## Table of Contents

### ACTION ITEMS

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Construction Request, 2005-2007</td>
<td>467</td>
</tr>
<tr>
<td>Capital Construction Budget Request, 2005-2011</td>
<td>468</td>
</tr>
<tr>
<td>2005-2007 Operating Budget—Policy Package Request</td>
<td>477</td>
</tr>
<tr>
<td>Adjusting Limits on Fee Remissions</td>
<td>477</td>
</tr>
</tbody>
</table>

### REPORTS

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interinstitutional Faculty Senate President</td>
<td>480</td>
</tr>
<tr>
<td>Oregon Student Association Chair</td>
<td>480</td>
</tr>
<tr>
<td>Public Input</td>
<td>480</td>
</tr>
</tbody>
</table>
1. CALL TO ORDER/ROLL CALL/WELCOME

Chair Henry Lorenzen called the meeting of the State Board of Higher Education to order at 12:38 p.m. Chair Lorenzen asked the Secretary to take roll.

The following Board members were present: Don Blair, Bridget Burns, Kirby Dyess, Henry Lorenzen, Tim Nesbitt, Geri Richmond, John von Schlegell, Gretchen Schuette, and Howard Sohn. Governor Kulongoski was absent due to schedule conflict.

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, Khosrow Fatemi, Dave Frohnmayer, Ed Ray, and Elisabeth Zinser.

Other meeting attendees included institution representatives, OUS staff, the press, and interested observers.

Before turning to the agenda, Chair Lorenzen introduced PCC-Cascades President Algie Gatewood and asked him for a few comments. President Gatewood welcomed the Board to PCC, shared the community support for the campus, and noted the new construction. He shared he was in his seventh week at PCC.

Chair Lorenzen announced that he would be chairing the meeting in the Governor's absence. He shared that the Governor's general counsel and higher education advisor MardiLyn Saathoff would be working on economic development issues for the Governor and James Sager would assume responsibility for postsecondary education issues. Chair Lorenzen also announced Tony Van Vliet's appointment, pending Senate confirmation, to the Board.

2. ACTION ITEMS


DOCKET ITEM:

Executive Summary:

Each biennium, prior to the legislative session, the State Board of Higher Education submits a capital construction program to the Governor covering the ensuing three
biennia. For the 2005-2007 period, a formally approved Capital Budget request is made. For the 2007-2009 and 2009-2011 periods, only a forecast of needs is shown. The 2005-2007 capital budget request recommended to the Board for approval totals $1,148,404,000 for the seven OUS campuses and University Centers. The capital construction program, covering the entire six-year period 2005-2011, totals over $2.7 billion.

At the Board’s request, staff were directed to revise the project priority recommendations based on three additional criteria:

1. Capital investments that support Operating Budget Priorities;
2. Projects that finish what we started; and
3. Maximize the use of leveraged dollars.

Currently, campus representatives are reviewing the revised recommendations. A summary will be sent in advance of the Board meeting to give each member an opportunity to fully review the docket information.

CAPITAL CONSTRUCTION BUDGET REQUEST, 2005-2011

Staff Report To The Board:
Each biennium, prior to the legislative session, the State Board of Higher Education submits a capital program summary to the Governor covering the ensuing three biennia. For 2005-2007, a formal capital budget request is presented; for the outlying period 2007-2011, a forecast of needs is identified.

The 2005-2007 capital budget recommended to the Board for approval totals $1,148,404,000 for the seven OUS campuses and University Centers. Approximately 21 percent of the request pertains to projects related to capital repair, code needs, and renovation. Fifty-four percent are related to Education and General projects that directly provide facilities for instruction, research, and service missions of the System. The remaining 25 percent is for projects carried out by Auxiliaries, including student facilities funded by the student building fee.

A supplement to the recommendation will be provided under separate cover and provides details of the requests by biennium, including information on the major issues, a summary of the outstanding and forecasted Article XI-F(1) bonds and Article XI-G bonds, funding for deferred maintenance, and an enumeration of proposed Certificates of Participation. Lists of exhibits and tables provide further detail.
Staff Recommendation to the Board:
Staff recommends that the Board authorize the Executive Vice Chancellor or designee to prepare and submit to the Department of Administrative Services a proposed 2005-2011 Capital Construction Program in accordance with this docket item and the supplemental materials included herein. Further, it is recommended that staff be authorized by the Board to apply for the necessary grants and seek the necessary bonding authority and Certificates of Participation authorizations to effect the projects and purchase the equipment and systems described in this docket item for the 2005-2007 biennium. In addition, staff recommends that the Executive Vice Chancellor or designee be authorized to make any technical adjustments required to the program during the ensuing period prior to the end of the 2005 Legislative session.

BOARD DISCUSSION AND ACTION:

Chair Lorenzen observed that the capital budget request was complex and unlike the significant analysis of each of the policy packages in the operating budget request, he felt the Board would be turning to the analysis of OUS. He stressed the Board would be ensuring OUS staff considered Board principles and priorities in its review of capital projects. Chair Lorenzen turned to Acting Chancellor George Pernsteiner for an explanation of the capital budget request.

Pernsteiner observed while a six-year capital plan was in front of the Board, most of the analysis would be with the projects in the current biennium. He noted the capital budget asked the state for authority to undertake projects, the authority to spend money, and the authority for the state to borrow money to support some of the projects. Pernsteiner explained the six-year plan was designed to illustrate all campus and System capital needs through 2011. While it totaled approximately $2.5 billion, Pernsteiner stated the focus would be on the projects for 2005-2007.

Pernsteiner continued by observing the request was for all types of facilities, including classrooms, roadways, residence halls, utilities, and new construction. He explained campuses needed to forecast needs in order to construct the six-year plan. He also noted the needs were funded in a variety of ways, including cash, General Fund support, state bonds, self-support bonds, and certificates of participation. Pernsteiner stated that more detail would be provided when OUS Director of Capital Construction Bob Simonton reviewed the request. Pernsteiner added that the capital projects were divided primarily according to fund source. These included the E&G projects, auxiliary projects, building fee projects, and the certificate of participation. In shifting to the two-year biennial request, Pernsteiner observed the request totaled $1.1 billion. He stated the lack of investment and need for capital repair and deferred maintenance contributed to the magnitude of the number.

Pernsteiner also stressed the process used to organize and prioritize the capital request. He started with the list provided to the Board at its July meeting and noted that some adjustments were made based on previous discussions and choices the Board
made with its operating budget request. Pernsteiner shared that the campuses evaluated their own needs through individual processes and OUS staff discussed needs with campuses. In addition, Pernsteiner noted, the Board developed its own budget priorities. Pernsteiner stressed Board priorities were the single most important factor in prioritizing the capital budget request.

Pernsteiner continued his discussion of the process. He noted Simonton’s work in ranking deferred maintenance projects according to the facilities condition index with an additional factor for potential energy savings and his effort to rank E&G projects according to specific criteria, including consistency with campus master plans, demonstrated need for the project, supportive of Board priorities, potential for cost savings, and campus priority. Pernsteiner observed each set of rankings were circulated among the campuses and, after adjustments, the five tiers of deferred maintenance and the E&G lists were included in the Board’s July docket.

Pernsteiner mentioned, however, the two lists were not merged and noted Director Blair’s interest in a list that combined all of the projects. Amid the process, Pernsteiner added, the campuses were also developing auxiliary, student building fee, and certificate of participation lists. Pernsteiner explained the building fee projects were financed by debt, with the debt service paid for through a separate student fee. He also explained the allocation system for the student building fee projects. Pernsteiner continued with an explanation of the auxiliary enterprises and noted with all of these projects there was a two-step process. The Board would approve the projects, but would get another look when the time came to approve the bonds and participate in the findings process associated with each of the projects. Pernsteiner observed some of these projects take some time to develop and therefore the bonding authority existed for up to six years. He noted 19 auxiliary projects for a total of $230 million. He also noted the majority of projects in the E&G category, with $430 million coming from some sort of state funding and $320 million coming from outside sources.

Pernsteiner also observed $110 million was the most state funding OUS had received in any biennium of recent memory. Pernsteiner discussed the criteria that were used to construct the prioritization list. He reviewed the criteria: consistency with the master plan, demonstrated need, supportive of Board priorities, campus priority, facilities condition index, and cost savings. He observed additional criteria were added after the July Board meeting: “finish what we have started” and maximizing leverage. Pernsteiner noted that OUS decided to look at ETIC projects as well. As for process, he explained all projects were assessed according to the amended criteria and the list was circulated to campus presidents and vice presidents for comment. He stressed that the list does emphasize repair and maintenance slightly more than the individual campuses might have preferred.

Pernsteiner outlined some questions the Board might consider as it reviewed the prioritization list: Is the criteria correct? How should the Board balance building preservation versus new construction? Do the projects meet the most important needs that the System and campuses have? Do we have the ability to mount the project?
Director Blair asked what limiting factors might exist in the question “do we have the ability to mount the project?” Pernsteiner clarified that it might be valuable to determine if the campuses have the horsepower to mount a project if, in fact, it is funded. Director Burns asked if the criteria used was comparable to criteria used in the past and Pernsteiner highlighted that preservation of assets was an important criterion in the past, but, for the most part, the criteria were compatible. Director Schuette asked about the relationship to the operating budget and whether there was the ability to operate the new construction once it is finished. Pernsteiner explained that with auxiliary projects, the ability to operate is part of the findings the Board would be required to make. He observed student building fee projects are also subject to the two-step process regarding findings prior to issuing bonds. Pernsteiner mentioned the E&G projects were based on formulas and numbers within original budget structures. Director Schuette reiterated her questions and Pernsteiner clarified that operation concerns were usually analyzed on the individual campuses.

Director Nesbitt asked if there was an inventory of land and how future needs match with the land the System owned. Pernsteiner replied land inventories were taken regularly on the campus level and Simonton added that he maintains a database of all parcels of land owned by the System and that there is no surplus land. Pernsteiner stressed that OUS relied on the campuses to forecast needs.

Director Schuette referenced previous discussions on cross-sector collaboration and asked how the construction request was congruent with those priorities and expectations. Pernsteiner noted the Board priority criteria and highlighted the collaborative projects at Portland State University and Southern Oregon University. Director Schuette asked if the overall request had been discussed collaboratively between sectors and Pernsteiner offered that it had not. Director Dyess added that she believed the postsecondary capital projects were going to be looked at all at once. Director Schuette noted one of the five priorities for the community college construction needs was connection to OUS partnerships. Director Sohn added that his understanding was somewhat different and that he believed the collaboration and relevance was to be examined at the campus level. Director Schuette stressed the importance of how the current Board would like to move forward with the charge of collaboration. Chair Lorenzen stated that circumstances such as scarce resources and pressing capital repair and deferred maintenance needs might shape the discussions. Director Nesbitt noted the collaborative projects at PSU and SOU and asked if there was an opportunity in the current budget to move forward in a coordinated fashion. President Ray offered that it might be important to ensure the top few projects are correct because it was not realistic to believe the entire list of capital projects would be funded. He stressed the importance of strategic thinking about what was “mission critical” and suggested the Board have a disciplined discussion about these projects. Director Schuette added that deferred maintenance was high on her list and reiterated her thoughts regarding the charge to work collaboratively with community colleges. Director Blair counseled he believed the question was how the Board was collaborating with the community colleges and he thought it best on the institution-to-institution level.
President Frohnmayer added that his recollection was that the amalgamation of capital requests was regarding an approach to take to voters and Director Sohn mentioned he believed the collaboration discussions were part of a more comprehensive strategy that might lead eventually to a ballot measure. Pernsteiner clarified the community college link was considered and it explained how some projects moved up on the list. Chair Lorenzen noted it was important to articulate the fundamental philosophy behind prioritization.

Simonton presented a slightly revised capital budget request. He noted the overview of the four facility types and reiterated the additional criteria used to construct the list. Simonton referenced a chart with all four project categories and explained details behind each. He observed the E&G projects with General Funds and Article XI-G bonds, the auxiliary projects with zero state support, the student building fee projects with debt service paid by student fees, and the Systemwide projects that address capital repair and modernization projects. He also reviewed the entire capital request by funding type and facility category, observing the E&G projects were the largest request at $579 million.

Simonton turned to the fundamental task of where to draw the line. He noted most of the attention would be focused on the E&G projects and deferred maintenance. He reiterated the criteria and noted OUS staff constructed a revised list after the Board’s July meeting. Simonton stated in the attempt to maximize the impact of state funding, capital repair, deferred maintenance, and ETIC proposals were broken down into tiers and layered into the merged prioritization list. Chair Lorenzen asked for an explanation of the tier concept. Pernsteiner explained the capital repair, deferred maintenance, and ETIC tiers. He noted the capital repair tiers started with the funds that usually come to OUS, the deferred maintenance tiers were driven by the facilities condition index, and the ETIC tiers started with “finish what we have started.”

Director Blair asked for clarification of the capital repair funds. He asked if the funds were assigned to a specific project or whether they were in a pool of dollars allocated to the campuses and Pernsteiner replied it was a pool of dollars. Director Blair confirmed that the funds did not fix something specific, but were there to stay even. Director von Schlegell asked if the proposal would be submitted in tier form and Pernsteiner offered that the tiered approach allowed the Board to present some deferred maintenance, some new construction, and some capital repair as part of an overall proposal. He stressed the tiered approach offered the Board the ability to make some choices because it would be easy for capital repair and deferred maintenance to dominate the request.

Pernsteiner moved to examine the deferred maintenance tiers. He noted the heating plants were in tier one and the remaining four tiers were comprised of specific buildings on each of the campuses. Pernsteiner asked each of the OUS presidents to comment on their priorities and campus projects.
President Ray reiterated his previous comments about ensuring the top of the list was accurate because of the funding realities. He commented on the heating plant and noted the creative thinking behind the funding to achieve the project. He discussed the Snell Hall replacement and the student educational services concept behind it. President Ray concluded his comments with the School of Education building. Pernsteiner added that OSU’s School of Education was actually in the second tier of deferred maintenance.

President Conn noted the interaction between capital repair, deferred maintenance, and a replacement classroom building. He observed the old WOU buildings and the frustration of putting more and more capital repair and deferred maintenance money into structures that should be torn down. President Conn added that WOU would be fighting for the capital repair and deferred maintenance money, but hoped that WOU would not need to continue to spend money on old buildings in the future.

President Dow stressed the priority of the healthcare center. She noted that she believed it met virtually all of the criteria used to evaluate the list. President Dow mentioned the partnerships necessary to address these needs. She continued by noting the private donation that permitted improvement of classroom lab space. She stated the project also indirectly addressed deferred maintenance issues. She continued with the library renovation project and the net-zero energy residence hall.

President Bernstine noted PSU’s old facilities and started with Shaddock Hall. He mentioned the need for attention to the science labs, the biology department, and the hazardous waste facility. President Bernstine referenced the importance of community college partnerships. He mentioned the student recreation center and the land acquisition necessary to develop the university district.

President Fatemi mentioned the library renovation and highlighted the inadequacy of the current library.

President Frohnmayer started with the new education complex and stressed the quality of UO’s education program and $10 million in private funds committed to the project. He continued with Gilbert Hall and tied the need for the project to quality and access. President Frohnmayer added the Gilbert Hall project would impact the deferred maintenance problem substantially. He proceeded with the integrated science complex and noted it would address “finish what you have started.” He observed there were $5 million in hand or pledged for the project. Finally, President Frohnmayer mentioned the Condon Hall remodel and its leveraged money. He noted donors were starting to ask why the state had not stepped up to do its part to fund projects.

President Zinser discussed the capital repair pool and observed that with current SOU projects, SOU used about as much from operating reserves as it got from the pool. She discussed the heating plant and campus renewal building. President Zinser noted the importance of partnerships with the project and sources of leverage to accomplish the building. She noted McNeil Hall in the fourth deferred maintenance tier, SOU’s theatre
expansion and the campus’s outstanding theatre program, and the science building addition-renovation.

Chair Lorenzen asked how to proceed and Pernsteiner returned to the docket materials and offered to walk through why OUS staff presented the priorities as they did. Pernsteiner returned to President Ray’s comments about a realistic proposal.

Pernsteiner noted the basic function of the university and the critical necessity to keep facilities operating. He observed these facts explained the position of the OSU steam plant and capital repair tiers on the list. He continued with the first deferred maintenance tier and observed that creative funding allowed OUS to address the basic infrastructure of heating plants. He summarized these projects as the “we have got to do it now” projects. Pernsteiner walked through some of the other priorities, including the UO Education building, the second deferred maintenance tier, Shaddock Hall, and the Center for Health Professions at OIT. He commented on the ETIC tiers, observing the first tier was to “finish what we have already got.” He stressed the importance of getting the priorities right and the communication to the Governor and the legislature to convey the conditions on the campuses.

Chair Lorenzen noted the complexity of the discussion and stressed that the Board’s role might be to ensure that priorities were followed in the construction of the list by OUS staff. Director Burns asked whether the leveraged private funds at UO would remain if state funding were not forthcoming. President Frohnmayer noted that the Education building could be phased, but he was most concerned about the theatre renovation. He observed there was always some risk of losing private funds. Director Nesbitt asked for strategies on how to structure the list. He asked if it might be more effective to structure a list of top priorities. Chair Lorenzen added that he thought the entire list would go, but that prioritization was necessary. Director Nesbitt reiterated his thoughts about a top tier and Chair Lorenzen asked if he wanted to only submit the top tier. Director Nesbitt thought all of the projects should be communicated, but reiterated his thoughts about a top tier. Director Nesbitt asked about the ratings system and confirmed that each of the campuses were not permitted to have more than one “first priority.” He noted that there might be two projects on one campus that were more important than the first priority on another campus. Director Nesbitt spoke about the Medford instructional facility and the community college partnership building at PSU. Chair Lorenzen expressed his concerns about altering the criteria and the ability to get to a final product for recommendation.

Director von Schlegell commented that he did not agree to serve on the Board to settle for deferred maintenance. He added that he thought it would be inefficient to redo the list and that there should be a strategic discussion on how to go about getting the entire list funded. Director Sohn concurred with Director von Schlegell’s comments and asked if there were strategic ways to approach the list regarding trade-offs and priorities. Chair Lorenzen stressed the importance of momentum and moving forward to adopt the capital budget request. Director Blair added that OUS staff efforts were terrific and that if the Board approved of the compromise concept to address new construction and
deferred maintenance, it should approve the OUS prioritized list. He noted comments from Director Nesbitt and Director Sohn about whether or not parts of the compromise should be rejected and the list altered. Director Blair reiterated that if the Board would like to take the balanced approach, the OUS proposal was sound.

Director Dyess stressed the critical nature of the concepts of access and quality and Chair Lorenzen observed that might likely be a central part of the message carried to the legislature. He highlighted the necessity to prioritize the list in a meaningful way for the Governor’s consideration. He noted that even after the list was submitted, it did not diminish the ability to lobby for additional money. Director von Schlegell added that with prioritization, the Board accomplished what the Governor asked it to do and the attention should shift to devising strategies to get the entire list funded. Director Dyess asked if it would be helpful to draw a line and Director von Schlegell added that he believed the Governor should draw the line. Director Richmond commented that she would not draw a line because everyone else would do that.

Director Schuette asked for more discussion on Director Nesbitt’s earlier comments about shifting some of the projects. Pernsteiner explained that with all of the criteria, it was possible that multiple projects could leapfrog the first priority of another campus. Pernsteiner observed that the Board could state that it did not want any campus’ second priority to be considered before any campus’ first priority. Director Nesbitt offered he believed that the Board needed to do something qualitatively different and thought that because the two projects he discussed were high Board priorities, it might be reasonable to put more support behind them. President Ray pointed out that part of the capital budget request did break the projects down according to priority and it might represent a methodology to move priorities around. Director Richmond asked if it would be possible to go around the table to see if Board members were comfortable with the proposal and the staff work.

Chair Lorenzen asked if any Board member was uncomfortable with the staff work and prioritization list. Director Schuette returned to her previous comments about collaboration and Director Nesbitt’s comments about collaborative projects. Chair Lorenzen stressed the difference between what needed to be accomplished at the meeting and what the Board could do in the future regarding the message and work surrounding the proposal. Director von Schlegell asked if the Board was passing the list as is or whether the community college partnerships were being moved up. Director Burns noted that she thought the list could be submitted as it was, but that the important focus would be how the message was delivered to the legislature. Director Nesbitt reiterated that he believed the process had integrity, but wondered if there was a way to bump up particular projects because he was looking for ways to partner with community colleges. He noted his single suggestion was to move the Medford instructional facility and the PSU community college partnership building right behind the current number six on the list. Chair Lorenzen asked if Director Nesbitt would like to change methodology or simply break from methodology and move the projects. Director von Schlegell asked if Board priorities received twice as many points as other factors and Pernsteiner said yes. Director Sohn noted that he was concerned about altering the criteria and asked
what other entities would be reviewing the list. Chair Lorenzen clarified that the prioritization process was to assist the Governor in constructing his list.

Director Blair added that he thought it important for OUS and individual institutions to have a united front when presenting the proposals. Director Schuette noted that she raised her concerns because she was concerned about a consistent message regarding the commitment from public education. President Zinser mentioned that she, and the other presidents, were concerned about a consistent, sound message and would be committed to standing behind the Board. President Dow commented that she was unclear as to how community colleges constructed their capital budgets and noted it would be important to understand if OUS were to interact regarding a common voice in front of the legislature. Director Dyess suggested action on the prioritized list and a meeting with community college leadership regarding their priorities. Director Richmond added that she believed the interaction with community colleges should be part of a long-term strategy. She urged a thoughtful process.

Pernsteiner stepped in to craft a motion. He turned the Board to three documents. First, he outlined the capital construction summary by campus. He noted it was not in priority order, but included all projects from all campuses. Pernsteiner turned to the certificates of participation next. He shared that the Board would be approving OUS to go forward and make the request. Finally, Pernsteiner noted the priority list on which the Board had been working. With the three documents, Pernsteiner articulated the necessary motion. He stated:

Staff recommends that the Board authorize the Executive Vice Chancellor or designee to prepare and submit to the Department of Administrative Services a proposed 2005-2011 capital construction program in accordance with this document item and the supplemental materials included herein. Further, it is recommended that staff be authorized by the Board to apply for the necessary grants and seek the necessary bonding authority and Certificates of Participation authorizations to effect the projects and purchase the equipment and systems described in this docket item for the 2005-2007 biennium. In addition, staff recommends that the Executive Vice Chancellor or designee be authorized to make any technical adjustments required to the program during the ensuing period prior to the end of the 2005 legislative session.

Chair Lorenzen called for a motion to approve the 2005-2007 capital budget request as outlined in the proposed motion from Pernsteiner. Director von Schlegell moved to approve the request as outlined and Director Burns seconded the motion. All in favor: Blair, Burns, Dyess, Nesbitt, Richmond, Schuette, von Schlegell, Sohn, and Lorenzen. Opposed: none. Motion passed.
b. 2005-2007 Operating Budget—Policy Package Request

DOCKET ITEM:

Staff is recommending adoption of an additional policy package to request a phase-out of the current legislative limit on OUS fee remissions. The package requests an increase in the cap on programmatic fee remissions for 2005-2007 and then elimination of the cap in 2007-2009. It also proposes to eliminate the cap on graduate assistant fee remissions next biennium. The policy package does not require any additional funding.

A group of campus financial aid officers, budget officers, legislative liaisons, and OUS staff have been meeting to discuss fee remissions and potential changes to the current limits. The Department of Administrative Services has advised us that a request to change the fee remission limits must be in the form of a policy package.

This package is submitted to the Board as a placeholder pending campus review. Any necessary revisions will be presented to the Board at the August meeting.

Policy Package Request

Title: Adjusting Limits on Fee Remissions

Policy Initiative: Access and Affordability

Description:
OUS is requesting an adjustment to the limits on fee remissions that were imposed in the last Legislative Session. A 2003 Legislative Budget Note set the following expectations for the System:

“Fee Remissions
The legislatively adopted budget includes $112 million of fee remissions. This total includes $65 million of programmatic fee remissions and $47 million of graduate fee remissions. The Department will limit fee remission awards to these levels, and campuses will not enter into commitments for fee remissions in excess of these totals, unless total enrollment exceeds the enrollment projections the Department most recently reported to the Subcommittee, and the intent to award fee remissions in excess of these amounts is reported to the Emergency Board or Legislative Assembly before the excess fee remission awards are committed. The adopted budget supports programmatic fee remissions equal to 8 percent of gross tuition revenue. The Subcommittee expects the Department to limit programmatic fee remissions to no more 8 percent of gross tuition revenue.”

This package requests that the limits on programmatic fee remissions be phased out with the Systemwide limits set at 10 percent of gross tuition revenue for 2005-2007 and
the cap eliminated in 2007-2009. We are requesting that the $47 million biennial limit on graduate assistant fee remissions be eliminated in 2005-2007. These changes in the fee remission limits would be based on the following OUS actions:

- Board review of the fee remission programs for alignment with OUS policy objectives and accountability requirements; and
- Periodic reporting on fee remission programs and results to the Legislature.

**Programmatic Fee Remissions**
Fee remissions, or tuition discounts, are an enrollment and access tool commonly used by universities across the nation. Fee remission use differs by campus and is employed by OUS institutions to promote enrollment objectives, including:

Access – Campuses use fee remissions to support OUS initiatives to recruit students of diverse backgrounds, such as under-represented minorities, high achievers, and talented researchers. International students participate as part of reciprocal agreements that provide significant benefit to OUS students.

Affordability – Fee remissions serve as a form of supplemental financial support for low-income students. From 1999-00 through 2001-02, 70 percent of fee remission recipients also received some form of need-based financial aid. If students who participated in reciprocal exchange programs are excluded, then 91 percent of fee remission recipients were also eligible for need-based financial aid. In 2002-03, campuses used fee remissions to offset the impact of sudden tuition increases upon low-income students.

**Graduate Assistant Fee Remissions**
Graduate students hired as graduate teaching assistants, research assistants, or graduate fellows are exempt from payment of tuition up to the first 16 credits per term. These fee remissions are a part of the compensation packages for graduate students who are employed by the institutions and are more closely related to compensation and hiring policies than to tuition policy. The cap on graduate assistant fee remissions unnecessarily constrains an institution’s ability to manage their human resources effectively.

**Expected Outcomes:**
- Maintain access to the OUS for qualified Oregonians
- Increase diversity at OUS campuses

**Performance Indicators:**
- Access: Percentage of first-time freshmen enrolling from Oregon high schools the fall following graduation
- Access: Students of color enrolled as undergraduates at OUS institutions
**Budget Outline:**
This policy package requires no increase in General Funds or Other Funds Limited Revenue.

**BOARD DISCUSSION AND ACTION:**

Chair Lorenzen turned to the final action item. He mentioned the budget note of the previous legislative session to cap fee remissions. He observed whether a policy package would be necessary to address the issue, but counseled it was the safest course of action. He asked Assistant Vice Chancellor Nancy Heiligman to explain the proposal.

Heiligman explained there were two types of fee remissions: programmatic fee remissions (tuition discounts used by the campuses to manage enrollment) and graduate assistant fee remissions (used by campuses to pay teaching assistants). She observed the budget note of the last legislative session capped programmatic fee remissions at $65 million and graduate fee remissions at $47 million. Heiligman stated the policy package requests the programmatic fee remissions cap be phased out over the next two biennia and the graduate assistant fee remission cap be eliminated in 2005-2007.

Director Dyess asked Heiligman what funded fee remissions and Heiligman responded Other Funds revenues. Director Dyess asked why the caps were put on in the first place and Director Burns replied the legislature viewed the remission as a slush fund. The legislature was not clear as to who was receiving the remissions. President Ray added that he demonstrated 88 percent of OSU remissions went to students who qualified for need-based assistance. Director Schuette asked for information on fee remissions for students of color. Heiligman explained that she did not have specific data, but one of the OUS fee remissions is specifically targeted to diversity. Director von Schlegell signaled his support and asked if there were any legislator transparency issues. Bill McGee, Oregon Department of Administrative Services, noted the policy package format would speak to transparency.

Director Schuette asked about Board oversight and performance indicators and Heiligman explained OUS staff added a Board review component to the current policy package proposal. Director Burns asked if fee remissions were disproportionately merit-based and Heiligman asked David McDonald for assistance. McDonald explained there was a combination of the merit-based and need-base remissions, but the concepts were not mutually exclusive. He stressed the enrollment management aspect of the remissions. Director Burns stressed the need for credibility and transparency with the legislature.

Chair Lorenzen called for a motion to approve the policy package as presented by staff. Director von Schlegell moved to approve the policy package, and Director Dyess seconded the motion. All in favor: Blair, Dyess, Nesbitt, Richmond, Schuette, von Schlegell, Sohn, and Lorenzen. Opposed: none. Motion passed. (Director Burns
abstained because she mentioned during discussion that she is the recipient of a graduate assistant fee remission).

3. **CHANCELLOR AND UNIVERSITY PRESIDENTS’ REPORTS**

Chair Lorenzen turned to Acting Chancellor Pernsteiner and the presidents for reports. In the interest of time, none of the presidents or the Chancellor offered a report. President Zinser passed around a statement of SOU summer programs.

4. **REPORTS**

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

  Maureen Sevigny reported for IFS on behalf of President Peter Gilkey. She reported on the work to plan October faculty meetings and efforts for the general education common core recommendations. Sevigny observed negative consequences regarding the lack of advising and faculty leaving for other opportunities. She addressed Director Blair’s call for a united front regarding the Board message. Sevigny highlighted the faculty’s willingness to be a part of the team.

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

  Amy Defour spoke on behalf of OSA. She shared OSA’s legislative agenda with the Board and observed it had prioritized five issues: student childcare block grant, need-based aid, funding for a tuition freeze, in-state tuition for undocumented students, and welfare reform. She spoke briefly to each priority. Defour noted OSA would advocate for a slight increase in the student childcare block grant, work with the Board and the Governor’s Office on ASET and the Oregon Opportunity Grant, advocate a tuition freeze, urge in-state tuition for undocumented students as eight other states have done, and work for welfare reform that would permit students to count education hours toward work requirements.

  Defour noted increases in tuition without adequate aid. She mentioned the Student Vote Campaign.

  Director Nesbitt asked about the welfare reform issues and Defour replied the proposal passed in Oregon, but was not enacted because of the federal reauthorization of the welfare act. Director Nesbitt mentioned efforts for federal lobbying.

5. **PUBLIC INPUT**

Kristen Downing of the Associated Students of Oregon State University offered public comment. She characterized the System as failing and spoke to the escalating inability of students and families to pay for college. Downing referenced decreases in General Fund dollars and fund balances.
6. **BOARD COMMENTS**

No board comments.

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

Chair Lorenzen asked the Secretary to read the delegation of authority. Secretary Hagemann read:

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.

Chair Lorenzen called for a motion to accept the delegation. Director Schuette moved to accept the delegation and Director Dyess seconded the motion. All in favor: Blair, Burns, Dyess, Nesbitt, Richmond, Schuette, von Schlegell, Sohn, and Lorenzen. Opposed: none. Motion passed.

8. **ADJOURNMENT**

Chair Lorenzen adjourned the meeting at 4:49 p.m.

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Ryan J. Hagemann  
Secretary to the Board

Henry C. Lorenzen  
Board Chair