**MINUTES OF THE REGULAR MEETING OF THE BOARD OF HIGHER EDUCATION**

**WESTERN OREGON UNIVERSITY**

**OCTOBER 8, 2004**

**Table of Contents**

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chancellor’s Report</td>
<td>549</td>
</tr>
<tr>
<td>Presidents’ Reports</td>
<td>550</td>
</tr>
<tr>
<td>Interinstitutional Faculty Senate President Report</td>
<td>551</td>
</tr>
<tr>
<td>Oregon Student Association Chair Report</td>
<td>551</td>
</tr>
<tr>
<td>Board Elections</td>
<td>577</td>
</tr>
</tbody>
</table>

**ACTION ITEM**

2004-05 Annual Operating Budget ................................................................. 552

**CONSENT ITEMS**

OIT, B.S. in Renewable Energy Systems .......................................................... 557
WOU, Bachelor of Fine Arts in Theatre ......................................................... 558

**REPORT ITEMS**

Update on Public Communications and Outreach ........................................... 559
Annual Report to the Board on Performance Measurement .......................... 564
1. **Call to Order/Roll Call/Welcome**

Chair Henry Lorenzen called the meeting of the State Board of Higher Education to order at 9:06 a.m. Chair Lorenzen asked the Secretary to take roll.

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

**Absent:** John von Schlegell (business conflict) and Gretchen Schuette (business conflict).

**OUS staff present included:** George Pernsteiner, Neil Bryant, Mike Green, Ryan J. Hagemann, Nancy Heiligman, and Susan Weeks.

**Others present included:** Presidents Dan Bernstine, Philip Conn, Martha Anne Dow, Dave Frohnmayer, Khosrow Fatemi, Ed Ray, and Elisabeth Zinser. Board appointees Tony Van Vliet and Adriana Mendoza were also present.

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

Before turning to the agenda, Chair Lorenzen acknowledged the accomplishments of two Board members. He noted Director Blair’s appearance in *BusinessWeek* magazine and Director Richmond’s receipt of the Spears Medal, an international award given by Great Britain’s Royal Society of Chemistry.

2. **Approval of Minutes**

- **Regular Board Meeting, September 10, 2004**

Chair Lorenzen asked if there were any corrections to the minutes of the September 10, 2004, regular Board meeting. He called for a motion to approve the September 10, 2004, minutes. Director Dyess moved to approve the minutes and Director Sohn seconded the motion. All in favor: Blair, Burns, Dyess, Nesbitt, Richmond, Sohn, and Lorenzen. Opposed: none. Motion passed.

- **Executive Committee Meeting, September 23, 2004**

Chair Lorenzen asked if there were any corrections to the minutes of the September 23, 2004, Executive Committee meeting. He called for a motion to approve the September 23, 2004, minutes. Director Blair moved to approve the minutes and Chair Lorenzen
seconded the motion. All in favor: Blair, Burns, Dyess, Nesbitt, Richmond, Sohn, and Lorenzen. Opposed: none. Motion passed.

3. REPORTS

a. Chancellor's Report

Chair Lorenzen turned to Acting Chancellor George Pernsteiner for the Chancellor’s Report. Pernsteiner stated he had two items to report to the Board. First, Pernsteiner responded to Appointee Van Vliet’s inquiry from the September 2004 meeting regarding tuition reciprocity agreements. Pernsteiner observed the reciprocity agreement with Washington State was discontinued in 1999 and was effectively replaced by the multi-state Western Undergraduate Exchange (WUE) program. He also noted that some of the campuses had various regional reciprocity agreements. Pernsteiner added that as tuition continues to rise in Oregon, Oregon students might consider going to other states under WUE, even though the charge would be 150 percent of the in-state tuition of the university attended. Pernsteiner stated Native Americans tribes with land completely within Oregon’s boundaries and members of the armed forces under certain circumstances pay resident tuition.

Pernsteiner also discussed the critical importance of performance measurement. He observed the discussion would help the System understand its context. While noting the remarkable job the universities have done with enrollment, degrees, research, and other indicators, Pernsteiner stated some of the numbers carry the seeds of future problems. First, he observed that while state appropriations are low and tuition is average, Oregon’s tuition revenue per student ranks sixth in the country. He offered that the tuition revenue from non-resident students explains how Oregon could have low state appropriations and average tuition, but the sixth highest tuition revenue per student in the country. He cautioned that as Oregon becomes more dependent on the revenue from non-resident students, it becomes vulnerable to what other states do to keep their students from coming to Oregon.

Second, he noted the parallel downward movement of Oregon’s per capita personal income and investment in higher education. Pernsteiner observed the caution from others that future disinvestment in higher education would result in a slide in per capita personal income. He continued that the substantial enrollment growth since the last investment in higher education might not be sustainable because of the high student/faculty ratio and reliance on adjunct faculty. He reiterated the need for reinvestment in higher education, and shared performance measurements can tell the Board where it has been, but also where it needs to go. Pernsteiner offered performance measures would not only assist the Board in securing funding for 2005, but in articulating a future vision for higher education as well.
b. Presidents’ Reports

Chair Lorenzen turned to the institution presidents for their reports. President Ray acknowledged Acting Chancellor Pernsteiner’s comments and, in the spirit of Director Richmond’s accomplishment, recognized faculty contributions and that disinvestment may squander the talents and abilities OUS faculty members offer. President Ray reported the increase in OSU’s contracts and grants. He noted the ongoing campus-wide dialogue regarding OSU’s tuition policy and the plateau.

President Conn welcomed the Board to WOU’s campus. He recognized the Associated Students of Western Oregon University student body president Ben Sappington. President Conn reported on WOU’s voter registration efforts. He noted a grant from the Western Community Policing Center for homeland security preparedness. Finally, he shared that a WOU student, Nelacey Porter, participated in the Athens Paralympics, would be appearing on Good Morning America.

President Dow shared that Bob Rogers, an OIT mechanical engineering faculty member, was listed in the Oregon Business “50 Leaders.” She reported OIT’s partnership with Klamath Community College to provide access scholarships to returning servicemen and women. She noted OIT’s voter registration efforts.

President Fatemi reported events commemorating and celebrating EOU’s 75th anniversary would be taking place throughout the year.

President Bernstine reported PSU launched the public phase of its first capital campaign. He observed two PSU schools—the Graduate School of Social Work and the Department of Computer Science—had hired significant groups of faculty. President Bernstine shared that a PSU graduate and current elementary school teacher, Cassandra Barnes, had been awarded the Milken Family Foundation National Educator Award. President Bernstine acknowledged President Ray’s completion of the Portland Marathon.

President Zinser highlighted opening and convocation events on campus. She reported the campus excitement generated by the new library. President Zinser shared the success of SOU’s first family university picnic. She noted a new program—The School Mentor Program—for students in the education department. She discussed SOU’s increase in grant activity and included the celebration of students and faculty that contributed to the research and teaching-related grants. President Zinser reported the development of a new center for community partnership that will function under the Rogue Valley Council of Governments. She added the progress with planning the joint Medford facility between Rogue Community College and SOU. President Zinser observed SOU would be hosting the Pacific Nonprofit Network. She also acknowledged the voter registration efforts.

President Frohmayer returned to Acting Chancellor Pernsteiner’s comments regarding performance measurements and noted that, even though the University of Oregon
enjoyed good enrollment numbers, they echoed how tuition-dependent Oregon universities are. He reiterated Pernsteiner’s comments regarding the attendance of nonresident students. President Frohnmayer mentioned the downturn in international student attendance and observed the impact of national security issues on whether international students are able to attend American universities. He raised the continuing concern about escalating library costs and that the university community was working hard to address the flu vaccine shortage. President Frohnmayer noted the successful voter registration drive, the increase in federal grants and contracts, the visit of UO graduate Jeff Whitty, a triple-Tony Award winner, and the January 29, 2005, kick-off of the public phase of the UO campaign.

After the reports, Director Nesbitt shared his pleasure with the voter registration efforts on the campuses and referenced a *New York Times* article regarding the barriers to student voting. Director Burns acknowledged President Ray’s efforts on the OSU campus for the ongoing dialogue regarding tuition.

c. **Interinstitutional Faculty Senate (IFS) President**

IFS President Gilkey noted IFS was organizing a faculty-driven process on each of the OUS campuses that would touch on some of the Board initiatives. He noted the meetings would address the general education transfer module. Gilkey anticipated a report at the November 2004 meeting regarding progress and results from the meetings. He observed the efforts were geared toward a Fall 2005 implementation of the general education transfer module. Gilkey outlined the various steps and reviews necessary in order to achieve the Fall 2005 implementation. He also noted the transfer module was far more flexible than a rigid common core. Gilkey added that the transfer module would also facilitate transfer between OUS institutions in addition to transfer between community colleges and OUS institutions.

Gilkey reported on the faculty-driven meeting on the UO campus. He noted the importance of community college attendance and highlighted the participation of Umpqua and Lane community colleges. He asked the presidents to assist in the effort to ensure community college participation in the process.

d. **Oregon Student Association (OSA) Chair**

Adam Petkun, OSA Board Chair, brought two issues to the Board. First, he discussed tuition and the work of the Access and Affordability Working Group. Petkun added to the previous Access and Affordability Working Group conversations and noted that the net price, after financial aid, is not what the student sees. He noted the uncertainty many low- and middle-income students experience when researching financial aid and the cost of education. He argued that tuition could not continue to outpace the growth in median family income and that the only solution was a tuition freeze.

Petkun also spoke about new student identification cards at PSU. He shared that students recently discovered that the new student identification cards would carry a
MasterCard symbol and might be used as a debit card. He noted that student governments were not consulted as PSU negotiated the contract with the company that would disburse financial aid and potentially acquire new debit card customers through the new student identification cards. Petkun outlined several questions that might have been asked if student governments were part of the process.

Petkun also noted the importance of the voter registration efforts.

Director Nesbitt asked for President Bernstine’s reaction to Petkun’s comments. President Bernstine shared that the student identification efforts emerged from the federal requirement to eliminate the reference to the social security number as an identification number. He noted students were consulted at the beginning of the process, but shared that student governments were not. President Bernstine stated PSU has delayed implementation of the benefits until that conversation can take place. Director Blair asked for clarification regarding the linkage between financial aid and the debit card. President Bernstine responded that the debit card permits access to financial aid and parents or the student could add more to the card if desired. President Zinser added that SOU would be implementing the identification card as well. President Bernstine noted that the card, if desired, could function only as an identification card. Director Burns asked about availability of ATMs and President Bernstine stated that there were four branch ATMs on campus.

4. **Action Items**

   a. **2004-05 Annual Operating Budget**

   **Board Docket:**

   The Oregon University System 2004-05 Annual Operating Budget is summarized for Board consideration and approval. The entire 2004-05 Budget Report document, containing detailed information on the allocation of state General Funds to the campuses through the OUS Resource Allocation Model (RAM), is available on the OUS website at [http://www.ous.edu/budget/br03/](http://www.ous.edu/budget/br03/).
## General Fund vs. Other Funds

<table>
<thead>
<tr>
<th>Institution</th>
<th>General Fund</th>
<th>Other Funds Limited</th>
<th>Non-Limited Unrestricted</th>
<th>Non-Limited Restricted</th>
<th>2004-05 Total All Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Oregon University</td>
<td>12,408,624</td>
<td>13,927,439</td>
<td>8,445,882</td>
<td>8,422,043</td>
<td>43,203,988</td>
</tr>
<tr>
<td>Oregon Institute of Technology</td>
<td>14,925,151</td>
<td>11,698,609</td>
<td>6,902,805</td>
<td>7,642,532</td>
<td>41,169,097</td>
</tr>
<tr>
<td>Oregon State University - Corvallis</td>
<td>80,371,126</td>
<td>153,738,977</td>
<td>110,093,135</td>
<td>218,599,750</td>
<td>562,802,988</td>
</tr>
<tr>
<td>Oregon State University - Cascades</td>
<td>3,268,649</td>
<td>717,000</td>
<td>-</td>
<td>-</td>
<td>3,985,649</td>
</tr>
<tr>
<td>Portland State University</td>
<td>57,544,297</td>
<td>118,703,276</td>
<td>43,716,888</td>
<td>55,863,509</td>
<td>375,627,970</td>
</tr>
<tr>
<td>Southern Oregon University</td>
<td>14,619,915</td>
<td>23,326,878</td>
<td>24,360,617</td>
<td>39,788,500</td>
<td>102,096,260</td>
</tr>
<tr>
<td>University of Oregon</td>
<td>59,672,036</td>
<td>167,834,199</td>
<td>147,186,302</td>
<td>196,084,000</td>
<td>570,778,537</td>
</tr>
<tr>
<td>Western Oregon University</td>
<td>14,439,076</td>
<td>25,374,428</td>
<td>17,920,303</td>
<td>37,092,134</td>
<td>94,826,121</td>
</tr>
<tr>
<td>Chancellor’s Office</td>
<td>5,081,176</td>
<td>6,042,197</td>
<td>-</td>
<td>5,973,927</td>
<td>18,117,474</td>
</tr>
<tr>
<td>OCECS</td>
<td>3,037,881</td>
<td>600,000</td>
<td>844,530</td>
<td>-</td>
<td>4,482,411</td>
</tr>
<tr>
<td>Systemwide Expense &amp; Programs</td>
<td>3,532,208</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,532,208</td>
</tr>
<tr>
<td><strong>Subtotal Education &amp; General Program</strong></td>
<td><strong>268,900,140</strong></td>
<td><strong>521,963,004</strong></td>
<td><strong>360,492,636</strong></td>
<td><strong>669,266,925</strong></td>
<td><strong>1,820,622,705</strong></td>
</tr>
<tr>
<td>Statewide Public Services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural Experiment Station</td>
<td>25,119,250</td>
<td>8,512,188</td>
<td>-</td>
<td>26,812,415</td>
<td>60,443,853</td>
</tr>
<tr>
<td>Extension Service</td>
<td>15,805,487</td>
<td>14,541,020</td>
<td>-</td>
<td>4,103,065</td>
<td>34,449,572</td>
</tr>
<tr>
<td>Forest Research Laboratory</td>
<td>2,469,320</td>
<td>5,164,482</td>
<td>-</td>
<td>10,629,604</td>
<td>18,263,406</td>
</tr>
<tr>
<td><strong>Subtotal Statewide Public Services</strong></td>
<td><strong>43,394,057</strong></td>
<td><strong>28,217,690</strong></td>
<td><strong>-</strong></td>
<td><strong>41,545,084</strong></td>
<td><strong>113,156,831</strong></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sports Action Lottery Funds</td>
<td>-</td>
<td>2,451,162</td>
<td>-</td>
<td>-</td>
<td>2,451,162</td>
</tr>
<tr>
<td>Debt Service</td>
<td>13,203,135</td>
<td>1,610,569</td>
<td>45,065,488</td>
<td>-</td>
<td>59,879,192</td>
</tr>
<tr>
<td><strong>Subtotal Other</strong></td>
<td>13,203,135</td>
<td>4,061,731</td>
<td>45,065,488</td>
<td>-</td>
<td>62,330,354</td>
</tr>
<tr>
<td><strong>2003-04 TOTAL OPERATING BUDGET</strong></td>
<td><strong>$325,497,332</strong></td>
<td><strong>$554,242,425</strong></td>
<td><strong>$405,558,124</strong></td>
<td><strong>$710,812,009</strong></td>
<td><strong>$1,996,109,890</strong></td>
</tr>
</tbody>
</table>

## 2003-2005 Funding

Biennial Appropriation: Approximately $679 million in state General Fund was originally appropriated to OUS for the 2003-2005 biennium, including $11.5 million in capital funding for building repairs and renovations, reflecting a reduction of $62.7 million from the previous biennium. Other Funds Limited Revenue increased by $251.5 million, due mainly to increases in tuition and fee revenues based on enrollment growth and tuition rate increases.

## Changes in the 2004-05 OUS Annual Operating Budget

Since the preliminary 2004-05 budget was approved, changes have taken place that will adjust the annual 2004-05 budget. OUS received a $7.5 million state General Fund budget reduction in the Education and General Program due to the passage of Measure 30 in February 2004. Other Funds Limited Revenue projections have declined by approximately $20 million due to decreases in enrollment projections and tuition increases that were lower than planned.

Changes in allocations from the Chancellor's Office to campuses are needed to support the Board's Tuition Mitigation Fund and the Chancellor's Office re-organization. The following amounts have been shifted from the Chancellor's Office to the campuses:

- Tuition Mitigation: $1,995,000 (General Fund)
- 405,000 (Other Funds Limited (CO Fund Balance))
Revenue Sources
The OUS Operating Budget is comprised of four sources of revenue. Descriptions and relevant information related to these revenue sources follow below. More detailed information is contained online in the 2004-05 Budget Report. In general, 50 percent of the 2003-2005 appropriations were budgeted in each fiscal year of the biennium.

State General Funds
State General Funds are appropriated to OUS biennially by the legislature. The distribution of these funds to the campuses is developed in compliance with legislative Budget Notes and Board policy. Funds are allocated through the OUS Resource Allocation Model (described below) and are split 50 percent-50 percent between the two fiscal years of the biennium unless otherwise requested by the campuses.

Other Funds Limited
Other Funds Limited revenue for the operating budget is comprised principally of estimated campus tuition and fees (calculated on the bases of enrollment projections and the expenditure limitation authorized by the legislature) and indirect cost recovery on sponsored research, as well as lesser amounts of other income. The Other Funds Revenues for Capital Construction of $434.6 million are bond sale proceeds financed through private donations and auxiliary activity fees such as building and housing fees. The total Capital Construction budget was allocated in the first year of the biennium.

Other Funds Non-Limited
Other Funds Non-Limited revenue estimates include sponsored programs; gifts, grants, and contracts; designated operations (e.g., community workshops and other self-sustaining public service and education activities); and auxiliary activities such as student housing, service, parking, athletics, and incidental fee activities. Expenditure of these funds is not limited by the Legislature.

Lottery Funds
Lottery Funds are comprised of 1) Sports Action Lottery Funds that are distributed to campuses according to Board policy, with 12 percent allocated for scholarships and 88 percent allocated for support of intercollegiate athletics, and 2) debt service funds that are used for Article XI-G bonds for capital construction.

The recommended annual distributions of state General Fund through the OUS Resource Allocation Model (RAM) are developed to comply with House Bill 5077, the primary operating budget bill for OUS passed by the 2003 Legislative Assembly. The following table shows the allocation of state General Funds among OUS institutions for Undergraduate and Graduate Funding, which is allocated on a per-student basis, and for Targeted Programs funding, which generally supports mission-based campus activities, policy initiatives, or areas in need of enhanced funding due to high program costs or other factors.
The following table provides additional detail on the distribution of funds for Targeted Programs through the RAM. Targeted Programs are mission based rather than enrollment driven and make up about 30 percent of state funding. Funding for targeted programs support two major mission functions: research and public service. Key targeted programs include campus public service programs, land grant activities, state-supported research centers, engineering program support, Chancellor’s Office, Central Services, Systemwide expenses, capital construction, and debt service.
2004-05 TARGETED PROGRAMS DISTRIBUTION
Oregon University System

<table>
<thead>
<tr>
<th>Education and General Program</th>
<th>Research Support</th>
<th>Engineering, Technology</th>
<th>Small Schools</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Oregon University</td>
<td>87,520</td>
<td>122,240</td>
<td>3,874,090</td>
<td>643,419</td>
<td>4,727,269</td>
</tr>
<tr>
<td>Oregon Institute of Technology</td>
<td>86,656</td>
<td>2,648,561</td>
<td>4,431,526</td>
<td>478,142</td>
<td>7,644,885</td>
</tr>
<tr>
<td>Oregon State University - Corvallis</td>
<td>3,120,116</td>
<td>6,001,427</td>
<td>-</td>
<td>9,644,154</td>
<td>18,965,696</td>
</tr>
<tr>
<td>Oregon State University - Cascades</td>
<td>-</td>
<td>3,367,067</td>
<td>-</td>
<td>3,367,067</td>
<td>6,734,134</td>
</tr>
<tr>
<td>Portland State University</td>
<td>940,682</td>
<td>2,952,481</td>
<td>-</td>
<td>2,821,901</td>
<td>7,614,964</td>
</tr>
<tr>
<td>Southern Oregon University</td>
<td>133,380</td>
<td>264,039</td>
<td>2,027,243</td>
<td>774,231</td>
<td>3,198,891</td>
</tr>
<tr>
<td>University of Oregon</td>
<td>2,084,382</td>
<td>880,129</td>
<td>-</td>
<td>2,302,992</td>
<td>5,267,503</td>
</tr>
<tr>
<td>Western Oregon University</td>
<td>204,495</td>
<td>122,240</td>
<td>2,042,242</td>
<td>70,424</td>
<td>2,439,401</td>
</tr>
<tr>
<td>Chancellor's Office</td>
<td>50,000</td>
<td>-</td>
<td>-</td>
<td>7,101,588</td>
<td>7,151,588</td>
</tr>
<tr>
<td>OCECS</td>
<td>-</td>
<td>1,271,297</td>
<td>-</td>
<td>1,851,584</td>
<td>3,122,881</td>
</tr>
<tr>
<td>Systemwide Expense &amp; Programs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,532,208</td>
<td>3,532,208</td>
</tr>
<tr>
<td><strong>Subtotal Education &amp; General Program</strong></td>
<td>6,707,231</td>
<td>14,262,412</td>
<td>12,375,100</td>
<td>32,787,709</td>
<td>66,132,452</td>
</tr>
<tr>
<td><strong>Statewide Public Services:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural Experiment Station</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25,119,250</td>
<td>25,119,250</td>
</tr>
<tr>
<td>Extension Service</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15,805,487</td>
<td>15,805,487</td>
</tr>
<tr>
<td>Forest Research Laboratory</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,469,320</td>
<td>2,469,320</td>
</tr>
<tr>
<td><strong>Subtotal Statewide Public Service</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>43,394,057</td>
<td>43,394,057</td>
</tr>
<tr>
<td>Other: Debt Service</td>
<td></td>
<td></td>
<td></td>
<td>13,203,135</td>
<td>13,203,135</td>
</tr>
<tr>
<td><strong>2004-05 TOTAL STATE GENERAL FUND</strong></td>
<td>$6,707,231</td>
<td>$14,262,412</td>
<td>$12,375,100</td>
<td>$89,384,901</td>
<td>$122,729,644</td>
</tr>
</tbody>
</table>

**Staff Recommendation to the Board:**
The staff recommended that the Board approve the proposed Annual Operating Budget and allocations for 2004-05 as described in this docket and delegate authority to the Acting Chancellor to make adjustments to the OUS Annual Operating Budget for 2004-05 as required.

**BOARD DISCUSSION AND ACTION:**

Assistant Vice Chancellor Nancy Heiligman summarized and reviewed the 2004-05 annual operating budget. She noted that she provided background information on the Resource Allocation Model and process at the previous meeting and was asking the Board to approve the allocation of state funds to the campuses and the update of estimates for Other Funds revenues today.

First, she outlined a high-level summary of the 2004-05 budget, with the General Fund, Other Funds Limited, and Nonlimited Funds inputs separated. She observed all of the revenues totaled just under $2 billion, and added that the state General Fund contribution dropped to 16 percent of the total budget for the System. Heiligman turned to state funding by campus and added that the table represented the $325 million state contribution as distributed by the Resource Allocation Model. She noted the cell, or per-student, funding, the targeted funding, and the administrative cuts necessary after Measure 30.

Ms. Heiligman continued with a further breakdown of the targeted programs that totaled $113 million. She noted public services programs, OSU-Cascades, ETIC, and debt service, among others included in the targeted programs. Appointee Van Vliet asked if
the debt service figure was for the entire System and Heiligman confirmed it was. She proceeded with a review of the Other Funds revenue, including a comparison of 2003-04 actual gross tuition and fees revenue to the 2004-05 projected revenue of $446.4 million. Heiligman noted indirect cost recovery dollars, the decrease projected in fee remissions, and the $5 million in Certificates of Participation. She concluded with the use of the fund balance projected at $22.7 million, $522 million in Education and General, and statewide public services at $32.3 million resulted in a total of $554.2 million for this operating cycle.

Heiligman also illustrated the allocation of General Funds combined with tuition and fees and other limited revenue, noting a split between General Funds and Limited Funds of 64 percent, with 36 percent coming from state funding. Director Blair asked if the allocation was spread across all students or only resident students and Heiligman replied all students. Director Burns inquired about the fee remission cap and the policy package proposal to alter the cap. Heiligman responded that the cap was set for the 2004-05 operating cycle. Heiligman summarized that General Funds looked stable and Other Funds Limited projections may be slightly lower. She added more volatility could be expected with revenue forecasts.

Director Blair asked Heiligman when the Board could expect an accurate enrollment picture and Heiligman replied at the fourth week of October. She noted the information would be available in November at the next meeting.

Chair Lorenzen called for a motion to approve the 2004-05 annual operating budget. Director Blair moved to approve the 2004-05 annual operating budget and Director Dyess seconded the motion. All in favor: Blair, Burns, Dyess, Lorenzen, Nesbitt, Richmond, Sohn, and Lorenzen. Opposed: none. Motion passed.

5. **CONSENT ITEMS**

a. OIT, B.S. in Renewable Energy Systems

**BOARD DOCKET:**

The proposed Bachelor of Science (B.S.) in Renewable Energy Systems (BS-RES) degree is an interdisciplinary degree in science and engineering with a focus on applications in renewable energy systems. The B.S. includes 194 quarter-credits of coursework, including nine credits in industry-sponsored senior design project work. The degree includes a solid foundation in physics, chemistry, mathematics, and communications; technical course work in mechanical and electrical engineering principles; and energy specific courses in energy systems, heat pump systems, photo-voltaic systems (PV), energy management and auditing, wind power and bio-mass, renewable energy transportation systems, net zero energy buildings, as well as fuel-cell technology. The degree was designed in consultation with the electric utility and green-energy consulting industry and will be unique among American university programs.
The BS-RES degree will lead to immediate employment in the electric utility, energy system design, or consulting business. The core competencies of the degree include effective communication, critical thinking, and problem solving related to RES systems. The technical expertise in RES of the graduates will benefit the employer activities in applied research in RES systems. The growing application of renewable energy systems in the state of Oregon and the Northwestern region will be well supported by graduates of this degree. The proposed program in renewable energy systems supports OIT’s strategic plan, mission, and goals.

In five years time, we expect to have about 15-20 graduates per year from this program.

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

**Recommendation to the Board:**
The OUS Provosts’ Council recommended that the Board authorize Oregon Institute of Technology to establish a Bachelor of Science degree in Renewable Energy Systems, effective immediately.

**b. WOU, Bachelor of Fine Arts in Theatre**

**BOARD DOCKET:**

The Bachelor of Fine Arts (BFA) in Theatre includes 39 credit hours in the BFA core curriculum and 62 credit hours in the student’s area of concentration for a total of 101 credit hours. The proposed BFA in Theatre is a rigorous program of study for students interested in pursuing careers in the professional theatre. This para-professional program is designed to combine intensive training with a liberal arts education.

The BFA in Theatre will provide an academic program and an expanded curriculum (30 new or revised courses) that will enhance student, faculty, and staff interaction by providing more performance/classroom collaboration and provide student and faculty internship opportunities within the public and private sectors by virtue of the program’s professional affiliations.

The BFA in Theatre is a pre-professional degree and is intended for students who demonstrate a reasonable potential to succeed in the profession. Limitations for acceptance are based on accepted national standards and criteria. No more than seven to ten students will be accepted in the program each year.

With respect to learning outcomes, upon completion of this program, students will be familiar with all aspects of theatre—art, craft, and business—and will be able to demonstrate a high level of competence in various areas of performance and production.
It is clear that with the substantial growth in professional and semi-professional theatre in Oregon over the past several decades, a second BFA in the state would provide employment options for our students as well as servicing the needs of Oregon’s professional theatres.

Our students have indicated they want more than is offered in the current program. At WOU, the BA/BS in Theatre Arts is very much a liberal arts degree, requiring one of the largest GE components in Oregon as well as a minor. While we believe that this is an appropriate degree option for most theatre students, all our students’ needs are not being met. Through many conversations with students both current and prospective, it has become clear to us that students in our region want a BFA option and they do not wish to or cannot relocate to Ashland or California to find it. We believe this BFA as proposed will provide an advantage over our BA/BS for those students who wish to pursue this option.

Seven to ten students will be accepted in the proposed program each year for a total of 28 to 40 students within four years.

Successful completion of WOU’s BFA will provide appropriate theatrical professional training for Oregonians and may help students get into good graduate MFA programs.

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

**Recommendation to the Board:**
The OUS Provosts’ Council recommended that the Board authorize Western Oregon University to establish a Bachelor of Fine Arts degree in Theatre, effective immediately.

**BOARD DISCUSSION AND ACTION:**

Chair Lorenzen asked if any Board member would like to discuss an item on the consent agenda. He called for a motion to approve the consent agenda. Director Burns moved to approve the consent agenda and Director Dyess seconded the motion. All in favor: Blair, Burns, Dyess, Nesbitt, Richmond, Sohn, and Lorenzen. Opposed: none. Motion passed.

6. **REPORT ITEMS**

   a. Update on Public Communications and Outreach

   **BOARD DOCKET:**

   **Overview**

   The Oregon University System has already made some progress in developing and implementing its communications strategy and outreach around the Board working
group initiatives and the Board’s outreach to legislators and other constituents. Each initiative has clearly defined goals; the Chancellor’s Office reorganization has begun to align with the initiatives and new focus for the Chancellor’s Office; and connections between the three initiatives are starting to be clarified and coordinated. The Board has begun a determined effort to ensure that it works collaboratively with various constituent groups and keeps these groups, particularly legislators, informed of the Board’s work at each new milestone.

Effectively communicating with all of OUS’ key constituencies is essential for successful implementation of the initiatives. The work of the Board and the Chancellor’s Office is not widely known or understood with many constituent groups (public; alumni groups; community colleges; chambers; etc.). Additionally, the Board is new and the redefined focus/identity of the Chancellor’s Office even newer. The OUS has a multi-faceted mission and a complex organization (budgets, governance, seven-plus institutions) that makes each legislative session and communication with our “publics” challenging. There are also three different initiatives, each with a number of goals and objectives, myriad partners, and an important mandate that these efforts reach every part of the state.

Effective communication is critical in our efforts to accomplish these far-reaching goals of engaging partners, informing public policy, maintaining an even higher level of accountability and transparency, and meeting the Board’s, Governor’s and state’s goals for reinvestment in postsecondary education and efficient use of resources.

The Board’s and Chancellor’s Office communications efforts will be most effective by focusing on our constituents’ needs for information, and for change in postsecondary education access, affordability, delivery, efficiency, and links to Oregon’s economy. To this end, we need: to identify and prioritize key constituent groups and understand their needs and attitudes; focused, targeted, and consistent messages, appropriate tools, and efficient channels that achieve end-goals; and to evaluate results and clearly communicate these back to constituent groups.

Engagement with our partners and intense work on the initiatives will have the multiplier effect of re-building the reputation of Oregon’s higher education system. Rebuilding trust will have a positive effective on OUS’ relationship with its many partners, including legislators, philanthropy and donors, the public, faculty and staff of OUS, community colleges, K-12, the business community, and state agencies.

**Statewide Editorial Board Meetings**

To begin the process of informing the Oregon public about the goals and initiatives of the Board, a series of statewide editorial board meetings was initiated in early May of this year. The focus of each meeting was to provide editors at daily newspapers in Oregon with background on the “state of the state” in college access, affordability, and attainment levels, including how these relate to the health of the state economy. Additionally, Board members outlined the goals related to the Access Scholarships for
Education Trust (ASET) grant endowment, on which they are working in partnership with the Governor; the need for short-term increases in need-based aid, on which they are working in partnership with the Oregon Student Assistance Commission; and the delivery and productivity improvements in the More, Better, Faster initiative, on which they are working in partnership with community colleges.

To date, 15 editorial board visits have been completed at 14 daily newspapers and one monthly magazine, generating ten editorials and one article, and reaching readership of nearly 650,000 Oregonians. Overwhelmingly, the editorialists endorsed the need for higher education attainment in the state to support economic growth and vitality, and the importance of the Board’s initiatives and focus on reinvestment in postsecondary education in Oregon.

A second and third round of editorial board meetings will begin later in the year and into mid-2005, focusing on the 2005-2007 budget and policy proposals for the Oregon University System, and the need-based aid proposals—ASET and increases in the Oregon Opportunity Grant—that the Board is supporting but does not “own” as a budget item.

Legislator Meetings and Updates

In addition to numerous meetings with Governor Kulongoski and his staff on the Board’s work and focus, many meetings with legislators have been held. Beginning in March, Board leadership, Chancellor’s Office leadership, and our government relations consultant began meeting with legislators individually and in formal venues to provide information on the plans and initiatives of the Board. The Board has requested some of these meetings, and the legislative groups have initiated others. In all cases, the goal has been to meet the information needs of legislators about the goals and focus of the Board and complete any follow up activities or data requests that they have. Thus far, the Board and/or staff have met with the Senate Education Committee four times since March; met with the Legislative Higher Education Workgroup (Ways and Means leadership) six times since April; and conducted about 20 individual legislator meetings with senators and representatives. In addition, the Board has kept legislators abreast of its work and developments in the Chancellor’s Office through update letters sent out after Board meetings or milestone events.

Pre- and Early Session Legislator Outreach

After the election of new and returning legislators, the Acting Chancellor and Government Relations staff will meet with individual legislators and their staffs. The purpose of the meetings is to learn about the interests of members and what areas they would like OUS to focus on during session presentations; to answer members’ questions; and to provide information on the OUS budget and policy packages, and the Board’s initiatives overall.
Just after the opening of the session, informational breakfast briefings will be held for legislators at the State Capitol to provide current and historical information on higher education issues and to answer their questions. It is also an opportunity for members to meet campus presidents, Board members, and the Acting Chancellor and his staff.

**Legislative Advisory Committee (LAC)**

Legislative and Federal Affairs representatives from each of the campuses convene in conjunction with State Board meetings to coordinate activities and share information. The LAC serves as the main communications and strategy forum for System and campus lobbying activities, consistent with Board policy. The LAC serves as the front-line legislative contact group on issues of major importance to OUS and campus missions.

**Higher Education Lobbying Network (HELN)**

An invaluable organization of OUS supporters meets regularly during legislative sessions under the banner of the Higher Education Lobby Network (HELN). The Lobby Network serves as an information sharing and gathering entity, a mechanism to understand the concerns of individual entities with interests in OUS budgets or legislation, and a venue to discuss the current status of legislation and debate possible group or individual approaches. The Lobby Network also serves as a means to disseminate a positive public higher education message quickly to every member of the legislature and coordinate stakeholder and constituency advocacy to reinforce these messages. The HELN will be convening in the next few weeks to discuss its focus and continue to plan for the upcoming legislative session.

**Public Focus Groups**

During October, two focus groups will take place in Medford and Portland to gain a better understanding of Oregonians’ opinions about higher education, its purpose, its benefits to them, and their opinions on an endowment that would ensure greater access to and affordability of college in the state for all Oregonians. The intention of this project is to directly involve the public in providing information that will help the Board and others to understand how citizens view financial assistance programs, improvements in productivity and delivery systems in public postsecondary institutions, creation of linkages between postsecondary sectors in the state, alignment of higher education priorities with the economic and workforce needs of the state, and ways to address gaps in postsecondary participation by income, race/ethnicity, and geography.

The firm of Davis, Hibbits & Midghall, Inc., has been engaged to complete this work in October, with a preliminary report provided to staff in November, and a final report of its findings to the Board in December.
Communications Retreat

A Chancellor’s Office Communications Retreat was held for a half day on July 20 at Chemeketa Community College. The retreat convened a cross-functional staff group to further hone communications strategy for the working groups' agendas and initiatives before presenting a plan outline to the Board and seeking their advice and direction. The meeting focused on identifying and prioritizing OUS goals, messages, audiences, and tactics for communications/advocacy around the Board's initiatives, and further identifying other individuals and groups that can assist and partner with us to complete the outreach work.

BOARD DISCUSSION:

Chair Lorenzen turned to Neil Bryant for an update on the public communication and outreach efforts.

Bryant noted the communications update in the Board docket and observed that OUS staff was developing a more specific report for the next meeting. First, Bryant mentioned the ongoing meetings with the Ways & Means working group.  He noted the meetings have given OUS an opportunity to have some important, candid conversations before the legislative session starts. Bryant felt this important because there was criticism when how OUS presented its budget in the last session. He stressed transparency and the effort to regain credibility.

Bryant added both the House and Senate Interim Committees on Education have been meeting, and are interested in OUS progress. He noted the Senate’s committee is interested in how the reorganization of the Chancellor’s Office is going. Bryant observed that although Acting Chancellor Pernsteiner has only been at OUS since July 2004, it is becoming possible to start answering questions about the new structure of the Chancellor’s Office. Bryant mentioned that the legislature will want to have answers about the direction of the reorganization before resolving all substantive issues about the budget. Bryant reiterated the revenue projections and possible impact on OUS budgets.

Bryant noted the progress of the Access and Affordability Working Group, including the focus groups organized to determine public perception. He continued that after the election, the plan is to have one consistent message, but delivered in three different ways: an overview to legislators, a more focused presentation to those serving on substantive Education Committees, and the nuts and bolts to the Ways & Means Committee. Bryant observed the institution presidents, LAC group, and faculty all have roles in interacting with the legislature.

Bryant stated the Higher Education Lobby Network would have its first meeting the following Monday. He noted community colleges would be invited to join the network. Bryant mentioned the success with editorial board visits, and noted as the legislative session progresses, it might be useful to return to editorial boards with a more refined
message. He noted the OUS communications summit convened in order to ensure a consistent communication strategy.

Director Burns asked Bryant for an update on fee remissions. He observed one of the working group meetings was almost exclusively dedicated to that question. He was optimistic that the OUS would be successful in getting the cap removed or raised, but questions did remain.

b. Annual Report to the Board on Performance Measurement

DOCKET ITEM:

**National and State Level Context**
Performance measurement, when done well, feeds a strategic planning framework, which, in turn, reflects an organization's broad vision. An effective strategic planning and performance measurement system aligns mission, values, strategy, measurement, and behavior. The challenge is to measure what is valued.

In the national context, these concepts form the core of such efforts as the Baldrige National Quality Program,¹ and are beginning to be reflected in overall state government planning (Missouri provides a good example). Within the national postsecondary education arena, the most prominent benchmarking and performance measurement effort is the *Measuring Up* series of reports published by the National Center for Public Policy and Higher Education.²

Current performance measurement efforts in Oregon began with the publication in 1989 (updated in 1997) of *Oregon Shines*, which articulates the state's strategic vision:

- Quality jobs for all Oregonians
- Safe, caring, and engaged communities
- Healthy, sustainable surroundings

The companion document, *Oregon Benchmarks*, provides the measurement link to *Oregon Shines*. *Oregon Benchmarks* contains 90 indicators arrayed along seven broad categories:

- Economy
- Education
- Civic engagement
- Social support

¹ This program, established in 1987, focuses on quality management and provides a national award to businesses and to education and health care organizations for outstanding accomplishments in the areas of leadership, strategic planning, customer and market focus, information and analysis, human resource focus, process management, and business results. (See: [http://baldrige.nist.gov](http://baldrige.nist.gov))

• Public safety
• Community development
• Environment

Two of these seven areas—economy and education—contain five indicators for which the Oregon University System maintains monitoring responsibility. In addition, OUS provides links to Oregon Benchmarks in the form of more than 20 different indicators, reported annually to the Department of Administrative Services (DAS) and biennially to the Oregon Legislature.

Early Development of Performance Measurement in OUS

In the years following the adoption of SB 919, the practical problems of designing a performance measurement system were considered and deliberated by the Board, Chancellor, and institution presidents and vice presidents in numerous public forums, including meetings of the Board, Presidents Council, Academic Council, and Administrative Council. Performance measurement had to be acceptable to legislators, the Board, and educators alike. The advice was to build the OUS performance measurement system upon existing assessment and data-reporting systems. The challenge was, and continues to be, integrating performance measurement with (what was then) the new Resource Allocation Model, funding priorities, and strategic plans for the System and institutions.

Aligning State, Board, and Institution Performance Measurement
Performance measurement at the state and Board levels has developed in a parallel rather than integrated fashion. Efforts are now underway to align the processes and measures more closely. Further, independent, institution-generated performance measures have been developed at OUS universities but are not currently identified or reported to the Board. Working with the Provosts’ Council, staff will acknowledge and describe these campus efforts in future reports to the Board.

---

3 These indicators are: Percent of adults with some college (OBM 24); Percent of Oregon adults that have a college degree—bachelor’s degree and advanced degree (OBM 26); Net job growth (OBM 4); Industry research and development expenditures as a percentage of Gross State Product—public/private and academia (OBM 7); and Per capita income as a percentage of the U.S. per capita income (OBM 11).

4 The Education Unbounded report set a course for public higher education in Oregon that led to streamlined administrative processes (SB 271), a broad set of Board goals (SB 919), and a new entrepreneurial funding model (Resource Allocation Model). See: http://www.ous.edu/dist-learn/unbound.htm.
The current alignment of state, Board, and institution level performance measurement is shown in Figure 1. At each level, specific performance indicators have been selected to measure the accomplishment of targets identified in strategic initiatives, which, in turn, have been developed to implement the goals articulated in the organization’s vision statements. At the state level, the vision is expressed in Oregon Shines, targeted in Oregon Benchmarks, and measured through specific agency indicators. At the Board level, the vision is expressed through the goals adopted by the Board in 1997 and mandated by SB 919; targeted in the current initiatives focused on affordability, access and completion, academic excellence, and economic development; and measured through the set of OUS key indicators. At the institution level, campus vision statements drive campus strategic planning, which is measured through a set of campus-generated performance indicators.

**Current Board Level Framework**

Because performance indicators provide value through the ability to track targeted activity over time, they need to be stable, enduring, and long-term in their design. The current set of Board indicators was developed with that concept in mind. The challenge is to also retain the ability to adapt to changing conditions, values, and priorities in monitoring organizational performance. For example, affordability measures were not part of the original set of Board indicators, but may be needed now to reflect current conditions and strategic priorities. Consideration will also need to be given to the performance monitoring needs of budget policy packages, which may differ from the ongoing set of indicators. In general, as the initiatives of the three Board working groups are fully developed, appropriate indicators from both the Oregon Benchmarks set and the Board set will need to be applied to these initiatives and new measures developed where necessary.

The Board level performance indicator framework is displayed in Figure 2. As shown on the graph, measures have been developed to monitor the achievement of the four goals adopted by the Board in 1997 (access, quality, employability/economic opportunity, and cost effectiveness). Some indicators apply to multiple measures—for example, “Research and Development Dollars” is viewed as an indicator supporting the Faculty Quality measure as well as the Entrepreneurship measure.

The current set of Board performance indicators and data reported for them includes:

**Trend Data and Targets:**
1. Freshman persistence rate
2. Graduate satisfaction
3. Research and development dollars
4. Total degrees awarded
5. Degrees in shortage areas (e.g., engineering/computer science or teacher education)
Trend Data Only:
6. Total credit enrollment (with detail reported on gender, race/ethnicity, geographic origin, and academic preparation)
7. New undergraduate enrollment
8. Freshman graduation rate
9. Graduate success (i.e., employed or enrolled in a graduate program)
10. Internships
11. Philanthropy
12. Faculty compensation
13. Students per full-time faculty

Targets are set for the first five indicators, normally through five years. These targets are set with the benefit of both internal and external benchmarking. They are reviewed and revised annually, and are reported at a fall Board meeting by institution presidents, along with other institutional goals set by the president. OUS institutions also set targets for two additional, mission-based indicators specific to their campus. Those two indicators are included in the presidents’ reports.

Historical and most recent data for indicators 6 through 13 are reported annually (except for indicators 9 and 10, which are reported biennially); no targets are set for these indicators. The 13th indicator—students per full-time faculty—is relatively new to the OUS set (although it has been included in the OUS links to Oregon Benchmarks) and, along with faculty compensation, is viewed as a measure of potential threats to quality.

Identifying and communicating meaningful measures of quality is particularly complex. The OUS measures that form the set of quality indicators—student persistence and completion, graduate satisfaction, philanthropy, research and development expenditures, and faculty compensation—provide seemingly simple ways to reflect the many nuances of quality. Embedded within these measures are important aspects of the quality of student experience—for example, the ability to complete a course of study and obtain a degree in a timely fashion; the capacity of the institution to attract and retain top quality faculty; and the capacity of the faculty to provide the necessary advising to students outside of the classroom. In addition, the R&D, faculty compensation, and students per full-time faculty measures capture many other contributors to faculty quality, research productivity and scholarship—for example, the capacity to support grant-funded research and innovation; institutional support of scholarly activity that brings national recognition; the capacity to create start-up investments; and support of a critical mass of full-time departmental faculty to foster a strong community of scholars. Many of the institution-generated performance indicators focus on these quality dimensions.

Performance Results for 2003-04
Summarized performance indicators for OUS as a whole are displayed in Table 1 and described below. Because faculty compensation is reported at an institutional level, data

---

5 However, targets for these indicators are required for the Links to Oregon Benchmarks report and are reported there.
are not included in this system-level summary; this information will be included in the presidents’ reports on institutional targets. In addition, the indicator for degrees in shortage areas has been excluded from the summary because the specific shortage areas vary among the institutions and summarized data are not viewed as meaningful to report. This information, too, will be included in the presidents’ reports.

**Enrollment.** Total credit enrollment, especially at the undergraduate level, has increased significantly since 1998-99, reflecting the high priority placed on ensuring access, even during periods of constrained resources. Undergraduate enrollment in OUS grew 25 percent over that time—twice the national rate of increase—while graduate enrollment grew 11 percent. By comparison, undergraduate enrollment in the U.S. as a whole increased 12.7 percent, and graduate enrollment increased 12.6 percent during that period. New undergraduate enrollment in OUS increased steadily through 2002-03 before declining slightly in 2003-04.

**Student Persistence and Completion.** The percentage of new freshmen continuing to their second year increased from 79.1 percent in 1998-99 to 80.3 percent in 2001-02, remaining at that level in 2002-03. Data on the class entering in fall 2003 will be available May 2005.

After a jump in 1999-00, six-year graduation rates for students entering as freshmen and completing their degree at an OUS institution have remained relatively stable, hovering around the 55 percent mark. Data on the class entering in fall 1998 will be available May 2005.

Funding of initiatives and budget proposals aimed at improving retention (the More-Better-Faster initiatives) should produce increases in both of these measures.

**Graduate Satisfaction and Success.** Data on graduate satisfaction and success are obtained through a biennial survey of recent bachelor’s graduates. The graduate satisfaction measure reflects the percentage of bachelor’s degree recipients who rate the quality of their overall experience at the institution as either “excellent” or “very good.” The survey of the graduating class of 2003 shows improvement in this measure at 81.9 percent, up from 79.8 percent for the class of 2001.

Graduate success for purposes of this measure is defined as the percentage of bachelor’s degree recipients surveyed 6 to 12 months following graduation who report that they are employed, continuing their studies, volunteering, or working at home. The percentage for the class of 2003 dropped to 93.8 percent, from 96 percent for the class of 2001. A weak economy and tough job market are likely causes.

**Degree Production and Internships.** One of the most impressive results is in the number of degrees produced. After several years in the 13,000 range, total degree production jumped to over 15,000 in 2002-03. This dramatic increase may reflect the infusion of state resources in 1999-00 that permitted greater access and enrollment than had been possible before.
For many students, participation in an internship, service project, research, or other experiential learning develops skills that enhance their contribution to the workplace and to Oregon’s economy once they have received their degree. Along with degree production, participation in internships is monitored as an indicator supporting the Board’s employability goal. About half of OUS bachelor’s degree recipients have participated in internships or related experiential learning. (The unusually high number for 2000-01 is likely a product of a slightly different survey question format in that year’s survey.)

**Philanthropy.** This measure is defined as the net worth of the institution’s affiliated foundation. While factors such as the specific nature of individual gifts, investment returns, and current projects will affect a foundation’s net assets at any given time, an increase over time is a good indicator of external support. Total System-wide foundation net assets increased steadily from 1998-99 to 2000-01—from $641 million to $772 million—then dropped to $741 million in 2001-02 and leveled off at $743 million in 2002-03.

**Research and Development.** The capacity to grow external research funding is a measure of both faculty quality and productivity, and faculty and institutional entrepreneurship. This indicator is also related to faculty compensation as a measure of faculty quality—as institutions are able to improve their competitiveness in attracting and retaining productive faculty with mature research programs, the R&D expenditures will increase. Increases in this measure are important to advance the Board’s academic excellence and economic development initiatives.

Between 1998-99 and 2002-03 (latest available), total R&D expenditures increased by over $61 million (+32 percent), from $192 million to $253 million. Adjusted for inflation, the increase is $43 million or 22 percent.

**Students per Full-Time Faculty.** More than just a “workload” measure, the ratio of students to full-time faculty also reflects the extent to which faculty are able to provide student advising outside of the classroom, offer valuable but more time- and labor-intensive instructional formats (such as seminars, essay exams, or applied learning), and engage in research that advances important state and societal goals. While this ratio remained at 22 or 23 through the early and mid-1990s, it climbed to 24.1 in 1998-99, and has continued to increase steadily since then (with just a slight drop in 2000-01), as enrollments grew without a commensurate increase in full-time faculty. The ratio reached 27.9 in 2003-04.

One consequence of the funding declines that have resulted in increases in the students-per-full-time-faculty ratio is that OUS institutions have tried to accommodate the growing enrollment during this period by hiring more temporary, part-time faculty. Indeed, between 1998-99 and 2003-04, the percentage of part-time faculty grew from 26.8 percent to 32.1 percent, with a momentary drop to 24.6 percent and 24.8 percent during the 1999-2001 biennium when the OUS budget had improved. Beyond adding to
the burden this places on the regular full-time faculty for student advising, having a larger share of temporary faculty may adversely affect the development of a strong community of scholars within a department and reduce opportunities for ongoing research collaborations.

Institutions are challenged to maintain a ratio that preserves instructional and program quality, while also deploying institutional resources in the most cost-effective way. The current students-per-full-time-faculty ratios in OUS have grown so far out of balance that they threaten the quality experience that students should expect to receive.

**Next Steps**

1. The upcoming report to the Board on performance indicator targets will provide campus-level detail for both targeted and non-targeted indicators. Board members will have an opportunity to review specific targets and discuss their underlying assumptions.

2. Over the next one to two years, System staff will conduct a comprehensive review of OUS performance indicators, with a focus on better alignment with the DAS links to *Oregon Benchmarks*, development or revision of indicators that tie more closely to current Board initiatives, reduction of the total number of indicators in order to focus on the most critical, and connections between campus-generated performance measures and Board and state level measures. The guiding principle of this review is to assure that what is measured reflects what is valued.

3. OUS staff will collaborate with staff from the Oregon Department of Community Colleges and Workforce Development to identify common measures that can be included in those reported through the *Oregon Benchmarks* process. Initial drafts have been developed and discussions are now underway in this effort.

4. The performance measurement process will need to be broadened to encompass related activities, such as the new Smart Budgeting approach. Consideration will be given to the relationship between performance measurement and return-on-investment analysis and to ways to build capacity for both methodologies in System and institution processes.
### OUS Performance Measurement Alignment

#### STATE LEVEL
- **Oregon Shines II**
  - State’s strategic vision measured via *Oregon Benchmarks*
  - Quality jobs for all Oregonians
  - Safe, caring and engaged communities
  - Healthy, sustainable surroundings

#### BOARD LEVEL
- **Senate Bill 919 (1997)**
  - Reinforces Board-adopted goals with performance measurement requirement
  - Access
  - Quality
  - Employability
  - Cost-effectiveness

#### INSTITUTION LEVEL
- **Campus vision & goals**
  - OUS key indicators
    - Indicators with targets:
      - Freshman persistence rate
      - Graduate satisfaction
      - Research & development $
      - Total degrees awarded
      - Degrees in shortage areas
    - Other key indicators:
      - Total credit enrollment
      - New undergrad enrollment
      - Freshman graduation rate
      - Graduate success
      - Internships
      - Philanthropy
      - Faculty compensation
      - Students per full-time faculty
  - Campus indicators
    - Mission-specific indicators with targets, tied to OUS key indicators
    - Campus-generated indicators

---

**OUS links to Benchmarks**
- Cost as percent of family income
- Need met by financial aid
- Students of color
- New freshmen
- New CC transfers
- Total undergrad enrollment
- Advanced degree students
- Graduate satisfaction
- Philanthropy
- Students per full-time faculty
- Freshman persistence rate
- Freshman graduation rate
- Transfer graduation rates
- Research & development $
- Number of inventions
- License income
- Internships
- Bachelor's degrees awarded
- Advanced degrees awarded
- Engineering/computer science degrees
- Graduate success
- Graduates employed in Oregon
- Dollars leveraged by Statewide Public Services
- Revenues per FTE compared to national competitors

**OUS key indicators**
- Indicators with targets:
  - Freshman persistence rate
  - Graduate satisfaction
  - Research & development $
  - Total degrees awarded
  - Degrees in shortage areas
- Other key indicators:
  - Total credit enrollment
  - New undergrad enrollment
  - Freshman graduation rate
  - Graduate success
  - Internships
  - Philanthropy
  - Faculty compensation
  - Students per full-time faculty

---

**Campus indicators**
- Mission-specific indicators with targets, tied to OUS key indicators
- Campus-generated indicators

---

**Figure 1.**
Figure 2.

Board Level Performance Indicator Framework

<table>
<thead>
<tr>
<th>GOALS</th>
<th>MEASURES</th>
<th>INDICATORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide access to a college education</td>
<td>Student quality and diversity</td>
<td>Total credit enrollment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gender, race/ethnicity, geographic origin, academic preparation</td>
</tr>
<tr>
<td></td>
<td>New students</td>
<td>New undergrad enrollment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>New freshmen</td>
</tr>
<tr>
<td></td>
<td></td>
<td>New from Oregon CCs</td>
</tr>
<tr>
<td>Strengthen quality of academic programs</td>
<td>Successful completion of academic program</td>
<td>Freshman persistence</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Freshman graduation rates</td>
</tr>
<tr>
<td></td>
<td>Customer satisfaction</td>
<td>Satisfaction of recent grads</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Philanthropy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employer satisfaction (under development)</td>
</tr>
<tr>
<td>Create economic opportunity in Oregon</td>
<td>Preparation of graduates to meet needs for educated workforce</td>
<td>Total degrees awarded</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Degrees in shortage areas</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Engineering &amp; computer science</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Teacher education (selected fields)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Graduate success</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Internships</td>
</tr>
<tr>
<td></td>
<td>Quality faculty</td>
<td>Research &amp; development $</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Faculty compensation</td>
</tr>
<tr>
<td>Manage for cost effectiveness</td>
<td>Entrepreneurship</td>
<td>Research &amp; development $</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Philanthropy</td>
</tr>
<tr>
<td></td>
<td>Institutional management</td>
<td>Students per full-time faculty</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Faculty compensation</td>
</tr>
</tbody>
</table>
# Oregon University System
## Performance Indicator Summary, 2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Credit Enrollment 1</th>
<th>New UG Enrollment 2</th>
<th>Persistence 3</th>
<th>Completion 4</th>
<th>Graduate Satisfaction 5</th>
<th>Graduate Success 6</th>
<th>Total Degree Production 7</th>
<th>Internships 8</th>
<th>Philanthropy 9 ($ in millions)</th>
<th>R&amp;D Expenditures 10 ($ in millions)</th>
<th>Student-faculty Ratio 11</th>
<th>Part-time Faculty 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-99</td>
<td>51,468 (UG) 13,521 (GR)</td>
<td>13,722 79.1% 52.8%</td>
<td>-</td>
<td>-</td>
<td>12,840</td>
<td>50.0%</td>
<td>$640.7</td>
<td>$192.0</td>
<td>24.1</td>
<td>26.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1999-00</td>
<td>53,906 (UG) 13,441 (GR)</td>
<td>14,832 77.9% 55.1%</td>
<td>79.9%</td>
<td>94.4%</td>
<td>13,592</td>
<td>-</td>
<td>$742.0</td>
<td>$203.1</td>
<td>24.5</td>
<td>24.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000-01</td>
<td>56,053 (UG) 13,455 (GR)</td>
<td>15,232 79.7% 55.5%</td>
<td>79.8%</td>
<td>96.0%</td>
<td>13,150</td>
<td>64.0%</td>
<td>$771.7</td>
<td>$221.7</td>
<td>24.3</td>
<td>24.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001-02</td>
<td>59,890 (UG) 13,995 (GR)</td>
<td>16,591 80.3% 54.1%</td>
<td>-</td>
<td>-</td>
<td>13,551</td>
<td>-</td>
<td>$740.6</td>
<td>$238.4</td>
<td>25.3</td>
<td>29.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002-03</td>
<td>63,152 (UG) 14,959 (GR)</td>
<td>16,907 80.3% 55.8%</td>
<td>81.9%</td>
<td>93.8%</td>
<td>15,112</td>
<td>49.1%</td>
<td>$742.6</td>
<td>$253.3</td>
<td>25.9</td>
<td>29.4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
1 Total unduplicated headcount of all students enrolled in an OUS institution during fall term, regardless of course load.
2 Headcount enrollment of newly admitted undergraduates. Includes both full- and part-time students and regular and extended studies enrollment.
3 Percent of first-time, full-time freshmen who return to any OUS institution for a second year.
4 Proportion of first-time, full-time freshmen entering an OUS institution and graduating from any OUS institution within six years.
5 Percent of OUS bachelor's degree recipients rating the quality of the overall experiences as "very good" or "excellent" on a 5-pt scale.
6 Bachelor degree recipients, surveyed six to twelve months following graduation, who report that they are employed, continuing their studies, volunteering, or working at home.
7 Total degrees (bachelor's, masters, doctoral, and first professional) awarded. Excludes certificates and the small number of associates degrees.
8 Proportion of bachelor's degree recipients completing an OUS-approved internship.
9 Net assets of each foundation as reported in the audited financial statements of each institution ($ in millions).
10 Research and development expenditures ($ in millions) using grant funds from external sources (e.g., federal, private). Includes sponsored research, teaching/training grants, student services grants, library grants, and similar support.
11 The ratio of fall FTE enrollment to full-time faculty headcount, as reported on IPEDS to the National Center for Education Statistics.
12 Percent of part-time faculty employed at all OUS institutions. This is not a performance measure per se, but is displayed here to provide context for the student-faculty ratio measure.
BOARD DISCUSSION:

Chair Lorenzen turned to Deputy for Planning Susan Weeks for the Annual Board Report on Performance Measurement.

Weeks noted that the focus of her presentation was on the performance measures themselves because of the different sources of performance measures. She stated, “We want to build the performance measurement system on a framework that starts with a vision and goals and then proceeds to a strategic plan…” Weeks mentioned the current vision and set of goals were based on goals articulated by the Board in 1997 and reflected in Senate Bill 919. She added in addition to the affordability measure in Measuring Up, the report also measures in other areas, including preparation, participation, completion, and benefits. She noted these measures are similar to those in OUS.

In addition, Weeks observed there are state measures in the Oregon Benchmarks. She stated, “We provide, as a System, links to benchmarks, which are a set of 25 measures that are in many ways very similar to those the Board has developed but extend beyond that…” Weeks shared that Oregon Benchmarks are reported to DAS. She continued that of the 13 Board measures reflected in Senate Bill 919, eight are reported with historical data and OUS does not set targets for them. The System and the institutions set targets for the other five.

Weeks reiterated Acting Chancellor Pernsteiner’s previous comments and observed increases and improvements in most of the performance measures. She specifically noted the increase in degrees awarded, and posited the 1999 investment in higher education might have resulted in the ability to award more degrees. Weeks also, however, noted the warning signs of increases in student/faculty ratios and relatively low average faculty compensation. She stated the student/faculty measure “has imbedded in it all kinds of other things that describe our threats to quality, our threats to access, to the potential for students getting through.”

Appointee Van Vliet asked if there was a difference between freshmen retention and persistence. Weeks confirmed it was the same and Van Vliet asked if it was a term legislators were used to hearing. He also inquired about the loss of students between freshman entering and graduation. President Ray added that campuses started talking about persistence rather than retention because the majority of students lost are lost after the freshman year. Director Dyess inquired about causes and Weeks clarified that the indicators were designed to signal a problem or a success. Director Dyess asked President Ray for information from the campus level and he responded that several approaches are deployed to increase freshman persistence, including living learning centers and activities outside the classroom.

President Frohnmayer commented on two of the performance measures. He noted any drops in the philanthropy index were more to do with market losses than alumni loyalty. He observed other measures, such as percentage increase in annual giving or number
of large gifts, might give dimension to a philanthropy index. Second, he noted the distinction between a melded peer group and a competitive peer group and Weeks observed that OUS had both.

President Conn offered additional comments on freshman persistence. He shared WOU surveyed 600 students who did return in the fall and found over 60 percent were going to other four-year institutions, primarily other OUS institutions. He stated, “I think it would be helpful to get better clarification as to whether we measure our success by students continuing in the OUS, regardless of the campus…” Weeks replied OUS does provide both sets of statistics and the report would be presented to the Board.

(Deputy Weeks’ presentation was stopped from 11:08 a.m. to 11:38 a.m. to permit Governor Kulongoski to chair the election of new officers.)

Weeks returned to the discussion of retention and graduation rates and shared that the National Student Clearinghouse allows the tracking of students in order to gather better data regarding where students who leave end up. Weeks shifted to review how some of the performance measures could be deployed to assist the work of the Working Groups. She reviewed each of the Working Groups and outlined the performance measures that might be relevant to gauge success. After the review, Weeks noted time to degree, facilities and maintenance, and cost-effectiveness were performance measures she felt were missing. She also observed that in DAS reports, the targets assume full funding of policy packages and programs and that should be a way to amend targets if full funding does not come. Weeks also noted that campuses have much more detailed performance measures related to the state- and System-level indicators. She shared work on aligning K-12 and community college performance measures and initial work in reconciling the measures with the Governor’s new smart budgeting process and the requests from the legislature.

Director Blair described two different sets of measurements: one set measuring a desired result and the other set including measures that tell the System if is progressing toward the desired results. Director Blair suggested separating the two sets of measurements, focus on a narrow list of broad indicators, and use the longer list of specific measurements to engage with different constituencies. He stated, “I think we will share many of those result measurements with other constituencies. We may not share all of the process measurements because we operate different systems and different parts of that equation.”

Director Sohn used the example of faculty compensation and its various measures to demonstrate that “we ought to consider at least the possibility of measures that address something that’s particularly salient at a particular moment or period.” Weeks replied that there is always the concern about not capturing the phenomenon to be measured and Sohn added that, in the faculty compensation example, anecdotal information should not be ignored. President Zinser suggested evidence-based best practices in looking at what happens in the classroom and what the institutions are doing at the core and the heart of their enterprise.
Director Burns asked if there was any measurement of debt load at graduation. Weeks noted there were many intervening variables, but staff and the institutions were working on this, and other, indicators. Director Dyess returned to Director Blair’s comments and counseled an emphasis on outcomes. She stressed the importance of knowing what the System wants to happen at the end of a strategic direction. Weeks concurred and offered that the fundamental question was what are the key outcomes so measures could be developed for them.

7. **COMMITTEE REPORTS**

   a. **Standing Committees**
      i. **Finance/Budget/Audit/Personnel/Real Estate**

   FBAPRE Chair Blair reviewed the two items addressed by the FBAPRE Committee. He shared the proposed timetable for financial reporting and policy development was approved with one change and noted the Chancellor would return at the November meeting with guidance on the use of Chancellor’s Office fund balance policy.

   b. **Working Groups**
      i. **Access/Affordability**

   As Director Nesbitt had to leave at 11:49 a.m., Nancy Goldschmidt offered an update on the Access and Affordability Working Group. At the outset, Goldschmidt observed affordability is a critical element to persistence and retention. She noted AAWG completed the first phase of the analytical work for the model. She added substantial data was compiled from five peer states and a preliminary conclusion is that Oregon is a high tuition/low aid state. Goldschmidt stressed that all of the data needed to be synthesized and formatted for review. She stated that the group is preparing to move to the second phase, the building of the model, and shared that AAWG has secured partnerships with other entities to help defray the costs of the work. Goldschmidt noted the model should be completed in January 2005.

   She continued with the report of the focus groups to be held in Portland and Medford. She noted the next AAWG meeting was scheduled for November 4, in conjunction with the Board meeting. Goldschmidt stated the Working Group would be looking at the Minnesota model during that meeting. Director Blair asked if the Working Group had thought about some of the mechanisms by which to deliver the aid and she stated that they really had not. She mentioned the focus was on developing the model and that all of the previous deliberations about mechanisms would return when the model was complete.

   ii. **Chancellor’s Office Review**

   Director Richmond stated that it was time to turn attention to the Graduate and Provosts’ Councils, including the search process for the position. Director Richmond
stated that she would like to hear from the Provosts’ Council as to the process it uses to forward recommendations to the full Board for consideration. Director Dyess congratulated the Provosts’ Council on its hard work and Director Richmond reiterated that she was not asking for a report because of any concerns. She offered that it would be for the Board’s education.

c. Other Board Committees
   i. OHSU (Kirby Dyess)

Director Dyess did not report on the OHSU Board, but took the opportunity to update the Board on the progress of the Academic Excellence and Economic Development Working Group. She noted an upcoming meeting that would include a first report from the arts and entertainment subcommittee, another report from President Dow on medical personnel, and a second report from the sustainability subcommittee.

   ii. Oregon College Savings Plan

No report.

8. BOARD ELECTIONS

(Board elections took place from 11:08 a.m. to 11:38 a.m.)

Governor Kulongoski chaired the Board elections. He thanked the Board members for their service and commitment, and acknowledged the outstanding appointments of Tony Van Vliet and Adriana Mendoza.

Kulongoski referred to his recent participation in a leadership conference to echo the importance of investment in education. He noted discussions on the global economy and the preparation of the next wave of leaders, and how investment in education was critical to those missions and the vision he set out for the Board and the state of Oregon. Kulongoski shared that if Oregon and the nation do not make an investment in education, they will be left behind. He stated, “Oregon must stop the disinvestment policy in higher education and actually move forward and start an investment policy itself.”

Kulongoski stated it was important to elect new leadership to the Board. He thought it necessary for the Board to establish a vision for the higher education System in Oregon. Kulongoski noted the vision should be more than a short-term vision and should highlight collaboration with the K-12 and community college systems. He outlined three integral parts of the vision: looking at the roles each sector plays in the education system, evaluating the assets in the System and what is needed for the future, and determining outcomes and measurements for the outcomes. Kulongoski returned to the importance of collaboration between sectors and urged that it is the responsibility of all educational sectors to understand that an educated and trained workforce is not only
the underpinning of a sound economic structure, but for the quality of life enjoyed in Oregon.

Before turning to elections, Kulongoski reiterated that his focus was on access. He stressed the importance of attacking access with both short-term and long-term strategies. Kulongoski opened the floor for nominations. Director Blair nominated Henry Lorenzen for Board president and Kirby Dyess for Board vice president. With no further nominations, Governor Kulongoski asked for a second and Director Richmond seconded the nominations. Because there were no other nominations, Kulongoski introduced Director Lorenzen as the new Board president and Director Dyess as the new Board vice president.

Kulongoski added that he would like the Board’s assistance with approaching nanotechnology. He lauded the collaborative approach many OUS institutions and OHSU are taking to attract nanotechnology efforts to Oregon and mentioned the approach is noticed in other circles. Kulongoski noted his efforts to move all of the various technology boards into one.

Chair Lorenzen offered it was a humbling experience to be sitting in front of an outstanding group of people. He noted the progress and work of the Board over the past few months and stated, "These are significant accomplishments in a very short period of time but we also have a very daunting task ahead of us as touched on by the Governor. That daunting task is dealing with our legislative strategy and making certain that we advance our agendas as effectively as possible through the legislature in the next six to eight months.” Chair Lorenzen also observed the importance of addressing the governance structure. He continued with comments regarding a long-term view on higher education funding. Chair Lorenzen noted that the Executive Committee might change in emphasis, particularly as compared to how it functioned in the recent past. He concluded by expressing his appreciation for the honor to serve as President of the Board.

9. **PUBLIC INPUT**

No public input.

10. **BOARD COMMENTS**

No board comments.

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

Chair Lorenzen called on 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 motion to accept the delegation. Director Dyess moved to accept the delegation and Director Blair seconded the motion. All in favor: Blair, Burns, Dyess, Richmond, Sohn, and Lorenzen. Opposed: none. Motion passed.

12. ADJOURNMENT

Chair Lorenzen adjourned the meeting at 12:18 p.m.

Ryan J. Hagemann
Board Secretary

Henry C. Lorenzen
Board President