**Minutes of the Regular Meeting of the State Board of Higher Education**
**Oregon Institute of Technology, Klamath Falls, OR**
**October 7, 2005**

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1. **Call to Order/Roll Call/Welcome**

President Henry Lorenzen called the meeting of the State Board of Higher Education to order at 10:23 a.m.

**The following Board members were present:** Don Blair, Bridget Burns, Kirby Dyess, Henry Lorenzen, Adriana Mendoza, Tim Nesbitt, Geri Richmond, Gretchen Schuette, and Tony Van Vliet (phone). Howard Sohn and John von Schlegell were absent due to business conflicts.

**OUS staff present included:** George Pernsteiner, Ryan Hagemann, Jay Kenton, Ben Rawlins, and Susan Weeks.

**Others present included:** Presidents Dan Bernstine, Martha Anne Dow, Khosrow Fatemi, John Minahan, Ed Ray, and Elisabeth Zinser. OHSU Provost Lesley Hallick and UO Provost John Moseley were also present.

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

2. **Reports**

   a. **Chancellor's Report**

President Lorenzen called on Chancellor George Pernsteiner for the Chancellor's report. Chancellor Pernsteiner thanked President Dow for the visitation, acknowledged the long-time service of David McDonald, including his work with the Board's Excellence in Delivery and Productivity Working Group, as he transitioned to Western Oregon University, and noted the promotion of Susan Weeks to Vice Chancellor for Strategic Programs and Planning. He added that he was in active consultation with Director Schuette regarding the staffing of the Excellence in Delivery and Productivity Working Group.

b. **Presidents’ Reports**

President Lorenzen turned to the institution presidents for reports.
President Minahan discussed Western Oregon University's issues with lower retention of first-year and sophomore students. He noted that WOU's best explanation for the phenomenon was that WOU was an institution for primarily first-generation students and that it was pricing itself out of the I-5 corridor. President Minahan reviewed some steps WOU was taking, including a freshman academy and a faculty mentoring program, to address retention.

President Dow thanked the Board for traveling to Klamath Falls and noted that she had distributed a book authored by an OIT alumnus to Board members.

Provost Moseley observed that he listened to the prior discussion of the proposed OIT building with great interest, that the University of Oregon would have several property proposals for the Board in the future, and that it was essential for OUS institutions to deal with property acquisitions in a creative, businesslike manner.

Provost Hallick shared that OHSU President Peter Kohler had announced his retirement for the end of 2006 and that the search committee, which included Director Dyess, was in place. She added that, by the end of 2006, four major projects would come on-line, including three buildings and the aerial tram.

President Fatemi did not have a report.

President Ray presented a photograph of President Frohnmayer at the Pendleton Round-Up, discussed OSU's open source web laboratory, and shared the accomplishments of three OSU students at a NASA Mars landing project internship program. President Ray also discussed recent media accounts of advising at-risk students and reviewed several measures OSU was taking to provide academic support on campus, particularly to student-athletes, including a new director of the athletic department academic services offices and a character development program in athletics. He discussed the death of an OSU student and the unfortunate involvement of OSU football players in the death, noting that OSU football coach Mike Riley informed the team that there was a one-strike rule if any of the players were charged in any incident involving drugs or alcohol.

President Zinser offered that SOU enrollment targets might be down. She observed that significant losses were coming from the Portland area, but SOU had implemented some new programs to generate enrollments. President Zinser added that SOU had budgeted for a three-percent reduction. She shared that there were three new theatre faculty, that the student union and new James K. Sours Leadership Center would be opened at the end of November, the Madrone housing complex was coming on-line, that SOU housing and food services were recognized as the Oregon Rehabilitation Association's outstanding employer of the year, and that SOU was exploring its opportunities in China.

President Bernstine noted a $1.4 million grant received by a PSU psychology professor to launch the nation's first center for work, family, stress, safety, and health. He shared
PSU's College of Engineering and Computer Science would be offering various computer programs at the CAPITAL Center. President Bernstine added that PSU Weekend was October 21-23 and that the campus would be hosting the Government-to-Government Summit on October 21.

Before turning to the Provosts' Council report, Director Dyess shared a conversation she had with an OIT alumnus on her way to the Board meeting regarding his company, observing that OUS alumni, through research and involvement, can make a difference in their communities.

c. Provosts’ Council

President Lorenzen recognized Provost David Woodall for the Provosts' Council report. Provost Woodall discussed programs that received recent approval from the Council, observed conversations with the Chancellor about the role of the Council, and shared the Council's involvement in various issues, including PK-20 alignment, quality, and SB 342. Provost Woodall noted that the Council would be meeting jointly with the Council of Instructional Administrators and that it would work actively with the IFS and JBAC through many of the aforementioned issues. He also observed the Council appreciated the opportunity to comment on the proposed employee background policy.

d. Interinstitutional Faculty Senate (IFS) President

President Lorenzen turned to Dr. Robert Turner for a report from the Interinstitutional Faculty Senate (IFS). Dr. Turner shared that IFS was pleased that the Board's long-range planning effort featured the importance of faculty salaries and academic quality. He noted PEBB's recent efforts to change the default rules regarding medical insurance and open enrollment and asked the Board to see if there was anything it could do regarding these changes. Dr. Turner asked the Board, when developing its long-range planning models, to be aware of the changes in PERS and retirement benefits when claiming there was a "high" benefits model in Oregon. He observed that IFS would have feedback regarding the proposed employee background check policy. Dr. Turner echoed the importance of a public relations effort with regard to long-range planning and the direction of the Board.

e. Oregon Student Association (OSA) Chair

President Lorenzen asked Gerry Blankney, ASWOU President, for an OSA report. Blankney discussed two items with the Board, focusing on efforts to extend in-state tuition to undocumented students and recent legislation regarding the protection of personally identifiable information of students. ASOIT President Catalina Clark also added that, while she and ASOIT supported the OIT Health Professions Building proposal, she believed the Board should have a deliberate discussion regarding differential tuition on a statewide basis.
3. **Consent Item**

   a. **OIT Center for Health Professions Project**

**DOCKET ITEM:**

*Project Description:*
Oregon Institute of Technology (OIT) proposes to enter into an agreement with the Oregon Tech Foundation Center for Health Professions (LLC), a limited liability company solely owned by the Oregon Tech Foundation that will result in the construction of a facility providing space for classrooms, faculty offices, medical clinics, science laboratories, and professional development. The six-acre site involved in the ground lease will be bordered on the south by the Merle West Medical Center and the north by Snell Hall and the Residence Hall. The 40,000 square foot, three-story facility will be owned by the LLC and operated and managed according to University specifications. Project cost estimates call for a $10,000,000 planning and construction budget. Ground breaking can occur in the spring of 2006 with completion in time to accommodate an expanded enrollment in the Health Professions for the fall term 2007. Formal program allocations for the 40,000 square feet have not begun but preliminary plans include expansion space for seven of the Health Professions programs. Approximately sixty percent of the project will go for classrooms and labs, twenty percent for faculty offices, and twenty percent for clinics.

*Statement of Need:*
Current enrollment rates at the Center for Health Professions are impressive as are the annual number and placement of graduates. In recent years, the number of graduates has increased by 50 percent. Today the program is physically and instructionally at capacity.

In 2002, 239 students were denied admission for no other reason than the lack of capacity, depriving Oregon’s health care industry of qualified employees and the OIT of $1.3 million in projected revenue that could be used to increase instruction capacity. In the fall of 2004, 150 qualified students were not admitted to the medical imaging programs alone.

The Oregon Employment Department forecasts the need for 48,000 additional health care workers by 2012. These professionals will be required to have a minimum of two years, and in most cases four years of higher education. The narrow pipeline of Oregon’s health care education has already led to critical shortages of qualified workers and promises to make meeting the needs by 2012 most difficult.

*Proposed Transactions and Terms:*
OIT proposes to lease the site for this facility to the LLC for a period of not less than 55 years through a nominal ground lease in full compliance with Oregon Revised Statute, for the sole purpose of constructing this facility. In return, the LLC will make the facility available to OIT through a triple net operating lease for no less than 30 years that is in full
compliance with state and OUS laws, rules, and polices and University operating procedures and requirements.

The LLC will enter into a Planning and Construction Management agreement with SRG Partnership, Inc. of Portland, for the purpose of planning and constructing this facility according to OIT specifications. The agreement will have required performance bonds and be in compliance with the public works statutes, to include prevailing wage rates.

The LLC will finance this project with the proceeds from revenue bonds issued by either the City of Klamath Falls or Klamath County. The bond issue is planned to be no more than $10 million and these proceeds, combined with other donations for this project, will cover all costs of development, legal fees, insurances, reserves, and construction of the 40,000 square foot facility. OIT, subject to Board approval, is working on the development of a 30-year triple net lease with the OIT Foundation LLC for the use of the facility to be constructed. Lease payments will cover all costs of the facility to the LLC not to exceed $800,000 in the first five years of operation.

All increases in costs of expanding access to health professions programs to include the triple net lease, faculty, supplies, services, equipment, and operations will be supported by tuition. Annual tuition for a carrying load of 15 hours for a health professions student is projected to be as follows: base year 2005-06, $4,455; 2006-07, $4,678; 2007-08, $4,911; 2008-09, $5,156; 2009-10, $5,414; and 2010-11, $5,685. This is a total increase over the five years of $1,007, exclusive of general tuition increases. The targeted enrollment growth identified by the health professions faculty would be as follows: base year 2005-06, 1,167; 2006-07, 1,276; 2007-08, 1,391; 2008-09, 1,477; 2009-10, 1,523; and 2010-11, 1,569, for a total of 402 more students.

Eric Iverson, Assistant Attorney General with the Department of Justice, has been working with OIT and Kristine Puzutti for the LLC managers to ensure that all terms and conditions outlined in the land and operating leases are legally sufficient and are in compliance with all applicable state and OUS regulations and procedures. At present, these documents are in various draft stages and will not be fully completed and ready for signature until later this year. OIT is, however, requesting Board approval of the concept at this meeting in order to avoid any unnecessary costs or delays in the project.

Staff Recommendation to the Board:
Staff recommended OUS Board approval of this project through the following actions:

1. Approval of a ground lease that complies with all applicable state statutes and rules to provide a site to the Oregon Tech Foundation Center for Health Professions LLC for the purpose of constructing the described facility and its intended use.

2. Approval of a triple net operating lease that complies with all applicable state statutes and rules with the Oregon Tech Foundation Center for Health Professions LLC for the use of the facility.
### Revenue and Expenditures Projected for Phase 1 Expansion of Center for Health Professions  
2006/07 - 2010/11

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### Revenue Assumptions:
- Targeted Enrollment Growth 402 FTE (2005-06 to 2010-11)
- Differential tuition for Health Professions students
- 5% annual tuition increase for Health Professions students
- Resource fees at present levels - no rate increase projected

### Expenditure Assumptions:
- $85,000 per FTE Faculty (escalates 10% 2007-08-2011)
- 10% O&M Inflation
- 14% Average escalation for equipment
- 9% S&S Escalation
BOARD DISCUSSION AND ACTION:

President Lorenzen noted that although the OIT Health Professions building proposal was on the consent agenda, he was going to take it off in order to permit further discussion of the project. He observed there was significant discussion of the project during the Finance and Administration Committee earlier in the morning and turned to F&A Chair Don Blair to open up the discussion.

Director Blair explained that the proposal was to create a new facility for the Center for Health Professions at OIT. The facility would serve approximately 400 students in the health professions area. Director Blair noted that the need for this type of education was fairly well established and the project was consistent with the goals established by the Board. He explained that the availability of this type of education represented a unique access issue. Director Blair stated that the structure of the project was innovative. He noted that under the proposal, OIT would lease a piece of land to the Oregon Tech Foundation. Director Blair outlined that the foundation would then borrow money on the basis of tax-advantaged bonds, build the building, and lease it back to OIT for 30 years. He stated that the OIT lease obligation would be funded by tuition of the new 400 students and a differential tuition paid by the health professions students. Director Blair offered that the Finance and Administration Committee recommendation would be to approve the project subject to several additional steps, including work with the Department of Administrative Services to ensure the project was structured in such a way as to be characterized as an operating lease and a project that could be legitimately approved under the Board's authority, that OIT develop some contingency plans to cover the obligation in the event that tuition or enrollment projections do not develop, and that communication efforts with the legislature and executive branch were completed.

President Lorenzen noted that the ultimate final approval would come before the Board at such time as the appropriate documents were ready. Director Blair shared that he thought it important to consider the critical policy considerations involved with this project at this juncture and moved to approve the set of legally sufficient documents when they were prepared. President Lorenzen stressed that the differential tuition involved a significant policy issue to consider. He noted there should be a careful analysis of when and under what circumstances differential tuition would be appropriate within the System.

Director Schuette echoed President Lorenzen's comments and noted that she wanted to be clear as to the additional steps that the Committee recommended. Director Blair explained that OIT would be obligated to pay the 30-year lease and that the lease was based on tuition, enrollment projections, and some factors outside the control of the Board. He noted that the Committee was interested in how OIT would cover the obligation if the projections did not materialize. Director Schuette asked how the communications requirement would be completed and Director Blair noted it would be complete when conversations with key constituencies, such as the legislative
leadership, the Governor’s Office, and DAS, were finished. Director Nesbitt observed that he wished to have the policy discussion regarding differential tuition sooner rather than later because there would be pressure to consider projects modeled like this in the future. Director Nesbitt suggested considering differential tuition at the planning retreat in December and President Lorenzen noted that it might be appropriate at a different juncture, but a significant amount of time would be needed to be set aside for it. Director Burns reiterated her hesitation regarding programmatic fees to supplement specific programs and noted the Board needed to make a decision and move forward. Director Dyess confirmed with Provost Hallick that OHSU’s tuition was completely differentiated. Director Blair noted that differential tuition currently exists for different programs and Director Nesbitt observed that the OIT project was a new incentive for differential tuition.

President Dow asked if Jim Lussier might address the Board. Lussier noted he was a previous member and former president of the State Board of Higher Education and that he was president emeritus of St. Charles Medical Center. He shared that he wanted to give the Board some impression of the need that exists in healthcare from both a global and local perspective. Lussier stressed that the Center for Health Professions could have a major economic impact. He stated that health professions were connected to economic vitality, particularly in rural parts of the state. Lussier observed, during his tenure on the State Board, he looked to the connection between innovation and higher education. He stressed that it was incumbent upon institutions like OIT to be innovative in presenting different ways of realizing the type of things that were needed for the long-term.

President Lorenzen called for a motion to approve the Center for Health Professions as described in the docket materials subject to the conditions described by Finance and Administration Committee Chair Don Blair. Director Blair moved approval and Director Dyess seconded the motion. All in favor: Blair, Burns, Dyess, Mendoza, Nesbitt, Richmond, Schuette, Van Vliet, and Lorenzen. Opposed: none. Motion passed.

4. Action Item

   a. UO, Establishment of Government Excess Benefits Deferred Compensation Plan

   DOCKET ITEM:

   Background:
   During the past ten years or so, the University of Oregon has entered into separate non-qualified deferred compensation agreements (NQDC) with a limited number of key employees pursuant to Internal Revenue Code §457(f). Until recently these agreements were with coaches and the athletic director (currently four such agreements), more recently with President Frohnmayer. The purpose of the agreements was to allow employees to postpone receipt and taxation of compensation and to retain these employees. The University of Oregon Foundation (UOF) held and managed the accounts, which were funded through contributions to UOF. Congress recently
amended the tax code so that the current plans no longer comply with the code. Because many employers were similarly affected, Congress allowed employers through December 2005 to bring their NQDC plans into compliance with the changes. UOF sought professional assistance and has been advised that the University and the employees can best achieve their goals through the creation of deferred compensation plans under a different tax provision, Internal Revenue Code §415(m) Governmental Excess Benefits Plan. Creation of the plan requires board approval.

Explanation of Creation of Plan:
Several years ago, Congress added a new Section 415(m) to the Internal Revenue Code that authorized governmental employers to establish a new type of compensation program. It is officially known as a “Qualified Governmental Excess Benefit Arrangement,” but is often called an “Excess Benefit Plan.” An Excess Benefit Plan works substantially like Section 457(f) plans did prior to the recent amendments except Section 415(m) plans may only be established by governmental entities and they require employees to have deferred the maximum amount allowed under the employer’s tax-qualified retirement plans (such as a Section 403(b) Tax Deferred Annuity Plan or Section 457(b) Plan). In other words, an Excess Benefit Plan is only available for compensation in excess of what can be deferred under a governmental employer’s regular plan.

Currently OUS employees can contribute to either or both of two tax-qualified retirement plans: the Oregon University System Tax Deferred Investment 403(b) Program and the State of Oregon Savings Growth Plan, a Section 457(b) qualified plan. These plans, when combined, allow employees to elect to defer $32,000 for the year (the 2005 limit), but do not provide the additional $14,000 of non-elective employer contributed deferred compensation allowed under the Internal Revenue Code. Thus, in addition to creating an Excess Benefit Plan, the Board must also authorize establishment of a qualified retirement plan that allows for the deferral of the full Internal Revenue Code Section 415 limit ($46,000 for 2005).

As you are aware, OUS has authority to establish deferred compensation plans for its employees as it did when it began offering its own Section 403(b) plan a number of years ago. Failure to establish these plans and have them in place by December 31, 2005, will subject the employees to severe tax consequences. The University with the assistance from the UOF is prepared to have the appropriate plans in place and enter into new agreements with the employees, subject to the Board’s approval. Although the University of Oregon is currently the only OUS institution providing non-qualified deferred compensation to its employees, the Board’s authorization would allow other institutions to establish plans at a later time if they desired.

Staff Recommendation to the Board:
Staff recommended the Board authorize the University of Oregon to establish
1) A separate qualified Section 403(b) plan that allows non-elective deferred compensation contributions to be made on behalf of eligible employees up to the Internal Revenue Code §415 limits; and
2) A Qualified Governmental Excess Benefit Arrangement for the same individuals who participate in the qualified Section 403(b) plan.

BOARD DISCUSSION AND ACTION:

President Lorenzen turned to OUS General Counsel Benjamin Rawlins and UO General Counsel Melinda Grier to discuss the deferred compensation docket materials. After a brief introduction, Rawlins asked Grier to explain the materials for the Board. Grier observed that the creation of the government excess benefits deferred compensation plan was not to increase compensation for anyone, but to provide a vehicle to satisfy current obligations. She explained that congressional changes necessitated the introduction of this plan in order to ensure that those receiving deferred compensation would not be subject to tax consequences.

Rawlins added that while the change would affect five employees at this time, the Board's authorization would allow this deferred compensation plan to apply to future employees. Director Nesbitt asked if the five employees were faculty at the University of Oregon and Grier explained they included four employees of the athletic department and President Frohnmayer. Director Blair clarified that the proposal was not changing compensation and that the deferred compensation involved an election by the employee as to whether to take the compensation now or later. Grier observed that Director Blair was substantially correct, noting that negotiated contracts were involved, so it was not entirely elective. She stressed there was no additional compensation.

President Lorenzen called for a motion to adopt the government excess benefits deferred compensation plan as included in the docket materials. Director Blair moved adoption of the plan and Director Mendoza seconded the motion. All in favor: Blair, Burns, Dyess, Lorenzen, Mendoza, Nesbitt, Schuette, and Van Vliet. Opposed: none. Motion passed. Director Richmond recused herself from the vote.

5. Report Items

a. Excellence in Delivery and Productivity Working Group Report

President Lorenzen recognized Director Schuette and David McDonald for the Excellence in Delivery and Productivity progress report. Director Schuette shared that after 18 months of hard work, it was time to make a report to the Board. She observed that EDP compiled a written report and that she and David McDonald would be walking through a brief slideshow. Director Schuette stressed that the effort was strengthened by the intimate and complex participation of Oregon's community colleges and the Oregon Department of Education. She thanked all that worked on EDP and shared that Fred Smith of Klamath Community College had joined the group. Director Schuette stated that McDonald would be walking through the report as his last EDP duties before his transition to Western Oregon University.
McDonald thanked Director Schuette and the group of individuals with whom he worked over the past 18 months. He stated that the report was about where the group had been and where it hoped to go. McDonald stated that the charge of the EDP Working Group was to increase the number of Oregonians who completed their education. He noted that improved graduation rates, shorter enrollment periods, and a better delivery of academic programs were all strategies of EDP. McDonald stressed that he wanted to include all student groups, of all ethnic and cultural backgrounds, regardless of age, gender, and income status. McDonald stated that the provosts had stepped up and incorporated the EDP goals as part of their mission, as well.

He explained that the EDP has been a data driven process, resulting in numerous reports that would eventually be placed on the website. McDonald outlined the seven subcommittees serving the EDP, focusing on specific tasks including retention, the student data transfer process, student transfer activities, articulation, dual enrollments, online delivery of courses, and capacity courses. He stressed that retention would be a major focus of the institutions. McDonald spoke about all seven areas.

He noted that the student data transfer process was not a new data system but the linkage of existing systems. McDonald explained that the System was waiting for the release of funds from the legislature's Emergency Board. Director Blair asked if there was a prototype for the data system and McDonald replied that there was and that the first phase prototype was both complete and successful. Director Blair asked if there was a framework to receive the data and manipulate it once it is received and McDonald explained that there was a standard protocol for the receipt of data. Director Blair inquired if there were example reports and McDonald replied there were. Director Blair mentioned that he would like to see the example reports.

McDonald moved to ATLAS, a product that had generated considerable faculty support and interest because it addressed the major problem of student advising on the campuses. He noted that students were web savvy and self-directed and ATLAS, a web-based advising tool, would assist students greatly. He stated that it would assist faculty and advising services on campuses because students would have information in front of them in real-time to explore degree pathways. McDonald noted that ATLAS was existing software.

He reviewed the Oregon Transfer Module, a one-year transfer module addressing the first year of general education coursework that most students should complete regardless of their major or the institution at which they receive their degree. Director Blair asked what the next step would be with the OTM and McDonald explained that the creation of the OTM was a major step in looking at general education. McDonald stated that remaining work was focused on looking at the general education curriculum, stressing that the effort was outcomes-based. Director Blair asked if there was a timeline for movement and Director Schuette added that Senate Bill (SB) 342 required a framework in this area prior to the next legislative session. Director Blair asked what was meant by framework and McDonald stated that it meant taking advantage of current work and applying it beyond particular disciplines. Director Blair inquired how it
ultimately translated into a person taking a course at one institution and having it transfer to another institution and McDonald noted that it provided the student with the assurance that the material taught at one institution would allow the student to move to the next course at any other institution. Director Schuette stressed that the effort was focused on ensuring that credit would transfer. Director Blair shared that a framework would not necessarily mean that the System was closer to permitting students to transfer credits and that he did not want to lose the momentum of the aggressive and successful first step. Director Schuette thanked Director Blair for the comment and shared that much of the work was with the Joint Boards Articulation Commission. She stated that it would not be enough to have a loose framework.

McDonald moved through the other seven topic areas, highlighting that the Joint Boards Articulation Commission was working on general education efforts. He stated there was an ability to assist students through articulation agreements and dual enrollment agreements. He explained that articulation agreements were degree-by-degree, whereas dual enrollment agreements permitted the student to be admitted at two institutions at the same time regardless of major. He noted that there was a 50 percent increase in students participating in dual enrollment programs over the previous year.

McDonald observed that there had not been as much progress with the online delivery of courses due to a lack of resources. He noted that the developmental work and faculty necessary to work on online delivery had not been accomplished. Turning to accelerated learning for high school students, McDonald observed that SB 300 required every high school in the state to offer at least one opportunity to students to take courses while in high school that would earn college credit. He shared that it was a major milestone because it would require high schools to start to connect their curriculum to colleges. McDonald moved to retention and noted that he believed retention would be where campuses and EDP would spend substantial energy. He stated that the retention group was a community college-OUS collaboration developing an analytical model so each sector would be talking about the same thing and measuring retention in similar ways. McDonald noted that a student success center had been proposed and that Western Oregon University had sought federal funding for it.

Director Schuette stressed that the most important outcome of the retention work was the development of a culture of evidence and culture of collaboration with the universities and the community colleges. She highlighted the importance of quality in these efforts. McDonald turned to the next steps. He stated the Board should make sure that the funding provided for the student data system led to the development and implementation of a transfer process that worked for the institutions and students. McDonald noted that ATLAS should make the most meaningful and tangible difference to students. He continued, observing that it would be critical to get the Oregon Transfer Module working toward its goals. McDonald stated that focusing on retention, gaining funding for the student success center, and ensuring SB 300 was implemented successfully were all included in the next steps of the EDP effort. McDonald ended by observing that in order for the P-16 effort to be successful, it would need to the state’s priority, as opposed to the priority of one of the education sectors.
President Lorenzen thanked McDonald for his OUS service. Director Blair returned to previous conversations with Director Schuette and shared that he would like to connect some of the efficiency improvements to the cost of delivering a degree. He noted that he would like to be able to say that the system moved the average time to graduation from 5.2 to 4.6 years, for example, and that saved the student X-dollars. President Zinser added that she would like to include a measure regarding institutional cost, as well as cost to students.

b. Annual Report on OUS Performance

President Lorenzen asked OUS Vice Chancellor Susan Weeks to walk through the annual report on OUS performance. Weeks invited OUS Director of Performance Measurement Ruth Keele to assist her during the presentation. Weeks summarized that she would be reviewing an update on the performance measurement framework, highlighting data trends and points that were of particular importance, next steps for the current biennium, and potential directions for the future.

Weeks reminded Board members of the performance measurement framework from previous meetings, observing that staff had added a couple of elements. She noted the items in red from the slide and offered that those measures were the Systemwide summary measures covered in the October report. Weeks also drew the Board's attention to the financial stewardship measures and the addition of philanthropy to that set of measures. She observed that Vice Chancellor Kenton and Controller Green would be working on developing these measures.

Weeks mentioned that staff was trying to align OUS measures with what was reported to the state, DAS, and the legislature. She observed that some measures were eliminated and others were added. Weeks explained that there were some additional measures that were not in the current report that would be added regarding campus-specific performance target setting. She noted that there would be two mission-specific measures for each campus.

Weeks reviewed data from the performance measures. She observed that there was some improvement in many areas, including enrollment diversity, graduate satisfaction, graduation rates, degrees awarded, degrees in engineering and computer science, R&D (research and development) expenditures, and philanthropic support. She also highlighted warning signs, noting that freshman persistence was starting to fall off and that student/faculty ratios continued to be a concern.

Weeks turned to major trend lines, observing that undergraduate enrollment revealed both good and bad news. She noted that the enrollment was up over 21 percent over the past five years, but that with inadequate funding, the enrollment growth was not sustainable. Director Lorenzen asked if there was a comparison between enrollment and degrees awarded and Weeks offered that the ratio of degrees to enrollment had remained generally the same. Weeks continued, stating the graduate enrollment was a
bit of a concern. She noted that growth in graduate enrollment was slower than national numbers and that the Board should pay attention to that number. Weeks clarified that there was not a decline in graduate enrollment, but a lower rate of growth. Director Richmond noted that the Board should look at graduate tuition. She explained that support for graduate students came from research grants and that fewer graduate students could be supported from a single research grant.

Weeks continued with the trends, noting the larger increase in the enrollment of students of color and the slowing of the rate of freshman persistence. She reviewed the increase in the rate of graduation and observed that the most significant factor behind the rise in the graduation rates was the preparation of enrolling students. Weeks noted the increase in total degrees awarded and described it as a success story of the Oregon University System. She observed that the infusion of resources from the 1999 Legislature led to the increase in degrees awarded. Weeks added that R&D support had been increased steadily, but had jumped dramatically in the most recent year.

Weeks walked through the warning signs. She reviewed the student/faculty ratio rates in the context of part-time faculty, noting that institutions were relying on part-time faculty more and more in order to accommodate the greater number of students. Director Richmond asked how full-time faculty was defined for the performance measures and Weeks replied full-time instructional faculty, including instructor ranks. She clarified that it did not include adjunct faculty. Director Van Vliet asked if there was measurement of student per full-time faculty doing research and Weeks replied there was not. Before turning to Ruth Keele, Director Dyess asked Weeks if there was an explanation why research dollars were increasing so substantially and graduate enrollment rates were slowing. Weeks observed the disconnect between the increase in research dollars and the slowing of the growth of graduate enrollment. Director Richmond explained the impact of tuition and research grants on attracting graduate research assistants. Director Dyess noted how intellectual property got into the community and discussed the role of the graduate students in working outside of the institution. Director Dyess echoed the need for a research council and observed that graduate enrollment might be pulled into the policy discussion of differential tuition.

President Ray observed that as the Board was increasingly focused on outcomes and productivity, it might be important to examine the various causes of certain outcomes. He offered that there were simultaneous impacts and interactions driving the outcomes. Weeks turned to Keele to review efforts to move through the performance framework in the context of long-range planning. Keele explained that the efforts to this point were focused on making performance measurement throughout the System a useful tool to connect activities and policy to the Board’s strategic planning and educational research and public service missions of the campuses. Keele noted that Kenton and Green would be working on the fiscal accountability measures and some performance areas, particularly quality, would be strengthened. She observed that over the next eighteen months, staff would be pursuing plans for a comprehensive review of the broader performance measurement function with an aim to strengthening the component part.
Keele noted that staff was undertaking a review of peer institutions for all of the universities with an eye on maintaining comparability not only among the peer institutions on each list, but between the array of peers that are associated with each of the OUS institutions. She added that OUS would like to build on the relationships established with K-12 and community colleges to identify areas to align measures and report comparable measures. Keele concluded that staff would move to enhance the communication of performance measurements both within OUS and to external audiences.

Weeks described future efforts with performance measures. She observed that OUS had a set of measures that revealed the System was in pretty good shape, but the measures were proxies for other measures that had not been developed. She noted that there would be a focus on learning outcomes in particular. Weeks offered that there would be work on research outcomes, as well. She added that OUS would be working on measures to look at economic contributions. Weeks summarized that staff were focused on three essential questions for the Board: what are the most critical outcomes for the Board, should staff be realistic about funding in setting targets amid the measures, and is the performance measurement framework the right framework to accommodate the needs of the state. Director Dyess commented on the second question, noting that OUS might look at peer institutions to determine how to set targets in a paradigm of reduced funding.

6. Committee Reports

a. Standing Committee

President Lorenzen turned to Director Blair for a report of the Finance and Administration Committee meeting. Director Blair noted the extensive discussion of the OIT Health Professions Building proposal. He moved on to the changes in the investment policy, summarizing that through previous Committee and Board discussions, the Committee had explored whether to consolidate management of the OUS endowment funds and have the Oregon Investment Council and Oregon State Treasury manage the funds. Director Blair stated that staff proposed policy changes to effectuate that shift and, with further adjustments, the policies should be brought to the Board for adoption at the next meeting.

Director Blair reviewed Committee discussion of 2004-05 financial statement analysis. He noted that the financial statement analysis was different from the quarterly managerial reports in that the financial statement analysis was a more holistic review, looking at not only Education & General funds, but also auxiliaries and other activities of the System and institutions. He shared that Vice Chancellor Jay Kenton reported that the campuses were conducting their financial affairs in a prudent manner. Director Blair added, however, that the current ratio was beginning to decline and that it was something of which the Committee and Board should be aware.
He noted several phenomena, including that the campuses were getting more income from non-governmental sources, which resources were going to different places and, that the System, as a whole, was starting to dip into fund balances. Director Blair observed that, while the financial statement analysis was retrospective, it would be helpful to see similar analysis projected into the future.

Director Blair noted that there was insufficient time to consider the debt policy as noticed on the agenda, but the Committee meeting concluded with a brief report from Oregon State University regarding media accounts of potential cost overruns of a dining hall renovation. He shared that OSU would return to the Committee and Board with further information regarding potential cost overruns and what will be required to move forward on the project.

**b. Working Groups**

President Lorenzen asked Director Dyess for reports on the Academic Excellence and Economic Development (AEED) Working Group and the OHSU Board. Director Dyess echoed Provost Hallick's earlier comments regarding the search committee to find Dr. Kohler's replacement. She continued with an AEED report, observing that AEED would focus on three items at its next meeting. Director Dyess reviewed AEED's efforts in examining the technology transfer process and necessity to adopt rules governing the process, movement on cultivating a top MBA program in Oregon, and the action steps in addressing the medical profession shortage.

Director Nesbitt had no report from either the Access and Affordability Working Group or Oregon College Savings Plan Board.

Director Van Vliet had no report from the Joint Boards Working Group.

**c. Other Board Committees**

No reports.

7. **Public Input**

There was no public input.

8. **Board Comments**

President Lorenzen noted that December 1-2, 2005, appeared to be the dates for the long-range planning retreat and that, in the foreseeable future, the Board would set aside two hours on the Thursday before regularly scheduled Board meetings to discuss the long-range planning effort.
9. **Delegation of Authority to Board’s Executive Committee**

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

President Lorenzen called for a motion to approve the delegation of authority to the Board's Executive Committee as presented in the docket. Director Richmond moved approval and Director Nesbitt seconded the motion. All in favor: Blair, Burns, Dyess, Mendoza, Nesbitt, Richmond, Schuette, Van Vliet and Lorenzen. Opposed: none. Motion passed.

10. **Adjournment**

President Lorenzen adjourned the meeting at 1:04 p.m.