Chancellor's Office or the institution, except as set forth in subsection (2).
(2) These rules do not apply to any equipment, goods, supplies, material, information technology or other personal property encumbered by a certificate of participation that will be disposed of in accordance with applicable law.

580-040-0303
Delegations
These rules apply to the Chancellor's Office. An institution may follow the procedures set out herein or adopt its own rules, which rules will conform to the purposes set out below. Prior to adoption, the OUS Senior Vice Chancellor for Finance and Administration must approve the rules developed by the campuses. In addition, the State Board of Higher Education delegates to each president responsibility for implementing these rules or rules adopted by that institution.
Purposes: Rules developed for surplus and scrap property will:
(1) Safeguard state assets;
(2) Create efficiency in surplusing or scrapping;
(3) Maximize the value received for property to the extent consistent with efficiency; and
(4) Attempt to reduce negative environmental impacts.

580-040-0304
Environmental Standards
Disposal of surplus property and scrap will be accomplished in accordance with all state, federal, and local regulations regarding environmental health and recycling. If ownership of surplus property or scrap is transferred to another party, the institution, or Chancellor's Office transferring the property must document passing of title. The acquiring party assumes environmental responsibility when title transfers.

580-040-0305
Maintenance of Proper Inventory Records and Justification of Sale or Disposal
(1) The Chancellor's Office and institutions will each set thresholds and standards that identify by value or type, for personal property for which disposal records must be maintained.
(2) Disposal records for assets, whether or not capitalized, will include the following information:
(a) Description of property and, if capitalized, asset number; and
(b) Reason, date, and method of disposal.
580-040-0306 Disposition of Federally Funded Surplus Property
Federally funded property will be disposed of in accordance with applicable federal law or federal grant terms, if any. Otherwise, such property will be disposed of in accordance with these rules, or institution rules adopted hereunder.

580-040-0307 Disposition of Property Acquired by Gift
Disposition of property acquired by gift will be in accordance with the Internal Revenue Code and any restrictions applicable to the property. Otherwise, the property will be disposed of in accordance with these or institution rules adopted hereunder.

580-040-0308 Exchange or Trade-in Option.
The Chancellor's Office or institution may exchange or trade-in property when such exchange or trade-in is in the best interest of the Chancellor's Office or institution and is otherwise in compliance with applicable rules or policy. Exchange or trade-in will be considered disposal for purposes of these rules. Records will be kept regarding the valuation methodology used in evaluating the relative benefits of trade-in, exchange or sale.

580-040-0309 Transfer of Property to a Collaborating Government or Non-Profit Institution
Transfers of surplus property or scrap may be made to a collaborating government or other non-profit institution when intended for institution purposes and consistent with restrictions on its transfer.

580-040-0310 Method of Disposal; Eligibility to Acquire
(1) The Chancellor's Office or institution will use a method of disposal that is cost-effective, taking into account the costs of disposal and the potential for financial return. Disposal methods include, but are not limited to, exchanges, trade-ins, auctions, sealed bid sales, scrapping, fixed price retail sales, donation to other state agencies, Oregon political subdivisions, public non-profits, web-based auctions or sales and, for scrap, transfer for no valuable consideration.
(2) No current or former employee or agent for such will be granted any benefit or opportunity not granted the general public in acquisition of items through the disposal process.
(3) All property is conveyed "AS-IS, WHERE-IS" with no warranty, express or implied, of merchantability or fitness for a particular purpose, or any other warranties or guarantees. A purchaser or disappointed bidder will have no recourse against the State
of Oregon, the Oregon University System, an institution, or any of their officers, employees, or agents. All sales will be final.
(4) The Chancellor's Office or institution may provide that payment may be made by credit card, cash, cashier's check, personal check, wire transfer, or money order.
(5) Surplus property paid for, but not claimed with the time specified in the sales terms and conditions will be conclusively considered the property of the Chancellor's Office or institution and may be disposed of in compliance with these rules.
(6) Title to surplus property or scrap is transferred to the purchaser when the Chancellor's Office or institution makes the item available to the purchaser either by the purchaser, purchaser's agent, or purchaser's or institution's designated shipper taking possession of the item. Surplus property must be paid for in full before the institution or Chancellor's Office will make it available to the purchaser. Purchaser assumes all responsibility, including risk of loss or damage, for the item when title is transferred.

580-040-0311
Disposal of Computer and Other Electronic Storage Devices and Media
Prior to disposal of any computer, computer peripheral, computer software, electronic storage device, or storage media device, the Chancellor's Office or institution will, as applicable, completely erase or otherwise render unreadable all information, data, and software residing on the Device, unless the information, data, or software is to be conveyed and may be conveyed lawfully.

BOARD DISCUSSION AND ACTION:
Governor Kulongoski turned to Vice Chancellor Anderes for an explanation of the surplus property disposal rule. Vice Chancellor Anderes asked OUS General Counsel and Deputy to the Chancellor Benjamin Rawlins to make a brief presentation. General Counsel Rawlins noted the draft administrative rule was the result of the passage of SB 437, which authorized OUS to dispose of surplus property independent of the rule of the Department of Administrative Services. He offered the rule was drafted after consultation with the directors of business affairs, campus counsel, and purchasing and surplus personnel on each of the campuses. He stated: "The intent of the rule is to allow the campuses and the Chancellor's Office the greater flexibility in disposing of surplus and scrap property while remaining cognizant of environmental concerns, ethics, efficiencies, and the need to maximize value received from these properties."

Governor Kulongoski acknowledged his conflict, but asked General Counsel Rawlins if DAS was aware of the rule. General Counsel Rawlins replied DAS was aware of the draft rule, as there were discussions and the new draft rule parallels the DAS rule. Governor Kulongoski asked if DAS knew the rule was coming, and Rawlins replied yes. With no discussion, Governor Kulongoski called for a motion to adopt the rule.

Director Burns moved to adopt the rule, and Director Sohn seconded the motion. With a roll call vote, those favor in favor: Directors Blair, Dyess, Lorenzen, Nesbitt, Pilliod, Richmond, von Schlegell, and Sohn. Those opposed: none. Motion passed.
e. Request to the Emergency Board for Salary Adjustments for Selected Faculty

BOARD DOCKET:

**Purpose:**
The Department of Higher Education sought approval of a pilot program to retain faculty members who are considering leaving the Oregon University System. The program would establish a “fighting fund,” generated from savings in the Chancellor’s Office budget, to offer compensation increases to a limited number of tenure and tenure-track faculty whose work generates significant economic benefit to Oregon. The pilot program is intended to prevent further loss of top quality faculty members during the remainder of this biennium. If successful, the Board will consider extending the program to deal with legislatively determined salary restrictions.

**Background:**
The 2003 Legislature, at the Governor’s recommendation, adopted a wage freeze for all state employees for the 2003-2005 biennium. House Bill 5077 included the following Budget Note for the Department of Higher Education:

> The adopted budget does not support any increases in salaries, wages, or benefits for the employees of the department during the 2003-2005 biennium, and the Committee expects no such increases to be awarded.

The current biennium wage freeze compounds long-standing concerns regarding the level of faculty salaries in Oregon compared with universities in other states. According to a survey released by the American Association of University Professors for the 2003-04 academic year, Oregon salaries for full professors were 15 to 24 percent below the national average for similar types of institutions. Oregon salaries for associate professors were 6 to 20 percent below the national average; assistant professor salaries were 5 to 19 percent below the nationwide average.

Higher education operates in a truly national labor market, particularly for top quality academics. The Department is concerned that an increasing number of faculty members are leaving the state due to compensation issues. The Board conducted a faculty retention survey in February 2004 and found that 21 faculty members had recently left, an additional 19 were believed to be negotiating with other institutions, and 26 more were considered highly likely to be approached within the next six months. Many of these faculty members, in addition to their teaching and public service, bring significant amounts of grant funds to the state. Of the 21 faculty members who have already left the System, eight had grants in the current academic year totaling an estimated $3.5 to $4.3 million.

**Faculty Salary Proposal:**
1. Establish a pilot program that will allow the Board of Higher Education to increase compensation for faculty members whose continued employment in Oregon has
significant economic development implications. *(Establish as a pilot program in case the state’s salary freeze is extended or the Board wants to establish a “fighting fund” for retention purposes.)*

2. Reserve $0.5 million in state General Funds (available from reductions in the Chancellor’s Office budget) to fund the pilot program. Universities will contribute Other Funds Limited revenues to fund compensation increases in proportion to the campus General Fund split. Universities will provide all funding for employees funded by gift, grants, and contracts.

3. Using these funds, authorize the Board to grant salary increases of up to 10 percent for a maximum of 200 tenured and tenure track faculty members prior to the end of the 2003-2005 biennium, if the faculty member has an offer of employment from another organization at a salary in excess of the faculty member’s current salary. Also, faculty members that have recently been awarded a prestigious prize or award, been elected as a Fellow or member of a prestigious academy, or honored for meritorious activities denoting a national or international reputation in the faculty member’s field may be considered for an increase.

4. In order to request a salary increase from the Board, a university president must provide the following information to the Chancellor’s Office:

   a. The identity of the faculty member;
   b. Current salary and requested increase;
   c. Source of the funds that will be used to fund the proposed increase;
   d. To the extent possible, information regarding the offer from the outside organization including salary and non-salary components;
   e. Any non-salary components of the proposed OUS counter offer;
   f. The impact, if any, of the salary increase on other faculty members at the institution;
   g. Where appropriate, a list of grants and contracts awarded in the current academic year, including the amount of each and their expiration date;
   h. Documentation of recent awards, prizes, elected positions, or meritorious activities demonstrating the national or international reputation of the faculty member;
   i. Assurances of the sustainability of gift or foundation funds intended to permanently fund the proposed increase; and
   j. A description of the benefits to the institution and the state resulting from the increase.

5. The Chancellor’s Office shall provide appropriate forms for the presidents for submission of requests for salary increases. The Chancellor’s Office shall report to the Department of Administrative Services (DAS) and the Legislative Fiscal Office quarterly on faculty salary increases approved by the Board.
6. The presidents shall also prepare a report to the Chancellor on all faculty promotions to higher rank. The report shall include the salary before and after the promotions. The Chancellor’s Office shall include this information in its report to DAS.

Staff Recommendation to the Board:
Staff recommended the Board approve the salary adjustment proposal and submit it to the Legislative Emergency Board.

BOARD DISCUSSION AND ACTION:
Chief Operating Officer Yunker reviewed the proposal and stated that the difference between this request and others that have gone forward for a “fighting fund” is that this is occurring at a time when there is a salary freeze in the state. “This is a ‘one-time’ emergency fighting fund concept for this year to get us through June 30, 2005. We will go to the Emergency Board and talk to them about the proposal in late June.” He shared that he had talked to at least half dozen legislators who are on the Emergency Board or in leadership positions and they stated that, while they are open to the concept, they have questions they would want to discuss.

Vice Chancellor Anderes reminded the Board that these are “non-recurring funds” in the sense that faculty receive these dollars one year and either they or the institution would be responsible for identifying additional resources.

Reflecting on the meeting the previous day with the Interinstitutional Faculty Senate, Director Sohn reminded the Board that there was a plea not to do this on the grounds of fairness to other faculty. “The pitch basically was that, in terms of faculty morale, everybody is pulling together in difficult circumstances right now and that singling certain people out for this kind of treatment, when everybody really deserves a raise, is problematic. I don’t mean everybody, but I mean on a performance basis. Everybody’s being paid, in a sense, under a salary freeze, nobody is being recognized for their performance contributions—there are not merit or other raises. And that there’s a broader group of meritorious faculty out there that this will not address.”

Although unable to attend the IFS meeting, Director Nesbitt stated that he likewise had concerns. Adding that he would support a very strong, very robust fighting fund in a better time and a better context, he could not support it now in the context of a salary freeze for all state employees, for all higher education staff. “I think this heightens the normal conflicts that might arise about who qualifies or who doesn’t qualify for this kind of increase when everybody’s sharing the burden equally up to now with the salary freeze.

“We also have at least a couple of faculty units that have settled contracts for this biennium with the understanding and the good faith expectation that we’re all in this together when salaries are frozen,” he pointed out.
In addition, Director Nesbitt shared concern about a “fighting fund” for faculty when the Board is still struggling to come to some sort of equity in terms of tuition and fees for students.

Directors von Schlegell, Dyess, and Burns voiced their support for the proposal, cautioning utmost discretion on the part of presidents in implementing the plan.

President Ray reminded the Board that we frequently “talk about how the faculty are the heart and soul of our universities. If we can’t retain the best and the brightest, we can never even approach the kinds of aspirations that we have for our institutions, in fact, not even sustain the level of excellence that we’re able to sustain at this point.”

Continuing, President Ray stated that he and the other presidents would be ready to provide any information, follow any guidelines that the Board would set. “We’re willing to be held accountable,” he emphasized. President Frohnmayer echoed President Ray’s remarks and stated, “Oregon is one of the five now remaining states of the union, perhaps fewer, that has a biennial budget. So the effect of a two-year salary freeze is particularly pernicious vis-à-vis all of our competition for other state universities which are beginning to see their states come out of the economic recession and are beginning to be in a competitive position again. So the frenzy that we already saw this last year and significantly warded off will last another year—the feeding frenzy on the availability of Oregon’s best faculty—and it will only be more intense next year.”

President Frohnmayer added that keeping productive faculty is also a key component of economic development.

Governor Kulongoski reminded the Board that he was the author of the salary freeze. “For a variety of reasons, I insisted that the Budget Note be put in and that it would be applied to everyone. . . . I don’t have a vote (on the Board), but I am going to appear before the Emergency Board in support of this because this is going to be a tough call since I am asking them to amend a policy that I sought very, very hard.” He offered support since maintaining excellence at the institutions depended so heavily on the quality of the faculty.

Director Burns moved approval of the staff recommendation. Those voting in favor: Directors Blair, Burns, Dyess, Lorenzen, Pilliod, von Schlegell, and Sohn. Those voting against the recommendation: Director Nesbitt. Director Richmond abstained because of a potential conflict of interest.

**f. ASET Initiative**

**BOARD DOCKET:**

Access & Affordability Working Group (AAWG) STATUS REPORT

*Introduction*
A higher level of educational attainment is critical to achieving prosperity and economic security for Oregonians and to effectively positioning our state within the globally competitive economy. The educational attainment level of the adult working-age population is linked to a state’s economic health (e.g., average personal income, poverty levels, unemployment rate) and capacity to develop a workforce with the skills for high-wage knowledge work and innovation.

For these reasons, the Oregon Progress Board has established ambitious goals as a key public policy “benchmarks” for Oregon by 2010

- 80 percent of Oregon adults (25 and older) will have completed some college;
- 45 percent of Oregon adults (25 and older) will have completed a four-year degree (compared to just 26 percent in 2000). ¹

But the ability to complete a college education is, for many Oregonians, dependent on their ability to pay for a college education. Many wonder if their children and grandchildren will be able to attend college at all. According to a recent study, more than 70 percent of Oregonians rated college affordability as “very important.” ² Yet, higher college tuition and fees and the total cost of a college education have created an “affordability gap” in Oregon – the difference between what a student can afford to pay and what a student must pay to go to college.

**Findings:**
The affordability gap represents a financial obstacle for young adults from low-income and middle-income families to secure the post-secondary education they hope for and need. It also represents a lost opportunity for those individuals to realize their potential, and for our state to maintain and grow a successful and sustainable Oregon economy. It is estimated that 12,000 Oregon high school graduates did not go on to college in the 1990s because rising tuition and stagnant family incomes discouraged their participation and another 9,000 may have the same fate in this decade. ³ Our state economy cannot recover the economic and social benefits that would have flowed from having more citizens with college degrees.

The affordability gap in post-secondary education is worsening throughout our nation, but it has widened to a chasm in Oregon. Oregon’s state-level higher education policies received an ‘F’ in affordability in *Measuring Up* ⁴ compared to California (which rated an ‘A’) and Washington (which rated a ‘C’). The reasons for this poor rating are higher-than-average tuition rates at Oregon’s public, two-year colleges and four-year

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¹ The US Census Bureau reports that 25.9% of Oregon’s population 25 years and over has at least a bachelor’s degree.
³ Oregon University System, Office of Institutional Research Services (2003). Projections based on freshman participation rates and community college transfer rates before and after Measure 5 and assuming current persistence and completion rates for each cohort to yield a cumulative total number of students who would have been expected to enroll and complete degrees in the 1990s.
universities compared to median family income, lower-than-average incomes (exacerbated by the severity of the recession in Oregon), and lower-than-average state-funded financial aid.

The last factor is most telling. State-funded, need-based financial aid for higher education students in Oregon averaged only $133 per enrolled undergraduate student in 2002-03, before further retrenchments in the Oregon Opportunity Grant\(^5\).

- Nationally, states contributed more than twice that amount for such financial assistance at $354 per enrolled student in the same academic year.
- In California and Washington, state-funded need-based financial aid totaled $367 and $483 per enrolled student, respectively, in 2002-03.
- Across the nation, spending on state-funded, need-based financial aid has increased more than 70 percent over the last five years.\(^6\) (See Appendix A, available in the Board's Office.)

Tuition and fee policies based on median family income and state support for need-based financial aid are critical for increasing the success rates of students at the four key transition points spanning the period from high school to completion of a college degree (i.e., high school graduation, entry into higher education, persistence in higher education, and completing higher education).\(^7\) The success rate of the traditional “educational pipeline” varies widely by state indicating state-level educational policies make a difference to educational outcomes.

- Only 15 of every 100 ninth-grade students in Oregon are progressing successfully from ninth grade to completing a college degree within a continuous and progressive educational cycle, ranking 35\(^{th}\) out of 50 states.
- The U.S. average completion rate is 20 percent better than Oregon’s – with 18 of every 100 ninth-graders securing a two-year or four-year degree within the same time frame.\(^8\)
- The average success rate of the top 25 percent is almost double that of the bottom 25 percent. Massachusetts ranks first with 29 out of 100 ninth graders completing a college degree.
- The highest performing states are almost three times as productive in college degree attainment as the lowest performer.\(^9\)

\(^5\) The Oregon Opportunity Grant, formerly the Oregon Need Grant created in 1971, is the state’s assistance program designed to reduce barriers to postsecondary education for low-income students. For 2004-05, the award amounts vary by sector for the publics and by institution for the eligible private colleges. The award level for recipients going to Oregon’s community colleges is $1,257, to OUS institutions is $1,487, and to OHSU is $2,064. For students attending eligible private institutions, the award level averages about $3,200. The award level is set at 11% of the annual cost of attendance (tuition and fees, books, room and board).


Albeit colleges and universities are accommodating student demand for different pathways to college, more students could be more focused and efficient with adequate financial assistance. According to an increasing number of policy experts, developing effective education policies is a state’s primary tool for gaining high numbers of knowledgeable, skilled workers in the workforce. Oregon’s financing policies for postsecondary education have created a situation in which only the most well-off Oregonians are assured of a path to college. Other qualified Oregonians will require some assistance to attend.

In November 2004, Governor Kulongoski called upon the Oregon State Board of Higher Education (OSBHE) to reconnect postsecondary education to its statewide mission – access – and better align higher education with state priorities. In a recent speech, the Governor called upon the postsecondary education community to work collaboratively to design an access program that would benefit all Oregonians:

*I’m asking all Oregonians to join me in creating a fund that will support access to college for every eligible Oregonian – and to put this fund in the Constitution where it will serve as an economic engine for generations to come.*

The OSBHE responded by creating the Access & Affordability Working Group (AAWG), one of three work groups tasked to develop strategic directions for postsecondary education linked to advancing Oregon’s economy. OSBHE charged AAWG with drafting policy goals and objectives, proposing basic policy elements for access scholarships, costing policy alternatives in relation to the objectives, drafting an amendment to the Oregon Constitution, and proposing performance measures or yardsticks to demonstrate successful outcomes.

**OSBHE Access & Affordability Working Group Process**

Tim Nesbitt, OSBHE Director, and Nan Poppe, Campus President, Portland Community College, Extended Learning Campus, serve as co-chairs to the OUS Board Access & Affordability Working Group (AAWG). Other members include two OSBHE Directors, Bridget Burns and Howard Sohn; Paul Bragdon, President, Lewis & Clark College; Samuel Brooks, President, Oregon Association of Minority Entrepreneurs; Randy Choy, Program Officer, Oregon Community Foundation; Vanessa Gaston, President and CEO, Urban League of Portland; Roman Hernandez, Attorney, Schwabe, Williamson, & Wyatt, PC; and Kate Peterson, Student Financial Aid Director, Oregon State University.10

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9 The top ten performing states include Massachusetts (29%), Pennsylvania (28%), Iowa (28%). New Hampshire (27%), Connecticut (26%), North Dakota (25%), Minnesota (25%), New Jersey (25%), Wisconsin (25%), Rhode Island (23%). Performance of western states include Colorado (20%), Wyoming (20%), California (19%), Arizona (17%) Washington (15%), New Mexico (10%), and Nevada (10%).

10 Non-voting “Resource Experts” participated in the meetings. These experts include Cam Preus-Braly, Commissioner, Oregon Office of Community Colleges and Workforce Development (OCCCED); Julie Suchanek, Director of Communications and Student Issues, Oregon Community College Association (OCCA); Gary Andeen, Executive Director, Oregon Independent Colleges Association (OICA); John Wykoff, Executive Director, Oregon Student Association (OSA); Brian Clem, Chair, Oregon Student Assistance Commission (OSAC) Board; Jeff Svjecar,
Since March 2004, The Access & Affordability Working Group has held six public meetings and completed a series of fact-finding and development activities. The AAWG has reviewed data and information about the cost of attending college as well as policies that increase the affordability of college used by higher-performing states. The AAWG is in the process of developing a proposal for increasing need-based financial aid for students entering postsecondary education for a first bachelor’s degree.

This status report to OSBHE reflects the deliberations of the working group, resource experts, and interested parties attending the public meetings. Other stakeholder groups were contacted about this effort prior to the June meeting of the OSBHE including the directors of student financial aid in Oregon’s private and public sectors, presidents of OUS campuses, presidents of Oregon’s community colleges, presidents of private/independent, non-profit four-year colleges in Oregon (OICA members), and a joint legislative higher education working group convened by Senator Kurt Schrader, Senator Frank Morse, Representative Susan Morgan and Representative Betsy Johnson.

Before advancing the legislative concept in the policy development process, the OSBHE’s feedback to the overall direction represented in ASET’s objectives and proposed policy elements is needed.

**Draft Policy Goals and Objectives**

The goals and objectives include:

- To expand access and make postsecondary education more affordable for all Oregonians.
- To increase the number of Oregonians who are successful in achieving their individual postsecondary goals.
- To ensure the well-educated workforce required by Oregon's current and potential employers (Oregon Benchmark target of 45% of Oregon adults with at least bachelor’s degrees and 80% with some college by 2010.)

To achieve these goals, Oregon policymakers must address the needs of both current and future generations of students. In the short-term, better funding of the Oregon Opportunity Grant (OOG) is needed to reach the current generation of students and provide a bridge to the ASET program. But ASET is a longer-term promise designed to give hope and incentives to students that they will be able to attend college if they work hard and do well. Therefore, implementing ASET also requires the creation of a constitutionally protected endowment for the longer-term. The full-effects of ASET would be realized in the next generation.

Further, in seeking to increase state-funded need-based financial aid for post-secondary students, the AAWG noted its intention that such aid should not be viewed as a trade-off.
for direct state support for its community colleges and public universities and for keeping tuition affordable for all.

Finally, in seeking to identify appropriate resources for the long-term endowment, the AAWG recommends that existing General Fund revenue sources should not be carved out for the proposed endowment, because of the continuing pressures on the state’s fiscal capacity to meet existing obligations for K-12 education, human services and public safety.

Proposed Policy Elements:
Throughout AAWG deliberations it was obvious that the Oregon Opportunity Grant (OOG) is perceived as a good, cost-effective program with high value. However, the pressure to fund more eligible students without corresponding increases in revenues has resulted in fewer qualified students receiving an award and accounts, in part, for the “F” in affordability in Measuring Up 2002. Eligibility for an Oregon Opportunity Grant is based on Oregon’s median family income (MFI) by family size and student status (dependent or independent according to federal definitions).

- For a family of four with one dependent student in college the MFI is $56,987. To be eligible for need-based assistance, this family would have to earn no more than 55% of the MFI or $31,340.
- For a single, independent student, the income threshold is $8,890 or less. (See Appendix B for Eligibility Tables for 2004-05 [available in the Board's Office].) The numbers of students eligible for the grant far exceeds the revenue capacity.
- Fifty percent of the students eligible to receive an OOG received one in 1998-99 (15,710 of the 30,954 eligible students). Only 27% of the students eligible to receive an OOG received one in 2003-04 (14,491 of the 53,175 eligible students) before funds ran out at a much lower threshold than in previous years. Instead of creating a new or parallel grant program, the AAWG recommends using the brand name "Oregon Opportunity" for the access scholarships. The committee estimates it would take at least ten years to create an endowment with a corpus sufficient to generate interest income to support access scholarships. If the Board concurs that this is a critical need today, bridge funding would be needed in this biennium and the next several biennia to support the increased demand for an Oregon Opportunity Grant.

The design specifications for a redesigned and better-funded access scholarships include five elements:

1. Better align the OOG with the federal Pell Grant. (New policy)

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11 The threshold for qualifying
12 The federal Pell Grant, established in 1972 with an amendment to the 1965 Higher Education Act, is the foundation program for federal student financial aid and is the largest grant program. In 2002-03, 23% of all undergraduates received a Pell Grant. The federal need formula is set in statute and the program is structured as an entitlement— if you qualify you get an award. But, it is funded through the annual appropriations process by estimating the number of students who would be eligible. The maximum award level authorized in statute is not the actual maximum award, which at this time is slightly more than $4,000.
- Streamline administrative processes related to determining eligibility and setting award levels;
- Include income and assets in determining eligibility (excludes primary dwelling and automobile);
- Replace income eligibility cut off (cliff) with a graduated income cut off (slope);
- Extend eligibility to students from middle-income families.

2. Base eligibility of students on acceptance into an academic program leading to a degree (associate’s or bachelor’s degree) or certificate, maintaining full- or half-time enrollment, and making adequate academic progress. (Current OOG policy.)

3. Allow students to use the access scholarships at any eligible two- or four-year college or university in Oregon of their choice, excluding majors in theology or ministerial studies. (Current OOG policy.)

4. Set the maximum grant amount available to any eligible student equal to no more than the average resident undergraduate tuition and fees of the seven OUS universities, with the award not to exceed the tuition and fees charged by the institution in which the student chooses to enroll.13 (Varies from OOG policy.)

5. Providing other criteria are met, the length of eligibility would extend to 150% of published length of time to complete a first bachelor’s degree (6 years for a 4-year bachelor’s and 3 years for a 2-year associate’s degree).14

With the better alignment with the Pell Grant (particularly the level of the grant graduated according to family income level) and a larger Opportunity Grant tied to the level of average tuition and fees at OUS institutions (also graduated according to family income), qualified students who cannot afford the rising costs of attending college would not remain untapped resources for Oregon’s economy. (See Appendix C for the effect of proposed grant funding on unmet need for three Oregon institutions, available in the Board’s Office.)

**Proposed Amendment**

In order to establish a protected endowment to achieve these stated goals in the long-term, a constitutional amendment must be presented to the voters for their approval.

The intention is to present a proposal for such an amendment to the 2005 legislature for referral to the voters at some date thereafter.

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13 The student must be full-time to be eligible for the average full-time tuition and fee grant. If the student were enrolled half-time, the grant amount would be calibrated against the tuition and fee charges for the average half-time tuition and fees at OUS universities.

14 This reflects total time and would preclude resetting the clock for subsequent degrees. It would cover the first certificate degree, the first associate’s degree, and the first bachelor’s degree. It would not cover students who completed a first bachelor's degree and then go back to complete a certificate program. Employers and federal workforce programs are other support options for training needs throughout careers.
A sample draft of an amendment is offered below, with the understanding that the purpose of such an amendment is to authorize, fund, and protect an endowment for its stated purposes, while leaving flexibility for program design to be incorporated in statute.

Preamble:
Postsecondary education has become the gateway to economic opportunity, just as a high school diploma used to be. We the people of Oregon believe that a higher level of educational attainment for all Oregonians is critical to the prosperity and security of the state and its people. Therefore,

The people of the State of Oregon add the following new section to the Constitution:

The Oregon Opportunity Trust is hereby established to make college education more affordable for all Oregonians and to increase the number of Oregonians who hold college degrees.

The program shall provide grants to residents of Oregon who have demonstrated the interest and ability to pursue higher education programs that lead to an associate’s or bachelor’s degree or qualifying certificate program. Such grants shall be designed to reduce financial barriers to the pursuit and completion of such degree programs in Oregon’s public colleges and universities and in eligible private colleges and universities in Oregon.

The grants shall be distributed to students in a manner that maximizes the successful participation of all income groups in higher education in Oregon in a cost-effective manner.

In addition, up to ten percent of the funds awarded in any year may be used to enhance need-based assistance to attract and retain students in programs needed to advance Oregon’s competitiveness in the global economy.

Extraordinary Needs and Competitiveness Goals
The overall emphasis of AAWG has been on reducing financial barriers as a first priority. In addition to access, the Governor also noted other higher education priorities when he reconstituted the OSBHE:

We must spend state dollars effectively by targeting investments to programs that drive economic growth and that give us return on our investment that aligns with our goals of access and excellence.

Two other work groups, Academic Excellence & Economic Development and Excellence in Delivery & Productivity, are addressing programs that align with access and excellence that could be addressed within ASET. Among the suggestions offered for targeted investments include loan forgiveness programs for critical occupations contingent on Oregon employment (e.g., health care, information technology), scholarships for talented students (“merit within need”), incentives for community college students to transfer in the junior year to a four-year institution. The OSBHE will be receiving reports from these
committees that have potential for shaping this aspect of ASET. To permit the greatest flexibility, the specific programs should not be fixed in Constitutional or statutory language.

**Administrative Agency**
The Oregon Student Assistance Commission (OSAC) has responsibility for administrative oversight of the Oregon Opportunity Grant among other scholarship and loan programs. The intention is not to establish a second agency to administer the Oregon Opportunity Trust—or ASET.

**Performance Measures**
Among all the barriers to postsecondary education, financial ones show up consistently in access research. Other important barriers include adequate preparation to do college-level work, the focus of Excellence in Delivery & Productivity Working Group. Possible indicators of realizing the access and affordability objectives identified include:

1. Number of additional associate’s and bachelor’s degrees and certificates produced.

2. Number of community college students that transfer successfully to a four-year institution and complete bachelor’s degrees.

3. Percent of lower-income students that enroll in postsecondary education in Oregon following high school graduation and complete a degree (reduce gaps with students from middle and upper income groups).

4. Average number of terms it takes to complete degrees or percent of students completing bachelor’s degrees within four years (by racial/ethnic group, income group, age, gender).

If access scholarships are adequate to remove financial barriers, one would expect freshmen persistence rates to go up, community college transfers to increase, graduation rates to increase, and average borrowing to go down. In fact, Senator Schrader indicated that if access scholarships were funded, OUS would be expected to set targets higher for performance measures than those approved by the 2003 Legislative Assembly. Given that students could take the access scholarships to other institutions in Oregon, all eligible institutions should share in demonstrating accountability for delivering a return on this important investment.

**Next Steps**
A college education is a major investment today. Currently, state and federal governments, colleges and universities, employers, and philanthropic organizations are concerned about optimizing equity and diversity in postsecondary education opportunities (e.g., economic, racial/ethnic, geographic). The next phase of the work includes refining projections of funds needed, developing a broad base of support needed to advance an access and affordability agenda, communicating with

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15 Several of these yardsticks are already included as performance measures for the Oregon University System (OUS) and are reported annually to the Department of Administrative Services (DAS) aggregated for the seven OUS universities. See the OUS website for performance data, trends, and targets.
Oregonians about how they will benefit from more people completing bachelor’s degrees, and identifying a new source of revenue for ASET.

**Conclusion**

Many states have created strong need-based student financial aid programs that approach or exceed the value of the Pell Grant in order to build human capital assets through support of students’ degree attainment. Some states have enacted policies to maintain balance among direct support of public institutions (state appropriations per student), tuition and fee charges, and student financial assistance. These include requiring state aid program adjustments for tuition and fee increases; setting aside a proportion of tuition and fee increases as fee remissions or tuition discounts for low- and moderate-income students, basing tuition and fee charges on median family income, and/or basing annual tuition and fee adjustments on an independent economic indicator (e.g., such as the CPI). As Oregon contemplates finding a new revenue source to expand need-based assistance, the OSBHE may want to consider how to align other financing policies with an improved state financial aid policy.

These policies are designed to create stability, predictability and choice for students and their families by providing the conditions for students to make better enrollment choices that have long-term consequences – taking on reasonable debt loads they can comfortably afford to pay back, working fewer hours to focus on academics and getting started earlier on careers, attending full-time instead of part-time or attending part-time consistently, and holding on to aspirations for a college education.

Many Oregonians, including the Governor, recognize that a college education deeply changes a person’s prospects for a better life, and, in turn, contributes to a better Oregon. Children from minority and low-income groups in Oregon do not have the same opportunities to go to college that they have in other states. Yet, these children are a growing share of Oregon’s future workers, parents, taxpayers and citizens. In a recent speech, the Governor called upon the postsecondary education community to work collaboratively to design an access program that would benefit all Oregonians. This report summarizes the work completed to date and represents the thinking and work of many individuals.

**BOARD DISCUSSION AND ACTION:**

Director Nesbitt, chair of the Working Group, provided a detailed overview of the preliminary ASET program. One area he highlighted related to how grants would be awarded. “Currently, at a community college, an Oregon Opportunity recipient would get a little over $1,250, $1,480 at Oregon State University, and over $3,000 at some of the private colleges. We, instead, are proposing to raise the bar at the seven OUS universities, with a caveat that we don’t want our Oregon Opportunity Grant to exceed the tuition and fees charged by the institution where the student chooses to attend. So, it’s one formula to determine the amount, which will be a much greater amount now than is currently affordable under the Oregon Opportunity Grant, and the other saying if 16 The University of California system requires UC campuses to set aside 30% of tuition and fee increases for need-based assistance. The System is currently considering a reduction to 20%.
you choose a community college, you want to make sure that your grant doesn’t exceed tuition and fees and our assessment of public support for this tells us that’s an important caveat, that the voters would be much more likely to support a grant which does not exceed tuition and fees than one which does. And, then, providing other criteria—the length of eligibility would extend to 150 percent to the length of time to complete your degree, therefore six years for a four-year degree or three-years for a two-year degree.”

Director Blair asked for clarification if the public universities’ standard was going to be the cap. “So, if someone wants to go to a private university that is much more expensive, the cap on the support is the public university number.”

It was confirmed that was correct. “By doing this, we’re raising the target amount for the Oregon Opportunity Grant high enough that it should match a lot of the grants now provided in the private colleges,” Director Nesbitt explained.

“So, it is this redesign of the Oregon Opportunity Grant, coupled with the goal of putting in the constitution a protected fund – an endowment – for funding this kind of program in the longer term that we’re recommending to you today and it will be incorporated into legislation to go forward,” he asserted.

The Working Group also proposed allowing 10 percent of the fund to be structured in a way other than like the Oregon Opportunity Grant to increase flexibility. Discussion has been that the Oregon Student Assistance Commission, the group that currently administers the Oregon Opportunity Grant, would likely administer the new program.

Finally, there will be performance measures included in the plan to assure that it is serving the intended audiences and achieving the desired results. The Working Group will bring forward Phase II of planning that will include detail on how to fund the plan both in the short and long term.

Governor Kulongoski added that this is an issue that must be looked at with an eye to the long term. “I’m absolutely convinced that Oregon’s future in 10, 15, 20 years, its stable economy, its quality of life – all are dependent upon its investment in higher education. . .I have a sense that in some respects we’re reverting back to the way we were before WWII and that higher education is becoming the benefit of those with means and wealth.

“The other piece of this that I hope we won’t lose sight of is the fact that Oregon looks at its education system in this bifurcated fashion of K-12, community colleges, and higher education. And the very truth of it is that the K-12 system has a tremendous advantage in that it has a constitutional footing in the requirement that the state provide a common and uniform system of schools. And what we have right now is this belief that postsecondary education is a luxury and it isn’t something that the state has to do,” the Governor emphasized.
He also highlighted that there isn’t anything more important than trying to actually implement the present proposal and get it into the Constitution. He explained that it would take a corpus of somewhere between $2 and $3 billion to generate interest income to provide the benefit that is established in this particular proposal. “I know that one thing that is of great concern is the capital gains tax. And I cannot think of a better investment for the business community than if a percentage of the capital gains tax were directed to this fund until it builds the corpus up, because an investment in higher education is an investment in business.”

Another idea put forth by the Governor was the establishment of a common school fund. He explained that it would take some statutory changes to do it, but it could be established with the same principle that would provide interest income for higher education.

In response to a question from Director von Schlegell about other models in other states, Director Nesbitt responded that there are a number of states that have bigger and better programs. Some states, he stated, have loan forgiveness programs. Illinois, Washington, and Georgia were given as examples.

Governor Kulongoski observed that another way to look at the loans was to provide help to students “on the back end of this. There has to be a way that we can actually make the investment here in Oregon and provide the same opportunity by staying here in Oregon, whether it’s public service or something else.”

Director Blair asked if the Working Group had considered other models such as loan forgiveness. Ms. Goldschmidt stated that it didn’t make a lot of difference how students got the assistance – it is that grants matter to people for sustaining and completing a degree and need-based aid seems to work most effectively.

Continuing, Director Blair expressed the belief that, “if you have a program that has the support tied to the actual completion of the degree, then you have an even stronger incentive, theoretically, to actually complete the work.” Director Blair explained further that he was totally supportive of the need to provide support. “I’m just wondering if there are ways to tie this to specific outcomes and encourage certain types of, first of all completion, but then I think another great point is how we encourage people to reinvest in the state of Oregon and really drive economic development in the state.”

When asked what voting in favor of the recommendation meant, Director Nesbitt responded that the Board would be “agreeing to the design of the program as outlined, with subsequent report back on the magnitude of the financial effort that we’re going to be proposing in the next legislative session and the further quantification of the constitutionally protected fund. How we fund it, over what period of time, how much it gets to, what it pays for, eventually – those pieces are yet to come.”

Director Blair stated that the Board was not going to re-engineer the proposal at the meeting, so agreed that there be a caveat that there is still some flexibility to talk about
how to best link this back to the Board’s agenda around economic development and connect it to the results the Board is trying to achieve. He stated that the present 10 percent set-aside in the proposal did not achieve the goals he was after.


g. Legislative Concept—Optional Retirement Plan

BOARD DOCKET:

The Oregon State Board of Higher Education on April 2, 2004, approved submission of a placeholder legislative concept to amend ORS 243.800 that governs the Oregon University System (OUS) defined contribution Optional Retirement Plan (ORP). The intent of an amendment is to decouple the ORP from the Oregon Public Employees Retirement System (PERS) for employer contribution rate setting and membership rules for adjunct faculty. Historical fluctuations in PERS employer contribution rates, along with uncertainty about future PERS plan and rate changes, pose fiduciary concerns about contribution rate volatility for ORP participants if the plans are not separated for purposes of contribution rate setting.

Discussions with a faculty stakeholder coalition began in December 2003, to outline criteria that stakeholders indicated are needed to guide action by the Board in setting employer contribution rates. These criteria are that an alternate rate statute would provide metrics describing a rate-setting method that makes ORP rates 1) competitive, 2) stable, and 3) sustainable. Campus Vice Presidents for Finance and Administration began discussing the concept of decoupling ORP and PERS contribution rates in March 2004.

Legislative Concept Options:
Recent PERS events, including the 2003 establishment of a PERS hybrid plan and the state’s $2 billion bond sale for rate reductions, indicate that the ORP statute should be amended either to (A) retain the linked contribution rates and align statutory language with funding and eligibility provisions suitable for the defined contribution plan participants, or (B) decouple the contributions rates of the two plans.

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<td>A. Continue contributions linked to PERS Total Employer Contribution Rate</td>
<td>A1. Revise ORS 243.800(8) and (9) to permit “indirect” contributions, e.g., debt service paid to DAS rather than to PERS</td>
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<td>A2. Revise eligibility criteria for adjunct faculty and part-time employees to eliminate retroactive contributions and lost earnings requirements.</td>
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B. Establish a fixed rate at current PERS employer contribution rate with an option for the Board to adjust for competitive market rates

B1. Requires budgetary support for divergent ORP and PERS rates

B2. Requires periodic adjustment to total compensation benchmarks in relevant labor markets

**Discussion**

Continued linkage to the PERS Total Employer Contribution Rate (ORS 243.800(9)) creates contribution rate uncertainty for ORP participants in the near and long-term. The combination of regular biennial rate adjustments, based on PERS’ plan valuations, uncertainty in future PERS benefits design, pending amortization policies for three separate PERS plans, and the outcome of legal challenges to 2003 PERS reform, create a contribution rate volatility unusual in money purchase pension plans. Decoupling the employer contribution rates eliminates these problems. Staff evaluation of the two contribution rate options is shown in Tables 1 and 2.

| Table 1. ORP Linked to PERS Total Employer Cost Rate |
| --- | --- |
| **Criterion** | **Analysis** |
| Stable | Poor historical rate stability |
| Competitive | Provides highly competitive contribution rates |
| Sustainable | Questionable. Employer rates are projected to return to rate levels near those that stimulated PERS reform in 2003 |
| **Pro** | ▪ Employer total cost rate was in effect when current participants made their irrevocable elections for the ORP; avoids “contract rights” litigation |
| | ▪ Cost neutrality between ORP and PERS |
| | ▪ Favored by faculty stakeholders until PERS reform litigation is completed |
| **Con** | ▪ PERS plan management, normal cost factors, and investment performance create a volatile employer total contribution rate |
| | ▪ Effects of PERS’ amortization policies among three plans remains to be determined, but could cause PERS employer rates to decline to near zero over time due to the state agency surplus from Measure 29 bond proceeds |
| | ▪ Affected by alternative funding decisions related solely to PERS benefits, e.g., the Measure 29 rate reduction |
| | ▪ Inapplicability of past service cost payments for defined contribution plan participants, i.e., PERS and ORP benefits and contributions are not comparable |

| Table 2. Fixed Contribution Rate, Set at Current PERS Rates and Adjusted for Market |
| --- | --- |
| **Criterion** | **Analysis** |
| Stable | Best option for stability in predicting participant accruals and employer costs |
### Criterion | Analysis
--- | ---
**Competitive** | - May be established with reference to labor market comparator rates  
- Rate comparison to PERS contribution is immaterial in that member benefits are not directly impacted by employer funding levels

**Sustainable** | Presumes a fixed rate would be established at a rate determined to be sustainable by OUS institutions over extended periods of time

**Pro** | - Provides participants a definite determinable retirement contribution for recruitment communications and retirement planning  
- Provides predictable funding requirements for budgeting  
- Eliminates the effect of PERS fiduciary decisions on ORP participants.  
- Insulates ORP participants from the effects of legislative changes to PERS  
- Permits rate-setting to be tailored to ORP demographics and experience  
- Allows adjustments as wage benchmarks are attained  
- Favored by six of seven OUS campuses; one campus response pending

**Con** | - Requires OSBHE and OUS Institutions’ commitment to sustained funding levels  
- Requires rate setting structure and process be transparent with quantifiable and measurable metrics used in rate setting to address faculty concerns  
- May be precluded by contract rights question similar to PERS challenge

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**Staff Recommendation to the Board:**
At a minimum, housekeeping items related to indirect contributions (A1) and eligibility requirements for adjunct faculty and part-time employees (A2) should be proposed as a legislative concept to amend ORS 243.800 if the PERS Total Employer Cost Rate is retained.

In the best interests of the Oregon University System and Optional Retirement Plan participants, the ORP employer contribution rates should be decoupled from PERS employer contribution rates. The fixed rate option allows the OUS to adapt eligibility rules to the ORP to eliminate retroactivity of contributions and protects ORP participants from PERS funding arrangements unanticipated by the current statutory language.

**BOARD DISCUSSION AND ACTION:**
Ms. Denise Yunker, Plan Administrator for the Optional Retirement Plan, reviewed the aspects of the Legislative Concept and stated that there would need to be continuing discussion around the issue as the Legislative session approaches.

“The options are outlined in the Board docket item,” Ms. Yunker explained. “There are two choices: one is the status quo with minor statutory amendments that will strengthen the plan against difficulties that we’ve encountered with the linked plan rates; the other option is the staff recommendation and that is to direct staff to prepare language for submission to DAS that would decouple the contribution rates from PERS and the ORP so that those would be set independently for the defined benefit and defined...
contribution plan. I do want to note that we had active engagement with the faculty coalition. The Interinstitutional Faculty Senate has been active in these discussions and does support staying with the PERS rate rather than the decoupled rate. The question before you today is: should we take the option of minor amendments and maintain the status quo or should we go forward and decouple the linked rates in statute and set a fixed rate for the Optional Retirement Plan separate from the PERS rates?"

When asked by Director Blair what the position of the faculty members was, Ms. Yunker replied that their position has been consistent and they concur that, at a minimum, some statutory changes need to be made to prevent the type of problem that occurred with the Measure 29 correction. Their concerns are:

1. The affiliation with PERS offers some protection from having plan provisions change either by the legislature, by the Board, or by OUS. It is a “strength in numbers” type of protection that faculty believe would exist by staying linked with PERS.
2. Faculty are uncertain how the Board, which would have discretion to set rates, would deal with the retirement plan contribution issues if there are more budget restrictions and whether or not there would be adverse impact on the ORP participants.
3. The IFS position, and the other faculty coalition members as well, is that they want to see an explicit methodology about how rates would be set if the Board established a fixed rate.

Dr. Peter Gilkey, president of IFS, stated that Ms. Yunker had correctly stated the position of both the IFS and other faculty who had participated in discussions.

It was pointed out that the position of the faculty and that of the staff were diametrically opposite and that was the reason staff had come to the Board to get a sense of what its position was.

Director Lorenzen mused that this was a very technical issue and that the Board should support the staff decision. However, Director Blair’s response is that it is not a good indicator if there is no agreement. “I wonder if there is a way to find some middle ground here, putting some more parameters around how the ORP contributions are made so that we can get the faculty to feel a bit more comfortable that this is not going to be a total black hole that they have no visibility to, and at the same time, we don’t get ourselves stuck with a PERS program that is in constant motion.”

Director Burns opined that the item should be tabled until the next Board meeting, if Board members didn’t feel they could make an informed decision.

There was discussion around the time frame for getting the Legislative concept to DAS. Mr. McGee, Budget Analyst, Oregon Department of Administrative Services, stated that, “from a timing standpoint, Legislative Council has to have information to draft this for July 15 – which, I believe is before your next Board meeting or about the same time as
the Board meeting. If you had an option to move forward with at least part of this for the
drafting portion, you would have an opportunity to see it once again before it is drafted
in final form and again for the Governor to make a decision to move forward toward the
legislative session. So, if you can move something forward, at least to make the initial
Legislative Council’s July 15th deadline, that would be helpful and you would have some
opportunity to have some additional conversations then."

Providing further guidance, Director Blair stated that option A-1 would be very easy – it
could be done immediately. “I guess the thing I’d like the staff to do is sit down with the
faculty and see if you can come up with something that is, at least to some degree,
addressing the mutual concerns. Now we have a deadline—we’ve got to sit down and
listen a little bit to each other and try to find something in the middle. I don’t relish the
idea of going to war over this, because I don’t think that makes any sense.”

There was consensus that the item would be set over until the next meeting. If
necessary, a special meeting could be called to resolve the language of the proposal.

4. **CONSENT ITEMS**

a. **SOU, Master’s of Music (Conducting)**

**BOARD DOCKET:**

Southern Oregon University proposed to offer its existing American Band College program
as a “stand-alone” degree program, effective summer 2004. Since its initiation in 1989, the
American Band College has been housed within the framework of options that constitute
the interdisciplinary Master of Arts/Science in the School of Arts and Letters. As part of the
academic program of SOU’s Department of Music, the American Band College is
accredited by the National Association of Schools of Music (NASM). In its most recent
accreditation review, NASM recommended renaming the degree awarded for completion
of the American Band College program to become a master’s in music since its curriculum
closely resembles that of a music degree versus an interdisciplinary degree.

The American Band College is unique; its curricular design does not replicate master’s
programs elsewhere in the region or country. SOU’s mission encompasses excellence
in the fine and performing arts and education. Preparation and continuing education for
music teachers and band directors relate directly to these mission strengths.

The Master of Music (Conducting) offers 18 credits of band director pedagogy, 9 credits
of practical applications, 9 credits of research, and an additional 9 credits of non-music
electives, for a total of 45 required credits. This highly structured yet customized
program spans a three-year (three-summer) period. All students are tested upon entry
in 40 areas of required knowledge. Based on assessment outcomes, students focus on
improving their knowledge and skills in unmastered areas via the practical applications
courses. They play instruments each day in large ensembles where they sight-read new
music and present several public performances conducted by six internationally known
conductors. In addition to these activities, students complete exit exams in which they demonstrate teaching proficiency in woodwind, brass, and percussion. They also conduct a diagnostic band that is coached to perform certain errors that must be identified and corrected.

From 40 to 60 new students enter the program each summer, for a current running level of approximately 170 students. They are drawn from middle school (45 percent), high school (45 percent), and postsecondary (10 percent) band directors representing over 40 states.

Six SOU music faculty anchor the program. In addition, and distinctive to this program, American Band College has attracted to date over 100 short-term faculty from the U.S. and Europe who are music faculty at other universities and conservatories, orchestra musicians, and directors of famous bands. These visiting faculty, who are outstanding performers and teachers, rotate on a three-year plan.

Leading musical instrument manufacturing companies, such as the Selmer/Ludwig Company, provide valuable donations of equipment each year. One of the most significant program resources is the vast collection of recordings and musical scores (over 35,000 items) contributed continuously by publishers to the American Band College library. This collection is open as well to the Department of Music and for special purposes.

Since its inception, the American Band College has been funded by student tuition paid to the Western International Band College, a non-profit corporation. SOU’s Extended Campus Programs division handles administrative arrangements for the program, which operates on a self-support basis. Transitioning the program to a new degree title will require no new resources and will have no adverse effect on SOU’s resources.

All appropriate University committees and the OUS Academic Council have positively reviewed the proposed change in program status and degree title.

**Staff Recommendation to the Board:**
Staff recommended the Board authorize SOU to change the status of the American Band College program from inclusion within the Master of Arts/Science in Arts and Letters to the Master of Music (Conducting), effective summer 2004.

**BOARD DISCUSSION AND ACTION:**
This was part of a consent vote. The results of the vote are on page 310.

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

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

**Staff Report to the Board**

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

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

**Statement of Need:**
This project is to implement the legislative approval given in 2001 for the expansion of the veterinary medicine program at OSU to a full four-year program. In order for the program to provide for the full veterinary training, a treatment facility for small animals is necessary. Preliminary design identified a facility that was more expensive than available funds allowed. In order to meet budgetary constraints, a number of components were removed from the project, even though they were important to the quality of the program. Corporate interest in donating equipment and program support funds has increased substantially since the expansion of the Veterinary Medicine program was authorized by the legislature. The completion of currently shelled space will allow donations of imaging technology and surgical equipment to be placed into service, complete research space necessary to attract the top faculty to the College, and expand ongoing research in human/animal infectious diseases and surgical technologies. Additional fundraising has been very successful and private donations and grant funds have been secured to allow these components to be reinstated.
Schedule:
The project has been designed, bid, and construction is underway for those elements included within the $10.2 million dollar authorization. Construction is anticipated to be complete in August 2004. Additional spending authorization is being requested to include the removed elements back into the project and add additional improvements to the small animal hospital facility to be more effective. If spending authorization is granted, then these improvements will be completed by December 2004.

Financial Considerations:
Funds for the additional work have been raised through additional private donations and grants. The College of Veterinary Medicine is asking for authorization to spend those funds already received.

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

BOARD DISCUSSION AND ACTION:
This was part of a consent agenda. The results of the vote are on page 310.

c. PSU, Millar Library Project—Revised Expenditure Authority

BOARD DOCKET:

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

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

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

Additional legislative limitation approval is required to expend the remaining $268,000 of gift and Federal Grant funds.
**Staff Recommendation to the Board:**
Staff recommended that the Board approve Portland State University’s request to authorize the Senior Vice Chancellor for Finance and Administration, or designee, to obtain approval from the Legislative Emergency Board for an additional $268,000 of Other Funds expenditure limitation for the Millar Library Project. If this request is approved, the total Other Funds expenditure limitation will be increased to $1,905,766.

**BOARD DISCUSSION AND ACTION:**

5. **REPORT ITEMS**


**BOARD DOCKET:**

*Legislative Concepts Proposed by the Academic Excellence/Economic Development Working Group*

One of the aims of the Academic Excellence/Economic Development (AE²D) Working Group is to collaborate with other agencies, sectors, and organizations on the shared goal of enhancing the economic vitality of the state, especially as that goal can be advanced through partnerships with postsecondary institutions. To that end, the legislative concepts recommended by AE²D in this first phase of its work will focus on reinforcing selected concepts and policy packages proposed by the Oregon Council for Knowledge and Economic Development (OCKED), the Engineering and Technology Industry Council (ETIC), the Oregon Economic and Community Development Department (OECDD), other working groups of the Board of Higher Education and individual OUS campuses.

More than a dozen proposals are currently under review by AE²D. These include proposals related to governance and agency coordination in economic development; promotion of research commercialization; growth of knowledge based businesses; capacity building in engineering and technology; continued support of Oregon’s nanotechnology signature research; product development in the areas of sustainability, agriculture, and natural resources; rural economic development; and increasing the supply of medical personnel. As the AE²D review proceeds, there may be other agency or campus proposals added to the list.

The AE²D anticipates completing its review during June and including a specific set of legislative concept or policy package recommendations for the July Board budget presentation.
Update on 2005-2007 Budget Development

Preliminary Essential Budget Level Estimate:
The preliminary 2005-2007 OUS Essential Budget Level (EBL) is estimated at $1.6 billion for the Education and General Program, with an approximate $100 million increase above the 2003-2005 Legislatively Approved Budget (LAB) required to maintain the current program levels into the next biennium. The state General Fund portion would need to increase by $43 million (8 percent) and Other Funds Revenues, made up largely of tuition and fees, by $57 million (6 percent) for the EBL.

The EBL is developed according to Department of Administrative Services requirements and includes adjustments above the 2003-2005 LAB for projected cost increases as follows:

(In millions of dollars)

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERS</td>
<td>$50</td>
</tr>
<tr>
<td>Health Benefits (2003-05 rollup costs)</td>
<td>10</td>
</tr>
<tr>
<td>Classified Staff Merit Increase</td>
<td>1</td>
</tr>
<tr>
<td>Inflation</td>
<td>13</td>
</tr>
<tr>
<td>New Building Operations</td>
<td>6</td>
</tr>
<tr>
<td>State Government Service Charges</td>
<td>16</td>
</tr>
<tr>
<td>Other Adjustments</td>
<td>4</td>
</tr>
</tbody>
</table>

The Essential Budget Level does not include 2005-2007 cost increases for employee salaries and health benefits, which are budgeted separately by the Governor’s Office. Also excluded from EBL are funding for enrollment growth and for any additional faculty salary increases that may be proposed.

Once the Essential Budget Level is calculated, policy package requests may then be submitted for budget increases above the EBL to support high priority initiatives. For 2005-2007, agencies are also required to submit reduction scenarios equal to 10 percent and 20 percent of the EBL due to the state revenue shortfall.

Staff will request Board approval of the 2005-2007 Agency Request Budget at the July 2004 Board meeting.

Other Funds Revenue Estimates:
Campuses are projecting that tuition revenue increases ranging from 6 percent to 10 percent in 2005-06 and from 3 percent to 8 percent in 2006-07 will be required to maintain current programs, cover salary and benefit increases, and avoid budget reductions. These estimates are based on the assumption that the state General Fund would cover the $43 million in cost increases identified above as well as the state-funded portion of salary and benefit increases.

Note: All of these estimates are preliminary and are subject to changes as OUS staff work with Department of Administrative Services and campus staff to refine the estimates over the next three months.
b. Standing Committees
   i. Finance/Budget/Audit/Personnel/Real Estate (Don Blair)

There was no further report from the Committee.

c. Working Groups
   i. Academic Excellence/Economic Development (Kirby Dyess)

It was reported that the Working Group had completed campus visits to all of the OUS campuses and OHSU. There is also a visit planned to Clackamas Community College. It is anticipated that subcommittee reports will be completed by the end of June, in anticipation of a first-phase report to the Board in July.

   ii. Access/Affordability (Tim Nesbitt)

No further report was made.

   iii. Chancellor’s Office Review (Geri Richmond)

No further report was given.

6. Reports
   • Interinstitutional Faculty Senate (IFS) President

Peter Gilkey, President of the IFS, thanked members of the Board who participated in the discussion the previous day. In summary, three topics were covered: Quality and the removal of unnecessary impediments to student progress and other issues related to “more, better, faster;” faculty compensation in the context of retention and recruitment; and ORP.

   • Oregon Student Association (OSA) President

Mr. Ben Sappington, student body president of Western Oregon University, spoke on behalf of OSA.

“First of all, we would like to express our thanks for the collaborative work that has been done by the Access and Affordability Working Group. We appreciated the opportunity to provide input to the committee and be part of the discussion on the proposed student-aid endowment program.

“It’s exciting to see the postsecondary education community coming together to support a program that will open up access to college and benefit the entire state. We believe that many of the committee’s recommendations – including a flat-grant structure, a need-based focus, and sufficient funding for the Oregon Opportunity Grant until the new program is established – are crucial elements for expanding access to as many
students as possible. We look forward to continuing collaboration and dialogue as the proposal moves forward.

“We especially would like to thank Tim Nesbitt and Nan Poppe, who co-chaired the Access Working Group and guided its work; Howard Sohn and Bridget Burns, who represented the OUS Board on the committee; and Nancy Goldschmidt, who staffed the Working Group and provided critical research, structure, and support through the entire endeavor.

“While we can't extend thanks to all those who participated and brought great insight to this discussion, we would also like to thank Kate Peterson, OSU’s financial aid director, for providing her wealth of expertise to the discussion.

“Most of all, we would like to Governor Kulongoski for making postsecondary education a priority and for re-focusing the state’s attention on college access. With his vision for a dedicated student-aid fund, Governor Kulongoski has provided the leadership that will help ensure college access for Oregonians well into the future. Thank you, Governor, for your commitment to students and postsecondary education.

“On that note, we would like to present you with more than 2,000 postcards that we’ve collected from students in appreciation. The postcards read:

Dear Governor Kulongoski,

Thank you for prioritizing the key to access by prioritizing need-based aid and keeping tuition low. Your support for need-based aid will unlock the door to success for thousands of Oregonians. As Oregon moves forward with your vision for need-based aid, we urge you to fully fund the Oregon Opportunity Grant.

“These cards were collected from students across the state. You might notice that they’re key-shaped. This is because they represent the first stage of a grassroots ‘Key to Access’ campaign that students kicked off last month and we plan to continue running through the 2005 legislative session.

“The ‘Key to Access’ campaign incorporates several issues that we believe are vital to college access. Specifically, we want to focus on making college more accessible through affordable tuition, more state funding for postsecondary education, and increased student aid. The student-aid component includes both existing programs like the Oregon Opportunity Grant and the Student Childcare Block Grant and future programs like the student-aid trust.

“These are the issues we’ve chosen to prioritize for the upcoming year and we look forward to working on them with the Governor, the OUS Board, and Oregon’s universities at the 2005 legislative session.

“Thank you again for the opportunity to speak here today.”
Board Secretary Thompson shared that Mr. Sappington had been a student member of the Eugene 4J School Board. Further, Ben is the first freshman ever to be elected student body president at WOU.

Director Sohn expressed his appreciation for the students’ acknowledgement of other people. “But I think it is also appropriate to acknowledge the role that the student representatives play on the Working Group. They have made tremendous contributions. John Wykoff and others who were there made a huge contribution in substantive ways to getting us to where we are. They were active and fully contributing members of the effort.”

7. CHIEF OPERATING OFFICER AND UNIVERSITY PRESIDENTS’ REPORT

President Conn announced the appointment of Dr. Jim Spector as the new provost and vice president for Academic Affairs at WOU. Dr. Spector is currently an associate provost at the University of Scranton, Pennsylvania.

He also recognized the service of Dr. John Minahan who is retiring after 18 years as provost. “We are greatly appreciative of his contributions.”

Because of the press of time, there were no further reports.

8. PUBLIC INPUT

“My name’s Felicia Hagins, I represent the Services Employees International Union. SEIU Local 503 represents the classified staff at the seven universities. I wanted to talk a little bit about our philosophy of the faculty salary increases that you will be taking to the Emergency Board. We feel it’s only fair to come to you first with our concerns before we start going to the Emergency Board with our concerns there. We understand that it’s tough times for the University System, and our classified staff understands that there has been a wage freeze and a step increase freeze for them that has been mandated for them by the Governor across-the-board. So, we just wanted to express that our staff may feel that this is unfair and a violation of that wage freeze and step increase freeze. So, I just wanted to make that point clear as we move forward with this to the Emergency Board. Thank you.”

9. BOARD MEMBER COMMENTS

Director Sohn reported that the Oregon Business Council and the Oregon Community Foundation are launching the “Policy Roundtable on Higher Education,” and he wanted Board members to know about it. “I want you to be aware that the Business Council, of which I’m a member, has put a very high priority on reformed postsecondary education and that they’ve identified the same needs we have, and have had some standing committees that have been going on that for a while. They’re launching this effort in support of and as a complement to what we’re doing on this Board. It is not an
alternative activity, but the intention is to provide some research support, some information support, and ultimately perhaps some advocacy support for things that we and they agree need to be done. And that process will get underway shortly, and I just wanted to make sure that everyone knows that it is intended to be known and compatible with what we’re trying to do in our Working Groups and as a Board, but intended to build the support base in the private sector, both the for-profit sector of the business community and the non-profit sector portion of the private sector. And you’ll be hearing more about that in the future."

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

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


11. **ADJOURNMENT**

**THE MEETING ADJOURNED AT 1:35 P.M.**

Ryan J. Hagemann  
Secretary to the Board

Governor Ted Kulongoski  
Board President