MINUTES OF THE WORK SESSION OF THE BOARD OF HIGHER EDUCATION
PORTLAND STATE UNIVERSITY

JULY 15-16, 2004

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

   Chair Henry Lorenzen called the work session of the State Board of Higher Education to order at 1:40 p.m. on July 15, 2004. Chair Lorenzen asked the Secretary to take roll.

   **Board members present:** Don Blair, Bridget Burns, Kirby Dyess, Henry Lorenzen, Tim Nesbitt, Geri Richmond, John von Schlegell, Gretchen Schuette, and Howard Sohn.

   **OUS staff present included:** George Pernsteiner, Tom Anderes, Ryan J. Hagemann, Nancy Heiligman, Ben Rawlins, and Bob Simonton.

   **Others present included:** Presidents Dan Bernstine, Philip Conn, Martha Anne Dow, Dave Frohnmayer, Khosrow Fatemi, Ed Ray, and Elisabeth Zinser. OHSU Provost Lesley Hallick was present.

   Meeting attendees also included OUS staff, faculty, institution representatives, the press, and interested observers.

2. **2005-2007 BIENNIAL OPERATING BUDGET REQUEST**

   **BOARD DISCUSSION:**

   Chair Lorenzen noted the work of the FBAPRE Committee and acknowledged the work remaining for the 2005-2007 budget proposals. He mentioned the substantial work remaining with the policy packages and stated that he hoped to get through the policy packages and deferred maintenance proposals at the conclusion of tomorrow’s full Board meeting.

   Chair Lorenzen continued with an overview of the remaining work. He observed five general areas that would guide budget discussions: low faculty salaries, high tuition, insufficient financial aid packages, large class sizes, and a backlog of deferred maintenance. He stated: “[we are] attempting to identify where we ultimately want to be with regard to these particular areas...[in order to] set forth a goal and a strategy to attempt at least to arrive at where we want to be.” He outlined the goal for the work session to review the Essential Budget Level and the policy packages. Chair Lorenzen mentioned the importance of separating the objective of the policy package from the specific implementation. He noted the FBAPRE Committee completed an initial prioritization of the policy packages and that he would pass it out in order to start the discussion.
Chair Lorenzen turned to FBAPRE Chair Don Blair for a description of the prioritization process. Blair noted the work at the previous FBAPRE Committee meeting and specifically the effort to develop some tools to work through prioritizing budget proposals. He started by reviewing the guidance from the Governor’s Office, observing that the ultimate decision will come from the Governor and the legislature. Blair mentioned several sources of guiding principles, including the Governor’s four priorities for higher education of access, academic excellence and quality, delivery of economic value, and a reinvestment in higher education. He also shared Acting Chancellor George Pernsteiner’s framework for prioritizing the budget, including access and affordability, making degrees readily available without reducing quality, creating critical ties to the workforce, investing in knowledge creation, and working for economic development. With that, Blair noted additional thoughts that emerged from FBAPRE’s work, including the importance of accountability and measurable results, understanding external dependencies, and understanding the interactions between state General Funds and other funding sources. Blair noted the prioritization principles were summarized in a document for review and were meant to be a starting point for budget discussions.

Chair Lorenzen discussed the process necessary to work through prioritization. He suggested the possibility of having Board members rank each of the policy packages and dividing the sum of ranking for an ultimate ranking. He stressed the importance of including commentary with the ranking so the Governor might see the discussion and process in which the Board engaged. Director von Schlegell noted that the Board should not limit itself while prioritizing the policy packages. Director Nesbitt articulated his concern regarding the magnitude of some of the policy packages and mentioned that he might be willing to support a package up to a certain dollar figure, but the remaining portion of the request might be ranked lower. He also focused attention on the tuition increases and asked if there was a way to consider a policy package or some other mechanism to examine the level of tuition increases. Chair Lorenzen cautioned against examining all the possible permutations and reiterated that is why he suggested a simpler approach with an accompanying narrative. Director Sohn asked if the principles discussion ever considered the distinction between proposals designed to stop erosion and those that represented a new positive contribution. Chair Lorenzen acknowledged the worth of the discussion and asked the Board to hold comments until after the presentation of all of the policy packages. Director Blair asked to bring Director Nesbitt’s comments to closure, noting Chair Lorenzen’s commentary approach made sense and that it was important to stay together as a group. Chair Lorenzen noted the discussions were exactly what he would like to see in the accompanying narrative and that it was possible for minds to change as the Board continued with the budget process. He turned to Assistant Vice Chancellor Nancy Heiligman for a review of the Essential Budget Level.

Heiligman noted she would review the Essential Budget Level and the various requirements facing the Board with regard to budget process and proposals. She turned to Vice Chancellor Tom Anderes for some introductory comments. He reiterated the
review of all Board actions required, including the Essential Budget Level and ten-percent reductions. Anderes started with noting the additional questions from the previous FBAPRE meeting and summarized various amendments made to the budget docket items. Anderes shared that the September 1 deadline to submit the proposed budget to the Governor was a legal requirement. He noted the Governor would put out a proposed budget in December, with legislative review and action to follow starting in January. He returned to Heiligman for a review of the docket materials.

Heiligman started with the All Funds Summary for the Operating Budget, including a comparison to the 2003-2005 legislatively approved budget. It totaled $4.2 billion, with $793.7 million of that coming from General Fund dollars. Heiligman observed amendments and changes to the docket materials, including adjustments to the student enrollment packages and the proposed student data system. She observed the sharp decrease in state General Funds per student. She stated: “We also saw that enrollment demand is increasing, is projected to continue to increase throughout the decade, and that lack of resources is creating potential barriers to access for Oregon students.”

Heiligman continued with the Essential Budget Level, constructed with rules prescribed by the Oregon Department of Administrative Services. She walked through the 2003-2005 legislatively approved budget, the Measure 30 adjustments, and the 2003-2005 salary base adjustments in Other Funds Limited, resulting in a 2003-2005 adjusted base. From there, Heiligman noted the cost increases necessary to carry the current program, including $50.0 million in General Funds and $51.8 in Other Funds. These increases, Heiligman observed, were mostly from additional PERS increases and anticipated rollup costs for health benefit costs. She noted the exception request made for library inflation. Heiligman observed it was important to note what costs were in the Essential Budget Level and those that were not. She noted labor cost increases were not in the EBL. Heiligman noted the Governor budgets for these increases in a separate pool and OUS would need to turn to Other Funds Limited, primarily tuition and fees, to cover these increases. She noted the projected increases in enrollment were not automatically included in the EBL and were proposed in a separate policy package. Heiligman stated in the construction of the budget, OUS staff asked campuses for revenue estimates based on a certain set of assumptions and the campuses projected an average five-percent tuition increase annually in order to balance the budget and cover the growth in labor costs and enrollment.

In addition to the Essential Budget Level, Heiligman noted the statutory requirement of submitting proposed ten-percent EBL reductions. She offered a summary of the proposed cuts, totaling $58.1 million in General Funds. Heiligman stressed the importance of viewing the ten-percent cuts in context of the previous cuts totaling $83 million in General Funds. She mentioned the various programmatic cuts across the campuses that would result if OUS were required to turn to the ten percent reductions. Director von Schlegell asked Heiligman if the graphs demonstrating disinvestment were available and Heiligman stated they were in the docket materials. She observed the decrease in state appropriations to OUS, the increase in tuition and fees as compared to the Portland CPI and median income, the increase in projected student enrollment,
and increase in student-faculty ratios. Director von Schlegell asked if faculty compensation included benefits and Heiligman responded yes.

In turning to the policy packages, Heiligman noted the amendments from previous proposals. She noted the amendment to the student enrollment package that would result if the Oregon Student Assistance Commission were to achieve full funding of the Oregon Opportunity Grant. With the adjustment to the student enrollment package and the reduction of the student data system proposal, Heiligman noted the eight policy packages totaled a request of $83.8 million in General Funds. She also noted the amendments to Other Funds Limited that would result after adjustments to student enrollment, the health care initiative, and retaining top students in Oregon. Director Dyess added that she did not think additional tuition revenue would be generated as a result of the retaining top students policy package and Heiligman observed that she would reexamine the analysis.

Chair Lorenzen asked Heiligman to explain the role of the Board regarding authority for the various categories of funds, specifically asking what the review and approval process was regarding Other Funds Limited. Heiligman observed General Funds, Lottery Funds, and Other Funds Limited are all subject to legislative expenditure limitation. She noted the legislature focuses on the limited funds, including General, Lottery, and Other. Chair Lorenzen asked for clarification regarding the legislature’s role in Other Funds Limited and Heiligman confirmed that Other Funds were subject to an expenditure limitation. She noted if the campuses raised funds, OUS would need to go to the Emergency Board or the legislature and ask for approval to spend the money. Chair Lorenzen inquired that even if there was a certain level of legislative spending approval, the System was not obligated to spend that much money and Heiligman stated yes. Director Blair acknowledged the importance of tuition projections to the budget process and asked Heiligman how comfortable she was with tuition estimates. Heiligman offered that she was very comfortable with the estimates and noted that updated estimates would be forthcoming from the campuses. Director Blair asked if there would be additional updates for the Governor and the legislature as the budget proceeded and Heiligman noted there would be, but dates were not set for those updates. Director von Schlegell asked if there was a historical overestimation of enrollment and Heiligman noted System data was generally accurate. Director von Schlegell asked if the Governor and the legislature would find the process transparent and Heiligman offered that she believed so, mentioning work with the Department of Administrative Services and the Legislative Fiscal Office. Director Blair stressed the importance of formal reporting to the Board if changes occurred in the tuition estimates, including communication to DAS and LFO.

Director Blair asked for additional information on how the ten percent reduction proposals were developed and Heiligman noted OUS asked the campuses to develop the proposals based on a certain set of budgetary targets.

Chair Lorenzen noted the flexibility of the work session process and turned to Director Nesbitt for comments on tuition. Director Nesbitt offered that he was struck by the
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proposed tuition increases built into the proposed budget. In addition to the unwinding of tuition that would result from the tuition mitigation plan, Director Nesbitt was concerned about establishing some guideposts in order to make progress on access and affordability. He offered the growth in median personal family income might serve as a satisfactory guidepost and outlined different ways to approach tuition increases. Director Nesbitt proposed an additional policy package to moderate tuition and personal median family income as suggestions to consider. Director Blair asked for clarification regarding the different treatment of new students and Heiligman replied it was a theoretical observation under the Resource Allocation Model. Director von Schlegell acknowledged Director Nesbitt’s comments regarding access and affordability and noted tuition levels were one variable in the entire scheme. Chair Lorenzen summarized that while tuition might be one of several variables impacting access and affordability, Director Nesbitt’s proposal communicated that tuition levels are too high and that an additional policy package might be necessary to moderate that specific variable. Director von Schlegell added that he was in favor of guideposts, but did not want anything to be automatic. Director Blair added that with two ways to deliver tuition relief, need-based assistance might be a more economically efficient method. Director Nesbitt observed in developing the model related to the Oregon Opportunity Grant, calculations were based on the current level of cost and were directed at closing the gap of unaffordability. From that, he suggested the two-pronged approach of endorsing the expansion of the Oregon Opportunity Grant and keeping an eye on tuition increases. Director von Schlegell asked how Director Nesbitt’s working group defined affordability and Director Nesbitt replied with the group’s focus on how the Pell Grant arrived at an estimated family contribution. Director von Schlegell reiterated his question and Director Burns added the gap between the estimated family contribution and amount paid is a measure of affordability. She observed as tuition continues to increase, even with increases in need-based financial aid, Oregon would become a high-tuition, high-aid state, which would impact middle-income students. She noted this was why it was important to do something about tuition increases. Director Blair observed the importance of Director von Schlegell’s question regarding how to define affordability and how to attack the variable of tuition. Chair Lorenzen mentioned Oregon’s position as a middle-income state and the complexity of the analysis. Director Nesbitt acknowledged the complexity of the analysis, but stressed the driver of personal income regarding the ability to pay for an education. Chair Lorenzen asked if it was possible to introduce another proposal and Director Dyess stressed the importance of how to move forward with the proposal.

Chair Lorenzen turned to Acting Chancellor Pernsteiner for comments. Pernsteiner made several observations about the conversation; including the $20 million built into the Essential Budget Level and that the funding for need-based financial aid was within the Oregon Student Assistance Commission’s budget. Director Sohn asked for clarification on whether OUS and the Board could support OSAC’s request and Pernsteiner mentioned it could, but it would not be possible for OUS to give money to it out of its budget. Director Nesbitt asked for a separate proposal, outside of OSAC, to address tuition increases. He proposed a $20 million policy package to moderate tuition increases.
Chair Lorenzen moved to the student enrollment policy package and Pernsteiner noted OUS campuses have been asked to accommodate more students without additional funding. Heiligman reviewed the package, observing it was designed to fund an additional 2,810 students for $14.7 million in General Funds, with a corresponding increase in Other Funds Limited. She noted the related enrollment increase that might result if OSAC’s Oregon Opportunity Grant was fully funded. Chair Lorenzen asked about nonresident students and whether there would be an actual increase in cost to the university. Heiligman observed the small projected increase in non-resident students and that the revenue included in the budget proposal was sufficient to cover the total incremental cost referenced by Chair Lorenzen. Director Dyess noted her observations from campus visits, including the depth of previous cuts and the critical necessity of the student enrollment policy package. Director Richmond observed disinvestment’s impact on lab-centered areas.

Chair Lorenzen moved to the faculty compensation policy package. Heiligman explained the $32.0 million General Fund package was designed to provide additional compensation of 2.2 percent annually for six years in order to achieve peer average. She observed it was based on an OUS compensation model. Chair Lorenzen asked how much it would take to bring OUS faculty to peer average instantly and Heiligman answered $70 million. Chair Lorenzen noted the importance of understanding the scope of disinvestment. Director Nesbitt asked if OUS faculty would still share in General Fund cost of living increases and Heiligman said yes.

Chair Lorenzen recognized Director Dyess and Deputy for Planning Susan Weeks for a review of the policy packages from the Academic Excellence and Economic Development (AEED) Working Group. Director Dyess started with the retaining top students proposal. She observed the package expanded existing honors programs. Director Dyess stressed that honors colleges were already on campuses and were successful. She outlined the positive performance indicators for students in honors colleges and the impact on the economic engine of the state. Director Schuette asked for expense per student impacted and offered that she believed it might be quite high. Director Dyess noted that it would be more expensive, but the payback would be fairly important for Oregon. Weeks added that the initial phase might be more expensive, but the long-term capacity to serve more honors students would moderate cost. Director Schuette noted possible ongoing costs to infrastructure and Director Dyess acknowledged Director Schuette’s comments. Weeks observed demand for honors colleges far exceeded capacity. Director Burns asked if honors students were from a disproportionately higher income quartile and Director Dyess replied forty percent of the students received need-based aid. Director Blair asked for clarification regarding the number of new slots and, through discussion, determined 200 slots at each grade level would result in 800 total slots. Director Dyess also observed that the proposal was not designed to increase capacity, but to direct more students into the honors colleges. Weeks noted she was hesitant to confirm the enrollee number of 800 without consulting data. Director Blair estimated, after initial start-up costs, the program would cost approximately $3,000 per student. Pernsteiner summarized that the proposal was an enrichment program for existing students at about $2,550 per student in the upcoming
biennium. Director Sohn acknowledged the enrichment element and asked how many graduates stay in Oregon. Weeks replied, based on a University of Oregon study, over fifty percent of honors students stay in Oregon. Provost John Moseley confirmed the study and noted the study was completed three years ago. Director Sohn asked if there was data on the number of students who went away for school that returned to Oregon. Provost Moseley cautioned against trying to quantify at a detailed level because the students move around and Director Sohn acknowledged the difficulty, but offered it would be important to measure the efficacy of the investment. Director Richmond discussed graduate school and Director Sohn cited seventy percent of honors graduates pursue graduate school. Director Dyess confirmed the study, acknowledged the higher earning power of honors graduates, and added that the proposal was very clear to the Working Group. She noted the AEED Working Group made the policy package proposal because it was clear and successful.

Chair Lorenzen asked Director Dyess to continue with AEED’s second policy package on healthcare professionals. Director Dyess noted the targeted approach of the policy package to address the shortage of faculty and deficiency in pipeline courses at the regional universities for nursing programs. She also observed the increase OIT’s training and partnerships with community colleges to address the shortage in allied health professionals, such as dental hygienists, medical imaging professionals, and medical laboratory technicians. President Dow added the shortage was substantial and that incremental steps would be required. Director Dyess noted the demand for the courses and programs. Director Schuette added the complexity of the arena and asked whether the correct strategy was articulated to attack the problem. Director Dyess observed the importance of getting the program under one umbrella and, while all of the details might not be nailed down, the significant need in these areas led the Working Group to bring the proposal forward. Chair Lorenzen offered that the proposal might be an example of endorsing the objectives, but clarifying assumptions and strategies at a later date. Director Schuette asked if the outcomes were the number of bachelor degree nurses and Director Dyess added with the other technicians, graduates would be the measure. Weeks added that the goal would be to double the number of nursing graduates and technician graduates. Director Schuette noted that she was distinguishing between bachelor degree RNs and associate degree nurses. Provost Lesley Hallick observed the proposal did not fund curriculum, but did start to address the demographic issues regarding nurses and the public that would need to be served by medical professionals. Director Schuette commented on the waiting lists for key courses and returned to her question about the efficient deployment of resources. Director Dyess reiterated the opportunistic force that led to the introduction of the policy package.

Chair Lorenzen asked if the faculty salary proposal was an AEED proposal. Director von Schlegell stressed the importance of transparency in presenting the package on faculty salaries. Director Dyess asked if Chair Lorenzen would like the Working Group to rank its own proposals and she ranked faculty salaries first, followed by retaining top students and the healthcare professionals package.
Chair Lorenzen turned to Director Schuette for the Excellence in Delivery and Productivity (EDP) proposals. Director Schuette introduced the packages, observing the charge from Governor Kulongoski for the Board to work with university presidents, communities, Oregon’s seventeen community colleges, and the K-12 leadership. Director Schuette outlined the importance of the Governor’s vision for the Working Group, including increasing access to postsecondary education, increasing capacity and eliminating barriers, increasing capacity for potential and current students to identify the adequacy of their college preparation, and faster progression for more students to move through education systems. Director Schuette added the Working Group’s focus on that vision led to proposals to catalyze reinvestment in higher education in order to develop an integrated, student-centered platform. Director Schuette commented that she thought she should have combined the three EDP proposals because of their strategic interrelationship. She turned to Dave McDonald to review the EDP packages.

McDonald stressed the importance of serving students first and started with the proposal to remove institutional barriers to transfer. He observed this proposal was known as the common core and consisted of the two elements of a general education common core and a common core leading into the major. He added the role of dual enrollment frameworks. McDonald noted the importance of faculty participation in the development of the proposals, including collaboration of the Provosts’ Council and their community college counterparts. He mentioned the outcome of the proposals would be “students who are better prepared for subsequent college work through a more aligned and efficient course taking pattern available across the state, available for transfer between community colleges, between OUS institutions, and between OUS and community colleges.” Chair Lorenzen asked about whether the specific methods included in the proposal were the best way of achieving the critical objective. Director Schuette observed the difference between objective and strategy was discussed at the EDP Working Group meeting earlier that morning. McDonald added that he would ask the Board to disregard the docket item and replace it with the notion that EDP asked the Provosts’ Council to work with their colleagues in order to develop the appropriate process to achieve outcomes.

McDonald turned to the second EDP proposal: strategic investments. He noted the provosts would collaborate with community college and K-12 colleagues in order to develop a process to allocate funds, with a focus on best practices. McDonald observed it would be a process to identify and implement best practices across sectors that would impact retention services, course availability, and advanced high school courses. He noted the policy package assumes a Board investment, whether it came from recurring savings or fund balance decisions. Pernsteiner observed the docket materials grossed the figures up so the General Funds were added back to the proposal. He added it would be up to the Board how to spend the fund balance, so the proposals were grossed up. Chair Lorenzen asked for clarification about allocating savings ahead of time. Pernsteiner noted that the Board could approve all of the General Fund proposals and later determine that it would prefer to fund something from savings. Chair Lorenzen asked whether the community colleges would be going in with a separate budget request for some of the proposals. He asked whether it would make sense for the
community colleges to make their own request, but have the Board strongly support the request as opposed to wrapping into one proposal. Director Schuette turned to previous Board resolutions and replied that the sectors wanted to identify best practices together and wanted to have the same package. Director Richmond commented on the difference between having OUS come in and solve problems and having the institutions retain responsibility for doing so. Director Schuette asked how that model would leverage capacity across institutions and sectors. Director Richmond replied that it would depend on the specificity of the problem and that she was concerned, after the reorganization of the Chancellor’s Office, about adding more staff. She asked McDonald if the details of the proposal were settled. McDonald noted the process details were still under development. Chair Lorenzen asked Pernsteiner to clarify that at this stage the Board should be articulating what is in the budget and that General Funds would fund the proposals. Pernsteiner returned to the EDP Working Group meeting and outlined the timelines and process identified to flesh out the EDP proposals. Director Blair noted his discomfort, in the context of accountability and measurable results, with asking for money up front without details settled. Pernsteiner clarified that there was more of the process established than throwing out the entire policy package. He noted some specific strategies might be abandoned, but the focus on the objective would remain. Director Blair asked how the Board was to evaluate the execution risk of a proposal if it did not know what the proposal was. Pernsteiner reiterated the importance of identifying best practices and achieving increased clarity before the release of the Governor’s budget.

Chair Lorenzen added that if funds were allocated and it was later determined that best practices could not identified, there was no obligation to actually spend the money. Director von Schlegell reiterated Director Blair’s comments on accountability, but observed that it was important to get some placeholders on the Governor’s agenda. Director Schuette observed there was some overstatement about the situation and that several proposed steps were in place to achieve objectives. Director Richmond asked Director Schuette if the provosts had agreed that the amount of the proposal was the right amount. Director Schuette replied that she felt the amounts were good enough to take steps in the right direction to achieve outcomes. Neil Bryant added that during the budget process, the Board could return to the Governor and offer some additional thoughts and suggestions. He continued that there would be a duty to do so during the legislative session. With new information on forecasts and enrollment, for example, Bryant explained that priorities might change. Bryant also returned to Director Nesbitt’s earlier point about the magnitude of the policy package requests. Using faculty compensation as an example, he noted the Board might want to identify a portion of the total package that is an absolute priority and rank the remaining portion lower on the list. Provost Moseley added that the provosts were committed to EDP’s policy packages and observed it was clear that they were supposed to work with community college colleagues on developing best practices. Director Schuette also noted that the matrix Provost Moseley discussed identified short-term objectives for Fall 2004 and longer-term objectives for Fall 2005. She added that it takes resources to accomplish objectives. Director Dyess concurred with Director Schuette’s observations on resources. Director Schuette stressed the importance of collaboration with other sectors
and that there was a narrow window available to accomplish that collaboration. Director Sohn asked if there was a difference between identifying a problem and actually doing something about it. Director Schuette noted that both were involved in the EDP proposals. She observed, for example, with course availability, there was some planning work to do, but there was a hope that some of the proposed resources could deliver courses. She continued that the group was proposing to strengthen infrastructure in other areas, but depending on the proposal, there might be more emphasis on the planning portion necessary for implementation. Director Richmond observed that the Board questions were not pushback on the importance of the EDP objectives, but an examination of how to get the most impact with limited resources. Before McDonald turned to the final EDP proposal, Chair Lorenzen addressed various scheduling issues.

McDonald ended EDP’s presentation with a discussion of the student information transfer process. He noted there were three separate data systems and that the proposal was offered to develop a way to transfer data back and forth. McDonald observed the importance of strong collaboration with the community college and the K-12 sector. He noted the reduction of $500,000 from the proposal after previous discussions and re-evaluation of the proposal, including the development of the articulation system through open architecture as opposed to purchasing the shelf product. He also observed that the system might be an example of something that could be expanded in future biennia depending on needs and pieces of functionality. Chair Lorenzen noted his past skepticism of the proposal. He stated his concern that the system would not be able to provide the information that was envisioned. He continued by outlining various questions and information he gathered that convinced him of the worth and ability of the proposal to accomplish objectives. Director von Schlegell asked McDonald if there was a system out there that could be examined and McDonald outlined the systems of various states. Director von Schlegell asked if contractors or in-house information technology departments developed the systems and McDonald replied a combination, but primarily in-house departments. Chair Lorenzen expressed his hesitation regarding the varying capabilities of other sectors and his confidence in Curt Pederson to identify how to proceed. McDonald added that the community colleges have their own policy package for the system. Director von Schlegell returned to his concern regarding defensibility and Chair Lorenzen observed that while the system might not be highly efficient at the outset, the proposal offers an important first step to getting to a position to achieve the objective. Pernsteiner reiterated Chair Lorenzen’s comments and highlighted the confidence in Curt Pederson’s track record. Lorraine Davis added that the provosts were committed to offering assistance and leadership to the development of the proposal.

Chair Lorenzen asked Board members to start on an initial ranking of policy proposals, observing the ETIC presentation would be the following morning. Various Board members discussed whether to combine the EDP policy packages. Director von Schlegell asked about Director Nesbitt’s previous comments on the magnitude of requests and Chair Lorenzen noted that he felt the narrative would address the concern.
Director Nesbitt asked about an additional policy package on tuition moderation and Chair Lorenzen replied it would be addressed the following morning.

(Chair Lorenzen adjourned the work session at 5:12 p.m. and called the work session back to order at 8:41 a.m. on Friday, July 16, 2004 before the full Board meeting commenced. All Board members were present with the exception of Governor Kulongoski).

Chair Lorenzen called the work session back to order at 8:41 a.m. on Friday, July 16, 2004.

**Board members present:** Don Blair, Bridget Burns, Kirby Dyess, Henry Lorenzen, Tim Nesbitt, Geri Richmond, John von Schlegell, Gretchen Schuette, and Howard Sohn.

**OUS staff present included:** George Pernsteiner, Tom Anderes, Ryan J. Hagemann, Nancy Heiligman, Ben Rawlins, and Bob Simonton.

**Others present included:** Presidents Dan Bernstine, Philip Conn, Martha Anne Dow, Dave Frohnmayer, Khosrow Fatemi, Ed Ray, and Elisabeth Zinser. OHSU Provost Lesley Hallick was present.

Meeting attendees also included OUS staff, faculty, institution representatives, the press, and interested observers.

Chair Lorenzen recognized Bruce Schafer and Michelle Girts for the presentation of the ETIC policy package. Schafer noted the relationship between engineers and Oregon’s economy and commented on the development of ETIC and its evolution to many sectors of industry. He observed that a critical ETIC ethic was accountability and measurability. Schafer mentioned that key ETIC measures were the doubling of engineers and increasing externally funded research. He stated: “The mission of ETIC is to provide opportunities for Oregonians and to serve Oregon’s economic need.” Schafer offered ETIC’s investments were in many sectors, including transportation, renewable energy, biomedical and digital hospitals, and nanotechnology. He added the ETIC proposal was designed to drive to that capacity through intercampus collaboration and increased communication.

Schafer noted all OUS campuses are a part of ETIC programs and that the investments are across the state. He stressed another key aspect of ETIC was the leverage it provides with General Fund dollars backed up by private support. Schafer added there was an access and affordability component to ETIC, with substantial emphasis on scholarships, fellowships, and internships. He noted that the policy package in front of the Board was in addition to the level already included in the Essential Budget Level. Chair Lorenzen asked for clarification and Schafer separated the private support applicable to the Essential Budget Level and that applicable to the policy package. Schafer also summarized capital requests. He concluded that the policy package and ETIC investments would result in 1.8x engineering graduates by 2009 and 2.5x
externally funded researched by 2009. Schafer turned to Michelle Girts for additional comments.

Girts outlined four key elements to justify support of ETIC: it delivers, the leverage of partnerships, statewide scope, and high documented return on investment. She reviewed each element, noting ETIC addresses each of the Board’s priority areas, industry contribution for research and talent investment have provided the foundation for a third of AEED opportunity areas, and ETIC investments have grown capacity and opportunity statewide. She also added ETIC could clearly document progress toward goals because performance is tracked through discrete, agreed-upon metrics.

Chair Lorenzen asked how stable the private subsidies were. Girts outlined two levels of industry commitment, noting the high level objectives of building workforce and building innovation for the global marketplace and personal commitment of people in Oregon. She observed that commitment comes in many different forms. Chair Lorenzen asked how many of the sixty companies generate the bulk of the expected $65 million in private contributions. Schafer clarified that contributions are not annualized in that fashion and that he could not tie down the percentage of contribution coming from ETIC members. Director Richmond asked if the $65 million includes all campus industrial support received independent of ETIC and Schafer stated yes. Director von Schlegell asked what percentage of the private contribution was cash and what was in-kind. Schafer replied he did not have the precise percentage, but the majority was cash. He noted the donation of executive time was not included, but the fair market value of equipment was included in the total of private contribution. Chair Lorenzen asked Girts if she would like to revisit a previous conversation about private and in-kind contributions. She noted the private and cash investments often accompany scholarships and internships. Director von Schlegell noted it might be helpful to break out the private funding into categories and asked if there was a sense of how much of the private support would go away if ETIC did not exist. Girts replied that she was not sure, but stressed how the programs and the increased efficiency of collaborations complement each other. Director von Schlegell asked for an update on an earlier conversation on the division between high-tech focus and generic engineering focus. Girts noted resolution of the discussion to focus on leading edge technology, which might not be high-tech per se, but those industries focused on revenue gains and driving expanding companies. Director von Schlegell stressed the importance of continued inclusiveness in that regard.

Director Dyess asked for clarification regarding the pathways of students and observed that many were going into high-tech positions, but not necessarily at high-tech companies. Director Nesbitt asked for more clarity on funding and wanted to know if there would be diminishing returns on private investment as General Funds increased. He also asked about increased FTE. Schafer responded that the numbers were based on individual proposals from the campuses and that for the new investments the rate of return was, in fact, lower. Schafer added that the ratio for capital projects was much higher. He also stressed the productivity of ETIC faculty. Girts added industry matching
has increased over time. Director Richmond asked what role ETIC played in securing federal funding and Girts outlined several roles.

3. **ADJOURNMENT**

Chair Lorenzen adjourned the work session at 9:15 a.m., Friday, July 16, 2004.

Ryan J. Hagemann
Board Secretary

Henry C. Lorenzen
Board Chair