MINUTES OF THE REGULAR MEETING OF THE
STATE BOARD OF HIGHER EDUCATION (#767)
PORTLAND, OREGON
MAY 5, 2006

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Minutes

1. Call to Order/Roll Call/Welcome

President Henry Lorenzen called the meeting of the State Board of Higher Education to order at 10:05 a.m. Board members present included: Directors Don Blair, Gerry Blakney, Bridget Burns, Kirby Dyess, Henry Lorenzen, Adriana Mendoza, Tim Nesbitt, Geri Richmond, Gretchen Schuette, and Tony Van Vliet. Those absent: John von Schlegell (due to business conflict) and Howard Sohn (due to illness).

Chancellor’s Office staff present included: Chancellor George Pernsteiner, Neil Bryant, Michael Green, Ryan Hagemann, Jay Kenton, and Glen Nelson.

Others present included: Presidents Dan Bernstein (PSU), Martha Anne Dow (OIT), Khosrow Fatemi (EOU), Dave Frohnmayer (UO), John Minahan (WOU), Ed Ray (OSU), and Elisabeth Zinser (SOU). Provost Lesley Hallick (OHSU) was also present.

President Lorenzen announced that Director Geri Richmond was to be inducted into the American Society of Arts and Sciences along with such other notable individuals as former presidents George H.W. Bush and Bill Clinton, Chief Justice of the U.S. Supreme Court John Roberts, and actor/director Alan Alda. He congratulated her on the outstanding honor.

2. Consent Items

a. OSU, Nominations to the Forest Research Laboratory Advisory Committee

Docket Item:

Summary:
Pursuant to ORS 526.225, Oregon State University nominates Mr. Rich Wininger and Dr. Bov Eav for appointment, and Ms. Jennifer Phillipi for reappointment to the Forest Research Laboratory Advisory Committee and requests the Board make the recommended appointment.

Background:
ORS 526.225 specifies that the Board of Higher Education shall appoint a Forest Research Laboratory Advisory Committee composed of 15 members, nine of whom are to be individuals engaged, actively and principally, in timber management of forest lands, harvesting, or processing of forest products; three individuals who are the heads of state and federal public...
forestry agencies; and three individuals from the public-at-large. Although the statute does not prescribe the terms of the Committee members, the practice has been to make appointments for a period of three years. Traditionally, those who are performing actively and effectively have been recommended for reappointment to a second three-year term, with all members replaced at the conclusion of a second term.

**Recommendation by Forest Research Laboratory Director:**
Dr. Hal Salwasser, director of the Forest Research Laboratory, with the concurrence of President Ed Ray, made the following recommendations:

The appointment of Mr. Rich Wininger, Vice President of Western Timberlands, Weyerhaeuser Company, Vancouver, Washington, for the industry position that was held for three years by Mr. Jim James. Mr. Wininger has responsibility for Weyerhaeuser’s 2.5 MM acres of timberlands in Oregon and Washington. He joined the company in 1986 as a business analyst, and then held positions as Springfield/Cottage Grove Planning Manager, Springfield Timberlands Operations Manager, Western Timberlands Director of Operations and Western Timberlands Director of Marketing. Mr. Wininger received a Bachelor of Science degree in Forest Engineering from Oregon State University and a Masters in Business Administration from Dartmouth College. In addition, he is a licensed professional engineer in Washington State.

The appointment of Dr. Bov Eav, Station Director, Pacific Northwest Research Station, to fill the agency position recently vacated by Dr. Thomas Quigley. Dr. Quigley served three years on the FRL Advisory committee and has retired from the USDA Forest Service. Dr. Eav began his career with the Forest Service in 1985 as an operations research analyst with the Method Applications Group in Fort Collins, Colorado. Prior to joining the Forest Service, Dr. Eav was a principal scientist with Lockheed in Houston, Texas, where he worked under contract with the Forest Service’s National Forest Application Program. He later served as a mission support manager of scientific payloads for NASA’s space shuttle program. Dr. Eav holds degrees in forestry with specialization in forest engineering, biometrics, and remote sensing. He earned his bachelor’s from the University of Agronomic Science in Cambodia and his masters and doctorate from the State University of New York, College of Environmental Science and Forestry. He is a member of the Society of American Foresters and the Senior Executives Association, as well as a member of the government’s senior executive service.

Mr. Wininger and Dr. Eav have agreed to serve if the Board confirms their nomination.

Also recommended is the reappointment of Ms. Jennifer Phillipi, Rough and Ready Lumber, for another three-year term. Ms. Phillipi serves the committee as an industry representativbe and she has agreed to serve another term on the FRL Advisory Committee.

President Ray and Director Salwasser also recommend that the Board convey its appreciation to Mr. Jim James for his three years of service and to Dr. Thomas Quigley for three years served.
**Staff Recommendation to the Board:**

Staff recommended that the Board approve these three appointments to the Forest Research Laboratory Advisory Committee.

b. **OSU, B.S. in Forest Operations Management**

**DOCKET ITEM:**

The Bachelor of Science in Forest Operations Management is designed as a professional degree that blends elements of the existing OSU forest engineering and forest management degrees with business management and entrepreneurship coursework. This unique new degree will prepare graduates to support the needs of an evolving forest sector in Oregon and globally. As they gain experience, graduates will have options to serve as project managers for logging or silvicultural contracting service firms, as consultants, or as company or agency contract administrators that supervise a growing contracting workforce. Graduates will also be prepared to continue on to graduate school in a variety of disciplines that range from natural resources to business. Accreditation of the curriculum will be sought by the Society of American Foresters (SAF).

The proposed degree program is modeled after the successful OSU Construction Engineering Management degree administered by the College of Engineering in collaboration with the College of Business. The Forest Operations Management curriculum was designed through collaboration between faculty in the Departments of Forest Engineering, Forest Resources, Forest Science, and Civil, Construction, and Environmental Engineering, as well as in the College of Business. It will be administered by the Department of Forest Engineering through continuing engagement with partners. The 180-credit program includes a minor from the College of Business. OSU has the required facilities, courses and faculty to successfully offer this degree. There are no similar degree programs in Oregon.

Oregon’s forest products industry directly employs approximately 9 percent of the state’s workforce, with a concentration in rural areas. The sector is increasingly challenged by global competition. Recent corporate mergers and acquisitions have affected the business of forestry in Oregon, resulting in greater need for forestry professionals with stronger business backgrounds for at least some segments of this workforce. Most companies and public agencies that manage forests also increasingly depend on contractors to accomplish day-to-day forest operations. This is adding to the demand for forestry services contractors and technical consultants. Some estimate this employment segment accounts for 25 percent of the forestry sector jobs and is considered one of the major growth areas. There is currently no degree program offered in Oregon that is structured to support this aspect of forest land management.

OSU anticipates the greatest demand for graduates to come from employers focused on industrial and state agency forestlands where timber production is a land management objective. Initial demand from federal land management agencies is likely to be limited, but
some projections anticipate a shift in land management objectives and a retiring workforce that could trigger additional demand for graduates within the decade.

The proposed degree has received strong support from the Forest Engineering Department Advisory committee and other representatives of the forest sector. Letters of support project that job opportunities will be plentiful for graduates.

OSU anticipates that most students will come from rural communities, primarily from Oregon; and be supplemented by students from urban areas with a strong interest in the outdoors. Initial feedback from prospective students also indicates that this degree program could have substantial appeal to Hispanic and Native American students, especially with active recruiting and community relationship-building efforts.

Establishment of a forest operations management degree program at OSU is in keeping with national trends. Over the last decade the global trend for educational programs focused on the wood production aspects of forestry has been to transition from forest engineering degree programs to more broadly-focused forest operations curricula. In Oregon and Washington, forest engineering is a licensed profession and the demand for forest engineering graduates remains strong while the demand for forest operations management graduates is increasing. The faculty believes it is important to offer a degree program at OSU that complements the current forest engineering and forest management degrees to ensure national visibility in the forest operations management program area. OSU wants employers to come to their institution first when recruiting for these positions.

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 State University to establish an instructional program leading to a B.S. in Forest Operations Management, effective Fall 2006.

c. PSU, B.A./B.S. in Environmental Studies

**DOCKET ITEM:**
The proposed major in Environmental Studies is an interdisciplinary major, encompassing the social and natural sciences. The program was developed as a joint effort between the Environmental Sciences and Resources (ESR), the Department of Geography and the Center for Science Education. The program will be administered by the ESR Program and will incorporate courses and advisers from these three academic programs as well as other units across campus. The emphasis in the program is on the acquisition of content and skills that will prepare students to understand challenges faced in mitigating human impact on the environment. The program will enable students to participate in addressing these challenges by preparing them to
enter careers in environmental management or to continue to graduate studies in environmental studies or related fields. The new major will emphasize a social science perspective in response to ongoing student requests for an alternative to the natural science environmental studies emphasis, as well as to prospective employers interested in hiring students having an understanding of the human dimension of resource management, environmental analysis, and decision-making.

The curriculum involves an integrated sequence of courses from many different departments and culminates in a senior portfolio. The curriculum has four major components: (1) a science core, (2) a social science and humanities core, (3) a set of skill development courses, and (4) a set of courses that focus on one selected content area.

The selection of courses in this curriculum was prepared by a joint committee from Geography, Environmental Programs, and the Center for Science Education. In some cases courses from outside these three departments were included. Department chairs were contacted to verify the suitability and availability of these courses for Environmental Studies students. A total of 87-89 credits are required for the major.

The degree is designed for PSU students with an interest in environmental studies that focuses on the societal interface of environmental issues rather than science. Currently, many of these students pursue interdisciplinary degrees (such as the General Studies: Science or General Studies: Social Science) but will be better served by having the option of a structured degree that focuses on the societal interface. In addition, transfer students with interests in studying the environment but who want to focus on the societal interface will enroll. This major will enable students to complete such a degree within a four-year format. Finally, an Environmental Studies major might be an attractive option for students interested in elementary education and who want to get some background and grounding in environmental issues.

The new major will help meet the needs of a number of groups. First, there are a number of environmental agencies (local, state, and federal) based in Portland who are looking for employees with the kinds of skills this major builds. Environmental consulting firms in northwest Oregon and southwest Washington are also seeking people with these skills. Second, the Portland metropolitan area has a long-standing reputation for the environmental consciousness of its residents. One reflection of this consciousness is the large number and diversity of local “Friends” groups concerned with the protection and restoration of various pieces of the local environment. At last count, these groups were approaching 200 separate organizations. Many of the individuals involved in these organizations are looking for coursework and programs in the area of environmental studies. These organizations are continually looking for environmentally trained staff, interns, and volunteers, resulting in more requests from these organizations than can be currently filled. Community college colleagues have indicated that the new major will strengthen the relationships between our schools and provide better options for transferring students.
On the national level, a search of the Internet brought up over 30 websites that listed environmental job openings. There are also several statewide sites. Regionally, the Pacific Northwest Job Seekers list serve advertises up to 15 new environmental jobs each week. A student, having completed the Environmental Studies degree, would be qualified for many of these positions. A check with the Career Center on campus showed that employers in the environmental field want students who have concrete skills, science backgrounds, an understanding of social issues, and relevant work experience in the field.

Faculty anticipates about 100 graduates over the next five years. The main characteristic of the students that will be served by this major is a strong interest in the social and political aspects of environmental issues. These students will be current PSU students and transfer students with interests in environmental studies, K-12 education, and other environmentally related fields. The proposed program is primarily designed to provide multiple paths for students coming to PSU who have a primary interest in the social science aspects of environmental sciences and resources. The program will also allow recruitment nationally for new students who might not otherwise choose to attend PSU.

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 Portland State University to establish an instructional program leading to a B.A./B.S. in Environmental Studies, effective Fall 2006.

BOARD DISCUSSION AND ACTION:

Director Van Vliet moved approval of the consent items, seconded by Director Mendoza. Those voting in favor of the motion: Directors Blair, Blakney, Burns, Dyess, Lorenzen, Mendoza, Nesbitt, Richmond, Schuette, and Van Vliet. Those voting no or abstaining: none. Motion carried.

3. ACTION ITEM

a. OSU, Resolution Regarding Classified Information for the U.S. Department of Defense

President Ray clarified that in some departments, such as Oceanic Studies and Engineering, there are downlinks from government satellites. Approval of this resolution is a routine practice so that OSU can continue conducting contract work that involves classified information.

Director Dyess moved, seconded by Director Blair, approval of the resolution. Those voting in favor of the motion: Directors Blair, Blakney, Burns, Dyess, Lorenzen, Mendoza, Nesbitt, Richmond, Schuette, and Van Vliet. Those voting no or abstaining: none. Motion carried.
4. **REPORT ITEMS**

a. **20-Year Financial Projection, Including Possible Policy and Funding Model Changes**

Vice Chancellor Kenton began his report by reviewing some statistics that compare Oregon to other states regarding funding, student:faculty ratios, deferred maintenance, faculty salaries, and tuition rates. He highlighted that Oregon universities compare well in competing for federal funds, ranking at 19th among the 50 states. Research and Development (R&D) support has increased 30 percent in the last four years. Additionally, private support for OUS is strong and growing at $152 million in 2003-04. The net assets of all seven institutions’ foundations totaled nearly $1 billion.

The Board had requested that Vice Chancellor Kenton develop a financial model for each of the institutions that builds on the current cost and revenue structures. He indicated that he is in the process of developing eight modes—one for each institution and one for the Chancellor’s Office. For various reasons, these are not ready for presentation at this time; rather, Dr. Kenton suggested that he discuss some of the precepts and preliminary conclusions that have come from the work to date.

A first decision is: Where should the model be anchored? It appears that, no matter where it is anchored, the System will continue in a deficit mode. The salary increases, in part, explain this position. “If we continue with the goal of trying to bring faculty salaries to the median of peers over a ten-year period, that will require substantial investment if we leave PERS, PEBB, and the other state assessments as they are at the present,” Vice Chancellor Kenton pointed out. Even with the Governor’s education plan with a 10 percent increase per biennia, or 5 percent per year increase in state appropriation, there will be deficits. They begin at around $30 million and they grow every year. It is projected that there will be almost $92 million in reserves at the end of June 30, 2006. Those reserves will be fully depleted in two to three years, given the current projections.”

The present Resource Allocation Model (RAM) allocation is based on 2002-03 enrollments. Since that time, enrollment at some institutions has grown significantly and, at others, it has declined. In some ways, the current model diverts resources to the regional universities and takes it from some of the larger institutions. However, it appears obvious that in a new model, re-balancing the RAM would put the regional institutions in even further jeopardy.

Vice Chancellor Kenton listed some possible options to be considered: differential tuition by institution, partially offset by higher remissions; student/faculty ratios (decreasing student:faculty ratios is a very expensive proposition since it would require additional faculty with the accompanying salaries and benefits); and enrollment caps.

Director Blair observed that the ideas Dr. Kenton had presented were not new and did not come as any surprise. “This is the kickoff for what needs to be a lot more aggressive advocacy for where we need to go and what we need to change. That doesn’t mean that everyone is
going to agree with everything, but what we all need to agree on is that something needs to change and change dramatically.” There was agreement with these sentiments – the story is old, but the solutions remain elusive. Director Nesbitt restated his position: “Every strategy for success in this state, every scenario for a better future, every plan for prosperity adopted by us, by the Governor, by the legislature has to be based on the assumption that we are going to enable more Oregonians to complete a college education. If we’re at the point where we cannot continue to do more with less because by doing so we get rewarded with less and then have to close a university or cap enrollment, the solution will be to raise a white flag of surrender for our future. I’m not willing to do that, so we have to ask for what it takes to accomplish our mission.”

Other Board members opined that there was going to have to be more aggressive advocacy, a stronger message, and a different strategy for presenting the policy packages in order to focus attention on the seriousness of the funding situation for higher education. Director Blair added, “We owe it to the citizens of Oregon to do our best job on the pieces we control. That includes some of the legislative concepts that would give us some flexibility to deploy more resources for the benefit of the students. We do need to have a very sharp legislative strategy to both communicate with the Governor and with the legislature and ultimately with the citizens of Oregon, to help them understand what it is we need, why we need it, and what the implications are if we get it and the implications if we don’t get it.”

Continuing the discussion, Chancellor Pernsteiner added that there are various ways to deal with affordability. “This state made major improvements last legislative session in the Opportunity Grant. But it wasn’t enough and we know that. Director Nesbitt’s group is working to develop a model that may, in fact, lead to what would amount to a compact between the citizens and the state as to the proportion of expense that is paid through various kinds of grant aid. Those improvements, which are long overdue, do not, by themselves, create any income for the institutions to pay the faculty salaries or to improve those student:faculty ratios or deal with deferred maintenance or any of the other expenses. So it has to be coupled with the view of investment in the enterprise that allows us to serve students. That is why, I believe, we have to also look at a tuition policy that views each of the institutions somewhat differently,” he continued. “That is the kind of modeling that we will be doing over the course of the next several weeks in order to bring to the Board, in the budget, a series of proposals that in the aggregate, between increases in state funds, changes in tuition and aid policies, and changes in expenditure approaches, can help bring us to a competitive position for postsecondary education.”

Director Blair remarked that, in business, they talk about a ‘platform for change is a burning platform’ and suggests that there is a need for urgency in an organization to create change. “I think that, to defend the approach we’ve taken thus far, it was vital for us to do the work that we’ve done, to look at how our System is structured, and what it is we can do to improve the way the System works. What I don’t think we should be thinking about is that it is either look for more funding or make structural change in the system. It is vital that we do both and the messaging that we need to have going forward has to incorporate that. The reason we get
fractured in our message and people believe they can pick and choose various pieces is that the issues are too deep and the solutions are going to require all of this,” he emphasized.

One proposal Vice Chancellor Kenton put forward showed that, in 2008, there should be 75,000 FTE (Full-Time Enrollment) in the System and that would require an additional $135,000 million per-year in funding on a base that is a little under $300 million a year at the present time. It is a 40+ percent increase that would be needed to reach that goal. One way to begin to reach the goal is to change the tuition policy. For example, WOU has a lower tuition rate than the other regional campuses because of a decision made several years ago. Thus far, the Board has been fairly consistent with the large campuses as a group and the small campuses as a group. However, perhaps it is time, for example, to allow WOU to increase its tuition. Director Nesbitt offered that he was open-minded to a discussion of differential tuition, except “when I then think through the quid pro quo that may be attached to a certain amount of fee remission, I worry that we could be creating cross currents that aren’t favorable to what we are trying to do Systemwide with the promise of the Opportunity Grant. If that promise is framed in the way we are looking at framing it and, if it were adopted by the legislature and the Governor, a campus that chose to raise tuition would be generating more cost for the state through the Opportunity Grant pipeline.”

It was pointed out that the model showed that, with nonresident tuition, there can be a self-contained system of tuition, remissions, and financial aid that is wholly constrained within the campus but consistent with state support coming in other ways and with continuing the Opportunity Grant. Having two mechanics in the same place doesn’t necessarily work at cross-purposes. Working only on the demand side is not going to solve the problem. The hydraulics of stimulating the demand side when they are structurally unfounded on the supply side is not sustainable.

The question was asked: do you want to continue to use a five-year old construct [the RAM] that bears no resemblance to today? The answer is probably no. However, the truth is, there is no way of knowing that until the model is run with updated numbers. Chancellor Pernsteiner observed that re-doing the RAM would show very starkly what has been done over the past five years to keep the regional universities as viable as they are. “It is a useful exercise for no other reason than to show how fragile our institutions would be under the rules that had once been adopted. It is one of the ways of quantifying the amount needed to sustain them and that is one of the reasons that we thought it might be a useful exercise.

“The second dimension is that, regardless of the policy that the former Board put in place and the rationales for it, enrollment in 2007-2009 will be a whole new class of students from those who were here in 2002-03. The level of support from the state for each of those students is a decision that this Board, the Governor, and the legislature should make anew. The renormalization will also frame that. Right now, the System tends to hide what has really happened over the last five years and part of what we are trying to do here is to make explicit what we are facing and what we can do.”
The question was raised as to what role putting enrollment caps on would play in getting out of the financial crisis. Vice Chancellor Kenton responded that it would depend on what type of students would be excluded with the cap. Nonresident students would probably not be excluded because they pay more of the cost for their education. “In the model, in some ways, we have to make certain assumptions about capacity because we have a stepwise cost function. You can add students until you need to hire that next faculty person or build that next building. Then your cost function goes up,” he explained. “Similarly, if you add more students, then you have to take another step.”

There was discussion about how fair it would be to cap in-state enrollments, not out-of-state. Director Blair suggested reframing the question. “The point is, to some degree, out-of-state students provide opportunities for Oregonians because they are paying more than their cost. So it isn’t that we prefer out-of-state students and trading our in-state students. To some degree, if we didn’t have the out-of-state students, we wouldn’t have the in-state students. The reality is: every out-of-state student provides an opportunity for an Oregonian student.”

There are many decisions regarding capping and enrollment diversity that have to be driven by the institutions. Chair Blair indicated that the Board cannot make all of the decisions. Rather, increasingly, the Board is going to have to provide the policy framework and then let the institutions make a lot of the tradeoffs. It simply cannot be done at the Board level. Additionally, he highlighted that the Board does not have the luxury of considering just some aspects to improve the funding level to deliver on the OUS mission. The System and the institutions need more flexibility in deploying resources and every aspect and new possibility needs to be on the table for discussion. President Ray added that there is not just an issue of delivering a clear message. “There is an issue of credibility. If you just go forward and say we penciled it out and we need a billion dollars and everybody who supports us is on board. What has to drive that decision about what’s on that menu can’t be who’s happy and who’s unhappy. There is a question of political sustainability of the menu. If you lose enough special interests, there is no sustainability of the menu that you have. How do we get the balance between clarity of message and our credibility and our self-respect that we are putting forward what we honestly believe in, understanding that also has an impact for the political feasibility of whatever you ultimately put forth,” he stated.

Building on the comments of President Ray, Chancellor Pernsteiner said that at the beginning of the discussion, everyone agreed that it was important to look at improvement—improvement in inputs of faculty, in salaries of faculty, in numbers of faculty, in the ways in which we deliver instruction to improve student outcomes. “We have many public policy goals in this state. They do not all, at an individual basis, appear congruent. The challenge we have is to try to figure out what our job is—which is: higher education for all Oregonians. What do we think, collectively, makes the most sense for a proposal we can make? That is why I am very concerned about taking any options off the table at this juncture,” he concluded.
b. Legislative Concepts Update

The Chancellor began discussion of the Legislative Concepts by reminding the Board that they are part of the overall strategy for the 2007-2009 legislative session. He indicated that, in discussions with the Department of Administrative Services (DAS) and the Governor’s Office, OUS has moved away from a new defined contribution retirement plan. At a later time, he said, he would be returning to the Board with questions about the employee/employer shares on retirement for new employees. OUS and PEBB have jointly contracted with Aeon Risk Services to look at potential changes in the PEBB program and how it would fit the needs of OUS and not have a negative effect on other state agencies.

At the Finance and Administration Committee meeting that was held prior to the Board meeting, Eastern Oregon University President Fatemi presented his plans to ensure the continued fiscal solvency and viability of the institution and the approaches he is taking to achieve the mission of Eastern within the constrained finances that are available. In arriving at the plan, President Fatemi basically was forecasting a great deal of stringency in terms of expenditures on the campus for a period of several years in a row. Chancellor Pernsteiner indicated that, “Additionally, he is forecasting something that I think we should all be aware of and that is, he is anticipating, even in his low case, the full funding of the Governor’s proposed budget as he has unveiled a 110 percent plan and in his target case, additional funding beyond that coming from the state.

“The point in my saying all of this is several fold. The first is that it will be very difficult for Eastern to be able to sustain that course because it is a hard road. The second is that it underscores again the financial fragility of the regional campuses. Eastern is not alone. All of the regional campuses have and will have, if we renormalize the RAM, significant financial difficulties over the next several years.”

Chancellor Pernsteiner called on James Sager, Senior Policy Advisor for Revenue, Education, and Workforce Policy for the Governor. The purpose of Mr. Sager’s presence at the meeting was to discuss the Governor’s Unified Education Enterprise financing plan so that the Board could understand what the Governor is proposing, endorsing, envisioning, and how it relates to the previous discussion and the Board’s long-range goals.

In beginning his remarks, Mr. Sager pointed out that a number of decisions have been made by voters in Oregon over the last 15 years that have changed and constrained the funding mechanisms in the state. As recently as the last few years, the voters have spoken very clearly that they were not supportive of tax increases. According to new polling, part of the reason people are ‘cranky’ is because of the effect of earlier decisions on the part of voters that has shifted the tax burden in ways that the public doesn’t like.

“Additionally,” according to Mr. Sager, “we are also just now pulling ourselves out of a recession where the state General Fund lost nearly a quarter of its revenue. Now is an opportunity that we can begin to talk to the general public in a positive way that the economy
is rebounding and, based on what all of us agree is a low-level funding for many programs, we can actually talk about the things we can begin to rebuild.” The Governor wants to break the nature of the various sectors competing for scarce resources and, instead, look at education as pre-K-20, and that the entire system has to be improved.

The Governor has proposed that 61 percent of the General Fund revenue be dedicated to the education enterprise and each sector within it should receive a minimum 10 percent increase each biennium. The revenue growth above 10 percent would go into two different funds. One would assure that the education stability fund is filled quickly. The other fund is the investment fund for the system and would be proportioned out to the different sectors. “What the Governor is looking toward are the two boards of education, working in collaboration, to say “here are the ways we should invest those dollars into the system, not just for my sector, and how it impacts the sectors so that it is a much more collaborative and seamless approach.”

The Education Stability Fund is written into the Constitution. It receives 18 percent of the Lottery and, because it is doing very well, the projection is that the Lottery contribution will refill that stability fund by the end of the next biennium so that no General Fund monies would have to be put into it to get it to its 5 percent cap. In reviewing the calculations for OUS for the next three biennia, it showed that for OUS, for 2007-2009, there is a 10 percent increase, plus the calculation to date of the investment fund, and the allocation back to OUS from the investment fund would be $11 million on top of that or a 12 percent increase in total. It is not a General Fund revenue. In 2009-2011, there would be a significant increase and the increases the investment fund up to $72 million or, in this case, OUS would see about an 18 percent total increase between the 10 percent on the base plus the investment fund. In the Governor’s plan, the investment would be protected as a dedicated fund. Mr. Sager explained that there will be legislation put forward to put it into statute to offer some measure of stability.

The Governor has been asking, “How can you expect the University System, the community colleges, and K-12 to do any long-term planning and thinking about efficiencies and effectiveness if every 18 months they’re worried about what they may or may not have in the next biennium,” Mr. Sager quoted. Further, the Governor’s proposal is that, even if the General Fund were to only increase by 9 percent, his proposal says that the education enterprise would receive a 10 percent increase. That is a base guarantee.

Director Schuette expressed appreciation to the Governor for his recognition of the need for stability and predictability and a turn away from the downward spiral back toward a positive trajectory. President Ray agreed, but reinforced that the base upon which the System is operating is not sustainable and 10 percent on a sustainable base would be great. However, the starting base is spiraling down and is not at all sustainable.

In taking the conversation in a different direction, Director Blair asked what the Governor’s strategy was for changing the conversation from “dividing the pie,” to “what are we doing to get a different pie.” Mr. Sager responded with what he characterized as the sentiments of the Governor that, over the past 30 years, there have been 20 different initiatives around property
taxes, income taxes, and variations of those and they have all lost. “The voters have not bought into the change in the tax structure and almost all of those conversations have focused primarily on K-12, because, when you poll people, they say they care about little children and want to help them until they get to the voting booth and then suddenly that feeling changes. The Governor has been trying to do a couple of things.

“Number one: broaden the conversation to say that this isn’t just about K-12. This is about the entire education enterprise and, by the way, what does it mean to you as the 47 year-old mill worker who just found himself unemployed. He is trying to broaden the conversation to say that it is in everyone’s best interests. The Governor is setting down very clear priorities and has said that he is going to ‘stop thinning the soup and set some priorities.’ It is not just a matter of needing more money, it is what we are going to get for that dollar and why it is in each of our best interests to support that change.”

Continuing to pursue the basic issues, Director Blair echoed others that this plan is definitely a step forward. “We all know that this doesn’t solve the problem. I recognize the Governor believes this is important and I trust that he knows what we have been doing here. What do you think the solution is? What should we be doing? This is a great step, but it doesn’t get us there. What does the Governor think we should be doing to get this issue solved,” he questioned.

Mr. Sager responded that the Governor would say that OUS should be on board with trying to push this through the legislature so that it becomes a reality. Further, it is to continue to put pressure, not only on the legislature, but also through the communication pieces to get the word out as to what the reality is of the System and if we had the right investment here is what it would mean for Oregon. People invest in something that they feel good and positive about and where they can see a future vision about what the investment will yield.

Chair Lorenzen added that he questions whether “we delude ourselves, as well as the voters, by attempting to deliver a product when, in fact, the product we deliver is incrementally of lower quality each year. By doing so, we don’t highlight to people in a dramatic way what it is we’re actually doing.”

One important element of the conversation that must be kept in mind, Vice Chancellor Kenton offered, is that the funding provided by the legislature is roughly 38 percent of the funding base and the other 62 percent comes from student tuition, indirect cost recoveries, and a few other items. So the answer to whether or not the additional funding recommended by the Governor will be sufficient depends, in large part, on what actually happens to the other income sources.

Director Blair indicated that what the OUS Board was asking for was an elimination of cross-subsidies. “What we want is transparency and that we pay the appropriate cost. Just to make clear what our agenda is: our agenda is not to ask any other part of the state government to subsidize OUS. What we want to do is find out if there are subsidies that OUS is sending to other parts of state government and make sure that we uncover those and use those resources.
to advance our educational mission.” Continuing the discussion, President Frohnmayer added
that the cross subsidy within higher education is the one that basically takes its students’
money, the interest income on student tuition, and uses that for state government purposes,
generally. That doesn’t go to another education use; it underwrites the General Fund.

There was a general discussion of where additional resources would come from to substantially
underwrite higher education. If there were resources, Mr. Sager pointed out, the Legislature
would have to decide how to spread it over all of the needs of the state.

Director Richmond added that the Board would need to make some very difficult decisions and
some of those may be in disagreement with the Governor’s goals and she wanted to know how
ready he would be to accept that reality. In response, Mr. Sager responded that the Governor
recognized that there are challenging issues and that at this point, it is difficult to determine the
end result. It was pointed out that the resources being proposed by the Governor are not
assured at this point and that it would take some “heavy political lifting” to get it. “We should
work to support the recommended amount and build on it,” Director Nesbitt offered, “because
I don’t want us to underestimate the amount of work it will take to get it in place and build on
it.”

5. Reports

a. Chancellor’s Report

Chancellor Pernsteiner stated he did not have anything additional to report.

b. Presidents’ Reports

President Ray, on a positive note, remarked that even though the times seem very difficult,
there are some amazing things happening on all of the campuses. He reported that OSU had
just hired a chaired professor, Mas A. Subramanian, an internationally recognized expert in
inorganic solid-state materials. He has recently been at Dupont, published 225 papers in
professional journals, and has 51 patents that are in place or pending. “The only reason that we
have been able to hire him at OSU is that he is also going to be the first signature faculty fellow
in ONAMI. Dave Johnson, Professor of Chemistry at the UO was quoted as saying that
‘Subramanian’s move to Oregon could help make Oregon the best place in the world to study
materials chemistry.’”

c. Provosts’ Council

Provost David Woodall, Chair of the Provosts’ Council reported that they had reviewed
academic programs and returned one to an institution for revisions, approved another, and
approved cancellation of one other. “We have been very cautious related to the cost of
academic programs. Typically, institutions are really looking for opportunities for their students,
ways that they can enhance their academic opportunities at almost minimal cost.” It was
announced that the next chair of the Provosts’ Council would be Provost Sabah Randhawa from Oregon State University.

d. Interinstitutional Faculty Senate (IFS)

One of the major projects for IFS this year has been involved in preparing the response to Senate Bill 342. The work is completed and, according to IFS President Dr. Scott Burns, has been done exceptionally well and the faculty has been excited about being involved in the development work for ATLAS and the general education areas. “We’re seeing faculty from the community colleges and the universities working together and enjoying it. We’re seeing it as an investment in the students.” Secondly, the last two IFS meetings have included conversations with Chancellor Pernsteiner and Vice Chancellor Kenton as work has proceeded on the Legislative Policy Option Packages that are targeted to saving money for the System. “We appreciate that faculty salaries are a priority. Secondly, IFS supports all of the cost savings that have been found. After a long discussion regarding the conversion of benefits over to faculty salaries, we probably would not be in favor of any change. We need to have more details on how it would work,” Dr. Burns pointed out. “There is change on the horizon and the faculty know that. We would like to be part of this change and the decision-making that goes into it.”

e. Oregon Student Association (OSA)

Ms. Erin Devaney, OSA Chair, discussed the 2007 OSA Legislative Agenda that was developed recently at an extended Board meeting. The major areas of emphasis will be: tuition and funding for universities and community colleges; need-based aid; the ASPIRE program; and childcare for student parents. “While OSA will fight for an essential budget level, we recognize that moderate tuition increases may be needed to help make up some of the differences. Students are willing to support tuition increases at or below the increases in the median family income,” she explained. Of great concern to students at the regional institutions is the potential of renormalizing the RAM to current enrollment figures. OSA is anxious to work together with the Board to increase the state funding for OUS, “but that means we must work together in these conversations that you are having during these Board meetings, outside of these Board meetings, and with faculty,” she said. In closing, Ms. Devaney indicated that this was her last OUS Board meeting as OSA Chair.

6. COMMITTEE REPORTS

a. Standing Committee

Finance and Administration Committee: Director Blair reported that the Finance and Administration Committee had the regular quarterly management report, which he characterized as good news/bad news. “The good news is that the institutions are doing a phenomenal job of managing through very difficult circumstances. The bad news is, of course, that those circumstances are as difficult as they are. Systemwide, we expect to be finishing with a fund balance of $3 million below what we had budgeted at the beginning of the year. Our
revenues are off by $2 million, in total, but $9 million off in tuition, so we are certainly seeing an eroding tuition situation.” The Committee addressed the financial plan for EOU. It was agreed that EOU would meet with OUS staff on a monthly basis to make sure everything stays on track. Additionally, the F&A Committee will receive quarterly reports through the management reports. There was discussion by the Committee on the Certificates of Participation that essentially constitute short-term borrowing capacity. “This was a preliminary proposal sent to the Department of Administrative Services for $18.2 million for the next biennium. DAS will analyze the proposals, consolidate them with the requests of other agencies, and determine how much they think OUS can issue.”

b. Working Groups

Director Dyess reported that a Research Committee has been formed and the members recruited. They will be having their first meeting in the near future and will be prepared to report at the June meeting.

The Joint Boards, according to Director Van Vliet held a meeting recently and discussed the mission statements of the various sectors – K-12, community colleges, and OUS. A subcommittee of the Joint Boards, the Unified Education Enterprise (UEE) will be examining the legislative packages that are emerging and sorting through them to see which ones will be forwarded to the Joint Boards and then cycled back to the individual boards.

7. PUBLIC INPUT

Jerod Axelrod, President-elect of the Associated Students of the UO, addressed the Board in opposition to the UO’s proposal to sell the Westmoreland Student Housing Complex. He explained that, in his recent bid for the presidency, it quickly became apparent that Westmoreland was an issue about which the entire student body was concerned, not just the residents who live at the complex. “The sale of Westmoreland will eliminate approximately half of all family housing units and nearly 20 percent of all available beds for students at the UO,” he explained. The ASUO student senate has passed a resolution in opposition to the sale as planned. In closing, he said, “On behalf of my fellow students, I ask you to please oppose this sale. Westmoreland has served as home for thousands of students over the last five decades. With your help, it will continue to provide housing as well as revenue for our school for the next five decades to come.”

8. BOARD COMMENTS

Chair Lorenzen indicated that Board members would be receiving an invitation to the Portland Teachers Program reception. “The Portland Teachers Program started in 1989 and has been a model for interinstitutional partnership and collaboration as well as a model for the successful recruitment and retention of students of color in higher education,” he added and encouraged Board members to attend.
9. **DELEGATION OF AUTHORITY TO BOARD’S EXECUTIVE COMMITTEE**

It was moved by Director Nesbitt, seconded by Director Blakney, to approve the Delegation of Authority as presented in the docket. Those voting in favor: Directors Blair, Blakney, Burns, Dyess, Lorenzen, Mendoza, Nesbitt, Richmond, Schuette, and Van Vliet. Those voting no or abstaining: none. Motion carried.

10. **ADJOURNMENT**

With no further business proposed, the meeting adjourned at 2:10 p.m.

\[Signature\]
Henry Lorenzen  
Board President

\[Signature\]
Ryan J. Hagemann  
Board Secretary