# MINUTES OF THE REGULAR MEETING OF THE
# OREGON STATE BOARD OF HIGHER EDUCATION (#774)
# PSU, PORTLAND, OREGON
# SEPTEMBER 8, 2006

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

Chair Henry Lorenzen called the meeting to order at 10:30 a.m. Board members present included: Directors Bridget Burns, Donald W. Blair, Gerry Blakney, Kirby Dyess, Henry Lorenzen, Tim Nesbitt, Dalton Miller-Jones, Howard Sohn, John von Schlegell, Gretchen Schuette, and Tony Van Vliet. Director Adriana Mendoza was absent due to a business conflict. (Director Blair left the meeting at 11:54 a.m.).

Chancellor’s staff present included: Chancellor George Pernsteiner, Ryan Hagemann, Ruth Keele, Jay Kenton, Michael Green, Glen Nelson, Marcia Stuart, and Susan Weeks.

Others present included: Presidents Dan Bernstine (PSU), Mary Cullinan (SOU), Martha Anne Dow (OIT), Khosrow Fatemi (EOU), and John Minahan (WOU). Provosts Linda Brady (UO) and Lesley Hallick (OHSU) and Vice President Mark McCambridge (OSU) were also present.

2. **Reports**

   a. **Chancellor’s Report**

Mr. Hagemann reported that the Provosts’ Council would, from now on, report to the Board on a quarterly basis. In the past, the chair of the Council would report on a monthly basis; but to make those reports more substantive, the Provosts’ Council requested that they be made on a quarterly basis. Director Schuette commented that the Provosts’ Council had provided real leadership for statewide alignment and student success across the sectors. “That has been really an implementation role of a policy and I just hope that the role of leadership will be sustained and is understood.”

Chancellor Pernsteiner reported that he had received reports from the Northwest Association of Colleges and Universities, an accrediting body. This past month, Oregon State University was recognized and reaccredited for another extended period of time. Additionally, Chemeketa Community College also received extended accreditation.

Referring to the *Measuring Up Report* that had recently been issued, Mr. Pernsteiner acknowledged that Oregon has multiple challenges in the areas of participation and affordability. “However, our completion and retention rates for our four-year universities are improving and, in
fact, that helped raise Oregon’s grade with regard to completion. Another item we should note is on affordability. This survey was done based on 2004-05 data. In 2005-06, the Oregon Opportunity Grant was increased. In 2005-06, there was a 3 percent limitation on resident undergraduate tuition placed in effect. In 2005-06, the fee remission cap, which had been in place for OUS institutions, was removed. All those things should have an effect in future years. They probably won’t raise us from an “F” to something higher but adoption of the Shared Responsibility Model will. So, I think that the work that this Board and our institutions have been doing, that this state is committed to, will ultimately raise our grade on affordability but that won’t yet be reflected in the current report that comes out,” he concluded.

b. Presidents’ Reports

There were no reports given.

c. Research Council

Dr. Rich Linton, Vice President for Research for the University of Oregon and chair of the newly formed Oregon University System Research Council, updated the Board on the work to date of the Research Council. Through the Academic Excellence and Economic Development Working Group of the Board, the Research Council was formed and will be assuming the tasks of that group. Membership on the Research Council includes the chief research officers for the major research institutions in the System; a representative from the regional universities; one vice president for research at OHSU; a private university representative; and industry representation, including a patent attorney, a venture capitalist, and a chief executive of an Oregon-based technology company.

A purpose of the Council is to provide more systematic, systemic dialogue across the institutions and with the Board about the research mission of the System. They will consider how to leverage the investments the state is making in higher education in the context of research and act in an advisory capacity to the Board. The Research Council is seen as complementary to the Provosts’ Council in terms of helping with the System-level discussion about research and the promulgation of research in the System. It is hoped that the Council will enable the institutions, collectively, to think more long-term, to be more strategic and systematic about how research is being conducted.

Dr. Linton explained that the Council tries to assure that the institutions are taking advantage of the connection between research and the economy of Oregon. To do this, technology transfer is one element that will be addressed by the Council. Advocacy through communication will also be a centerpiece of the work of the Council. In a recent publication of the National Science Foundation, Oregon was listed as ninth in the nation in terms of federal research funding in science and engineering.

Director Dyess asked Dr. Linton to comment on the findings of the Research Council relative to Senate Bill 853 regarding OregonInC. Dr. Linton reminded the Board that Senate Bill 853, passed
in the last legislative session, gives a state tax credit of up to 60 percent for a donation or contribution that supports the translational research—moving a basic idea to a proof of concept and supporting, more broadly, entrepreneurial education in the universities. “There were some fundamental concerns. One was the lack of ability for the universities to use their foundations effectively to receive and manage the funds. The way it is currently interpreted, they would have to be managed through the State Treasurer’s Office.

“Yesterday, we had a teleconference with representatives of Treasury and we’re working through the language and converging on an understanding so that the State Treasury is behind those revisions,” Dr. Linton explained.

In the meantime, the universities have their hands tied in terms of active fundraising because they can’t tell a donor, particularly major donors, exactly how much tax credit they will ultimately receive. It was agreed that this was a good bill and a new experiment that could have a positive impact once it is worked out.

d. Interinstitutional Faculty Senate (IFS) President

Dr. Mina Carson, IFS Vice President, indicated that IFS was looking forward to continuing to play a consultative and collaborative role with OUS. “We tremendously enjoyed working with this Board and the Chancellor’s Office on the issues of access, curriculum articulation, and faculty compensation. We feel not only heard but also listened to by the Board and the Chancellor’s Office in this fiscal and political climate,” she concluded.

e. Oregon Student Association (OSA) Chair

Ms. Courtney Morse, Interim Board Chair of OSA and president of the Associated Students of Portland State University, indicated that there were three topics she wanted to discuss with the Board: WOU’s tuition proposal, Measuring Up Report, and OSA’s summer legislative meetings.

The OSA Board has reviewed and discussed Western’s tuition proposal but has not yet taken a position. They are waiting until after they have had an opportunity to do additional research on the implications of the plan. One initial concern is in regard to the substantial 16 percent increase that will be necessary to implement the program. OSA believes that there needs to be more justification for such a drastic tuition increase that will, in their view, greatly impact the ability for low income students to attend Western. Secondly, they have concerns that the program is for four years, while it takes many students five years to complete their degree. Finally, they have questions about the tuition plateau because they have assessed that it is cheaper to take less credits.

OSA believes the Measuring Up Report strengthens the case that Oregon needs to reinvest in postsecondary education and indicated that there are many troubling trends pointed out in the report. Finally, Ms. Morse reported that students from across the state have met with 60 legislative candidates and sitting legislators to discuss their priorities. “While most legislators
believe that $188 million is a lot of money and possibly out of reach, we are encouraged that many understand that higher education has been left behind and there needs to be a significant investment in the next session,” she reported. A goal of OSA is to register and turn out 18,000 students at the next election. Additionally, they will be providing education on the ballot measures that will be important in the election.

President Lorenzen thanked OSA for working with the Board on legislative matters and repeated that it was critical to have a united front.

3. **CONSENT ITEMS**

   a. **OUS, Charge of the OUS Provosts’ Council**

   **DOCKET ITEM:**

   **Background:**
   Since the OUS Provosts' Council was structured in 2004, there is now greater clarity in its role regarding academic and curriculum matters. Additionally, the OUS Graduate Program Council, envisioned in 2004 and included in the July 2004 charge of the OUS Provosts' Council, did not materialize. Rather the graduate program council concept evolved into the OUS Research Council that has recently been initiated. The revised charge of the OUS Provosts' Council better articulates the role of the Council regarding educational programs review process and undergraduate admission and articulation issues, and reflects changes relevant to the OUS Research Council.

   **Council Charge:**

   1. The Provosts’ Council is responsible for making recommendations to the Chancellor of the Oregon University System (OUS) regarding proposed new undergraduate and graduate degrees, new undergraduate and graduate certificate programs, professional educator licensure programs, and all other substantive changes to undergraduate and graduate academic programming at the OUS universities. After initial input and review by appropriate councils and external constituents (e.g., OUS Research Council, external review teams), all proposed graduate programs will be brought to the Provosts’ Council for consideration and recommendation to the Chancellor. (Note: The term “OUS universities” includes Oregon Health & Science University in this charge.)

   2. The Provosts’ Council will also review degree name changes and offering existing programs at new locations. If an institution proposes to name a school, center, or institute after a living person, Board approval is required. Such proposals will be forwarded to the Board after review and approval by the Provosts’ Council.

   3. The Provosts’ Council is responsible for considering and, where appropriate, for making policy recommendations to the Chancellor regarding Systemwide undergraduate admission
policies, K-12 and community college articulation, student retention policies, and other questions or concerns that directly affect the quality of academic programs at OUS universities.

4. Because the Provosts’ Council plays a key role in recommending and implementing Board policy affecting academic programming at the OUS universities, OUS staff officers will work closely with the Council and its chairperson to ensure effective communication regarding Board policies and their implementation.

5. The Provosts’ Council will seek ways to work collaboratively regarding state and federal grant opportunities, technological partnerships, and other initiatives that strengthen both the Oregon University System as a whole and the individual universities.

6. The Provosts’ Council is charged with the responsibility of establishing guidelines to govern its operation.

b. **OUS, 403(b) Investment Committee and Investment Policy Approval**

**DOCKET ITEM:**

**Summary:**
Staff seeks Board approval of an Investment Policy for the Tax-Deferred 403(b) Plan, and delegation of authority to the Vice Chancellor for Finance and Administration to approve administrative and investment-related recommendations by staff, consultants, and legal advisors for the redesign and future operations of the Tax-Deferred Investment Plan.

**Background:**
The Oregon University System offers an Internal Revenue Code Section 403(b) Tax-Deferred Investment (TDI) Plan to employees as a voluntary retirement savings program that allows them to defer pre-tax income to investments in mutual funds and annuities. (ORS 243.810–.830). The TDI Plan was last revised in 1992 and is being updated to reflect changes in retirement savings needs, administration technology, and available investment products. The revisions are designed to make the TDI Plan more easily accessible to more OUS employees and to offer a professionally-advised selection of funds that optimizes performance and expenses for OUS participants.

The redesigned TDI Plan will be governed by an Investment Policy and plan document; advised by a registered investment consulting firm and administered by a contracted record keeper and custodian. An Investment Committee will be responsible for operations of the Plan. Participants are expected to begin accessing their accounts and investment options through the redesigned plan in January 2007.
The Plan’s Investment Committee will be responsible for selection and monitoring of funds available through the TDI Plan, assisted by an investment consultant and guided by the Plan’s Investment Policy. The Investment Committee will consist of five members, selected through a nominations process to include financial managers and to be generally representative of participating employees.

Board approval of the TDI Investment Policy Statement is requested to enable OUS to proceed with procurement of record keeping/custody services and investments for the Plan. The TDI Investment Policy has been developed by staff, nominated Investment Committee members, OUS’ current investment consultant, and legal counsel.

Staff further requests that the Board delegate authority for operations and oversight of the TDI Plan to the Vice Chancellor for Finance and Administration. In 1996, authority to undertake any actions necessary to implement the Plan, to approve Plan amendments, to make committee nominations, and to revise Trust agreements was approved for the Optional Retirement 401(a) Plan. A similar delegation is requested for efficiency and coordinated oversight of the two OUS retirement plans.

**Staff Recommendation to the Board:**
Staff recommended that the Board adopt the Tax-Deferred Investment Plan Investment Policy Statement.

Staff further recommended that the Board delegate authority to the Vice Chancellor for Finance and Administration to approve, on behalf of the Board, recommendations to adopt, amend, or delete policies for compliance with the Plan document, state and federal regulations, legal advice, and other authorities with standing in the operation of the Tax-Deferred 403(b) Investment Plan. Delegation should extend to approval of investment selections recommended jointly by the Investment Committee and investment consultant, approval of Investment Committee members, and Plan sponsor oversight.

The text of the proposed policy is available in the docket material located at: [http://www.ous.edu/state_board/meeting/dockets/ddoc060908.pdf](http://www.ous.edu/state_board/meeting/dockets/ddoc060908.pdf).

c. **OIT, Center for Health Professions, Phase I**

**DOCKET ITEM:**

**Summary:**
The Oregon Institute of Technology sought Board approval to authorize the Chancellor, or designee, to seek state Legislative Emergency Board approval of an additional Other Funds limitation of $1.0 million for a revised total project cost of $12.2 million for construction of the Center for Health Professions, Phase I Project. The project was approved by the January 20, 2006, Legislative Emergency Board. The additional Other Funds limitation will be used to offset
construction-related inflationary increases in the cost of the project and will consist entirely of gifts.

**Staff Report to the Board:**

**Background:**
The Legislative Emergency Board granted permission to spend $11.2 million to construct Phase I of the Center for Health Professions facility on the OIT campus in Klamath Falls. Phase I includes a new, 42,000-square foot building that will house laboratories, classrooms, and faculty offices for OIT’s academic health profession training programs. The new building will allow OIT to expand enrollments in these programs, which currently operate at capacity, by an additional 36 percent (or 420 students).

The project will help OIT address the shortage of healthcare professionals in Oregon. This shortage is expected to worsen as the state’s population ages and many current health care workers retire. OIT has had to turn away approximately 150 qualified applicants from just the medical imaging programs alone each year because of its limited capacity to serve them.

**Statement of Need:**
The original authorized project anticipated a 15 percent rate of inflation for materials, not the 40 to 50 percent increase that is occurring in some of the basic building materials due to pressures on domestic supplies of steel and other materials brought on by construction in China and other events such as hurricane Katrina.

Much time was spent during the design phases in an effort to reduce cost. The project is well into its design phases and has identified cuts to stay within the original budget of $11.2 million, including the reduction of the building size to 39,500 square feet. However, without the requested additional Other Funds limitation, the project will proceed with a subsequent reduction in the number of students admitted into the programs as originally planned.

**Fundraising Completed To Date:**
The University has raised the additional $1 million of private gift funds.

**Staff Recommendation to the Board:**
Staff recommended that the Board approve the request to increase the Other Funds limitation for the previously approved Center for Health Professions, Phase I Project, and that the Chancellor, or designee, be asked to seek an authorization from the legislative Emergency Board for an additional Other Fund expenditure limitation of $1 million for a total project cost of $12.2 million.
d. OSU, Reser Stadium Expansion – Phase 2

DOCKET ITEM:

Summary:
Oregon State University sought Board approval to authorize the Chancellor, or designee, to seek state Legislative Emergency Board approval of $6 million in Other Funds limitation and $27 million in Article XI-F(1) bond limitation for the expansion of Reser Stadium and construction of a weight and strength training facility for use by all OSU student athletes. The project will be funded entirely from gifts and revenue generated by the stadium.

Staff Report to the Board:

Background:
Reser Stadium currently seats 43,300 fans. This project is the second phase of a multi-phase development plan for the stadium. Reser Stadium was originally built in 1953 and has undergone periodic renovations and expansions over the years. The most recent expansion was completed in 2005 and included the demolition and reconstruction of the east stands, increasing the seating capacity by 8,300, and adding much needed amenities. The success of that project is part of the driving force behind the current expansion program.

The 2005 expansion program utilized $91 million of the total $114 million spending limitation authorized by the legislature. The original request included the expansion of the stadium seating capacity by 10,000 seats. After an in-depth financial analysis and subsequent fundraising campaign, it was determined that the project should be scaled back to include only 8,300 new seats.

Statement of Need:
Since the opening of the expanded stadium, new donors and revenue streams have been identified that will support the addition of as many as 3,500 new seats, bringing the total seating capacity to 47,000, slightly beyond the desired seating count of the original proposal.

This expansion program includes three primary components:

1. Demolition and reconstruction of the south stands, including new ticket windows, space for concessions and restrooms, new entrance gates, and a new video board.
2. A new weight and strength training facility located across from the Valley Football Center that will combine the current weight room located on the second floor of the Center with a smaller weight room in Gill Coliseum for use by all student athletes. This facility may also house a training facility for the wrestling program.
3. Relocation of the visitor’s locker room from Gill Coliseum to a location under the west stands.
Upon approval, construction will begin immediately following the 2006 football season. The stadium improvements will be in place for the 2007 season. The weight and strength training facility will be completed by January 2008. The program is consistent with the 2003 stadium master plan, the OSU campus master plan, and City of Corvallis zoning and development regulations.

Funding for the project will come from donors and revenue generated by the stadium. Debt service on the $27 million in Article XI-F(1) bonds will be paid with donations pledged to the project, endowment income, and contractual and rental revenue streams available to cover the debt. In addition to bond proceeds, $6 million in donations will be used to fund construction.

**Staff Recommendation to the Board:**
Staff recommended that the Board approve the request to authorize $6 million in Other Funds and $27 million in Article XI-F(1) bonds for the expansion of Reser Stadium. Debt service on bonds will be repaid from gifts and revenue generated by the stadium.

e. OSU, Veterinary Medicine Large Animal Hospital Expansion

**DOCKET ITEM:**

**Summary:**
Oregon State University sought Board approval to authorize the Chancellor, or designee, to seek state Legislative Emergency Board approval to change the funding source authorized by the legislature for the expansion of the Veterinary Medicine Large Animal Teaching Hospital from $12 million in Other Funds to $5 million in Other Funds and $7 million in Article XI-F(1) bonds. The project will be funded entirely with gift funds with debt service on the $7 million in Article XI-F(1) bonds to be repaid with income from an existing endowment.

**Staff Report to the Board:**

**Background:**
As a land grant university, OSU’s College of Veterinary Medicine program is integral to fulfilling OSU’s mission to support agriculture in the state of Oregon. Beginning in fall 2003, the professional veterinary program began the transition from a two-year to a four-year program for the Doctor of Veterinary Medicine (DVM) students.

This program now provides veterinary medical education for 40 Oregon residents and eight nonresidents to meet the need for veterinarians in both the rural and metropolitan areas of the state. The College of Veterinary Medicine professional DVM program is one of 27 accredited colleges in the United States offering veterinary medical training.

In order to accommodate an expansion of OSU's Veterinary Medicine program from a two-year program to a four-year program, additional facilities are required. Phase I of the program was completed in 2005, which included the addition of a small animal hospital. For Phase II, the
College of Veterinary Medicine received $12 million in Other Funds Limitation in the 2005-2007 Legislatively Adopted Budget for expanding the existing Large Animal Hospital in Magruder Hall. This phase will provide new and updated facilities for patient admission, holding, imaging, isolation, and research. A new equine intensive care unit will replace the existing one in Magruder Hall and support facilities for equine holding are included in the proposed facility. A featured element of the program will be an open-air, covered arena with associated support facilities. The proposed facility will provide approximately 17,000 net square feet and 25,000 gross square feet of new and renovated space at a direct construction cost of approximately $8.5 million. Total project cost is anticipated to be $12 million.

Statement of Need:
Although $5 million in cash donations from the Valley Foundation has been raised to date, fundraising for the remaining $7 million will not occur in time to meet the project completion goal of Fall 2007. The College of Veterinary Medicine has adequate endowment income to bond the shortfall in fundraising, enabling construction to begin immediately upon Emergency Board approval. If the change in funding is approved, the hospital improvements will be in place by the end of 2007.

Staff Recommendation to the Board:
Staff recommended that the Board approve the request to change the spending authorization from $12 million in Other Funds to $5 million in Other Funds and $7 million in Article XI-F(1) bonds for the expansion of the Veterinary Medicine Large Animal Hospital with total limitation of $12 million.

f. UO, Non-Exclusive Utility Easement to the Eugene Water and Electric Board

DOCKET ITEM:

Summary:
The University of Oregon sought Board approval to grant a non-exclusive utility easement to the Eugene Water and Electric Board (EWEB) so that EWEB may construct, repair, and maintain under- and above-ground utility boxes and overhead wires that must be moved as part of construction of the Bus Rapid Transit (BRT) project on Franklin Boulevard in Eugene.

Staff Report to the Board:

Background:
As part of construction of Lane Transit District's BRT route on Franklin Boulevard, EWEB must move certain utility boxes and overhead wires that are on UO property at Onyx and Emerald Streets. This requires granting new easements to EWEB for three small parcels of a combined size of approximately 1,000 square feet. This easement is non-exclusive and provided so that EWEB can construct, repair, and maintain the boxes and overhead wires. Should EWEB cease using any of the easements, UO may terminate them and EWEB must return them to pre-easement condition.
OAR 580-050-0010 authorizes the Board president and Board secretary, without Board approval, to execute easements within approved campus boundaries only for underground utilities, necessitating Board approval for this easement that includes above-ground utility boxes and overhead wires.

Staff Recommendation to the Board:
Staff recommended approval.

**g. OIT, B.S., Embedded Systems Engineering Technology**

**DOCKET ITEM:**

The proposed Bachelor of Science (B.S.) in Embedded Systems Engineering Technology is a degree that will meet the standards for accreditation by the Technology Accreditation Commission of ABET, Inc. The B.S. includes 194 quarter-credits of coursework and a solid foundation in physics, chemistry, mathematics, and communication. The B.S. provides both course and laboratory experiences in the analysis, design, implementation, and testing of the computer hardware and software found in embedded systems.

Graduates of this degree program will be educated for entry-level engineering technology positions that meet Oregon’s current and future technology challenges. Growing Oregon industries in consumer electronics, energy, defense, health, and transportation require specialized skills and expertise in embedded systems. The need for a technology degree that has a strong focus on the integration of computer hardware and software for application to embedded systems has arisen repeatedly in discussions with industry, including the membership of industry advisory councils.

It is anticipated that Oregon Institute of Technology will have 40-80 upper division students in this program within five years and will have 10-20 graduates per year.

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

**Recommendation to the Board:**
The OUS Provosts’ Council recommended that the Board authorize Oregon Institute of Technology to establish an instructional program leading to a B.S. in Embedded Systems Engineering Technology, effective Fall 2006.
h. PSU, Graduate Certificate in Computer Security

DOCKET ITEM:

Portland State University proposes a graduate certificate in Computer Security, with a minimum of 21 credits including a required core and a set of electives. The student must take the required core of five classes (15 credit hours) and two 3-credit electives (6 elective credits).

Computer Security is an area of burgeoning need and concern in industry, government, and private life. Both personal and national security are at risk, as are the integrity of business processes and the future of the internet as a vehicle for communication and commerce. There are over 60 companies in the Portland area with a primary focus in some aspect of computer security so the certificate is responsive to the need for highly trained employees in these companies as well as in the industry as a whole. PSU’s existing offerings of computer security classes have been attractive to students and the ability to earn a certificate should make them more so. Offering at least ten sections of security courses per academic year over the last two years, the Computer Science Department has had enrollments ranging from 15 to 25 students in each section. PSU’s emphasis in computer security is one of the few programs recognized by the National Security Agency (NSA). The courses and sequence for this certificate are drawn from the set recognized by NSA, which will add significant value to certificate recipients. PSU has had specific requests from local police as well as high tech firms for a professional credential in this area and anticipates 25 local graduates per year.

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 Graduate Certificate in Computer Security, effective Fall 2006.

i. PSU, Graduate Certificate in Food Marketing and Logistics

DOCKET ITEM:

Portland State University proposed a graduate certificate in Food Marketing and Logistics, with a minimum of 17 credits including two required courses, a 6-credit project, and three elective credits selected from a list of Marketing, Accounting, Finance, Information Systems, and Quantitative Analysis (ISQA), and Management courses suggested by PSU’s industry advisory board.

The retail food and container packaged goods industry is the world’s largest industry and Oregon’s largest employer. According to Bureau of Labor Statistics estimates, the industry is projected to grow both in the Northwest and across the U.S. over the next five years. PSU’s
affiliation with the Food Marketing Institute, a non-profit international trade association of food retailers and distributors, has resulted in one of the top undergraduate programs in the U.S., but local industry leaders (CEOs of Albertson’s, PepsiCo, Rite Aid, Fred Meyer, and others) have asked specifically for graduate level professional training.

PSU’s School of Business Administration expects students to be drawn from four groups: (a) students currently working at food industry companies (i.e., Fred Meyer, Albertson’s, Frito-Lay, Tillamook, etc.); (b) students who have a food industry background (i.e., degree in food science from Oregon State University, Washington State University, University of California-Davis) who want to move into management; (c) students whose families are connected to the food industry who would like to link their business studies to an industry in which they have family connections; and (d) other students who desire to work in the retail food and consumer products industry. PSU expects recruiting efforts to focus on regional food companies with employees desiring to upgrade business skills and knowledge. PSU anticipates 10-15 graduates per year from this program.

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

**Recommendation to the Board:**
The OUS Provosts’ Council recommended that the Board authorize Portland State University to establish an instructional program leading to a Graduate Certificate in Food Marketing and Logistics, effective Fall 2006.

**BOARD DISCUSSION AND ACTION:**

Director Van Vliet moved approval of the Consent Items as presented. The motion was seconded by Director von Schlegell. Those voting in favor of the motion: Directors Burns, Blair, Blakney, Dyess, Lorenzen, Nesbitt, Miller-Jones, Sohn, von Schlegell, Schuette, and Van Vliet. Those voting no or abstaining: None. Motion passed.

**4. ACTION ITEMS**

a. **Board of Higher Education Long-Range Plan**

**DOCKET ITEM:**

Over the past year, the Board of Higher Education has had discussions, work sessions, and retreats to develop a framework and strategies for a long-range (20-year) plan for the Oregon University System. Through these discussions, the elements of the plan have emerged—and have, in some cases, been approved by the Board—and are now assembled into a draft report. This report will be considered at the Board’s Long-Range Planning work session on September 7, 2006. The draft report is available for review on the Board website at: http://www.ous.edu/board/meetingmaterials.htm.
The plan is built from a context that includes state goals for educational attainment, expected future demand for higher education, student success and alignment across education sectors, the success and potential of research for Oregon’s economic vitality, and threats to the financial viability of the System and its institutions. The framework includes goals and desired outcomes, guiding principles for planning, and proposed performance measures for evaluating the accomplishment of goals. The strategic priorities address long-term investments in initiatives that will achieve the goals in 20 years, and short-term proposals to advance the goals, which are represented in the requested 2007-2009 biennial budget.

Following Board discussion at the work session on September 7th, Board approval of the plan at its regular meeting on September 8th will launch the implementation of the strategic initiatives.

*Staff Recommendation to the Board:*
Staff recommended that the Board approve the long-range plan, including guidance for any modifications to the draft.

**BOARD DISCUSSION AND ACTION:**
Vice Chancellor Weeks stated that the Plan is and will be an expression, on the part of the Board, of its vision, goals, desired outcomes, performance framework, the guiding principles for governance and operations, and strategic priorities for the System for the next 20 years.

Staff recommended that the Board approve the plan with the understanding that there would be some stylistic edits as discussed at the Long-Range Planning meeting to reflect issues of urgency and presentation as well as the substantive difference of perspective and view reflected in the draft.

Director Nesbitt moved, seconded by Director Miller-Jones, adoption of the long-range plan as modified. Those voting in favor of the motion: Directors Burns, Blair, Blakney, Dyess, Lorenzen, Nesbitt, Miller-Jones, Sohn, von Schlegell, Schuette, and Van Vliet. Those voting no or abstaining: None. Motion passed.

b. **2007-2009 Operating Budget Request Adjustment for Veterinary Diagnostic Laboratory and Institute for Ecosystem and Climate Change**

**DOCKET ITEM:**

*Summary:*
At the July 2006 Board meeting, the Board approved the OUS 2007-2009 Operating Budget Request (Agency). This item seeks Board approval to adjust the request submittal to the Department of Administrative Services (DAS). The adjustments will increase the General Fund request by $2.4 million, will increase the Other Funds Limited request by $11.6 million, and add the previously approved $36.9 million Certificate of Participation (COP) request to the Itemization of Operating Budget Request table in Appendix (A).
Background:

General Fund adjustments:
Through budget negotiations with DAS, the Essential Budget Level (EBL) and Debt Service line items within the base budget request were slightly modified. The result of these modifications did not change the General Fund base budget request from the $188 million approved by the Board on July 14, 2006.

Two policy packages identified in earlier Board meetings were inadvertently classified as being rolled into the Statewide Public Services Policy Package in the July 2006 docket. The policy package for the Veterinary Diagnostic Lab discussed in the June 2006 docket sought an additional $1.6 million for the 2007-2009 biennium. The policy package for the Oregon Institute for Ecosystem and Climate Change was also included in the June 2006 Docket and requests funding of $800,000. These two packages will increase the General Fund Agency Request by $2.4 million.

Other Funds Limited:
The EBL and Debt Service adjustments mentioned above did, however, increase the Other Funds Limited request by $6.2 million. In addition, DAS has suggested that OUS submit a policy package to restore $5.4 million of funding for the Forest Products Harvest Tax that is going to sunset this biennium.

As a housekeeping item, $36.9 million in COP funding that was previously approved by the Board in May and June was inadvertently omitted from Appendix A–Page 2, Itemization of Budget Request by Fund Type, of the July docket. The COP request has been added to the Itemization of Operating Budget Request table in Appendix (A)
### Appendix (A)

**Itemization of Operating Budget Request by Fund Type**  
(Amounts in millions)

<table>
<thead>
<tr>
<th>Budget Request</th>
<th>General Fund</th>
<th>OFL</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Board Approved</td>
<td>Requested</td>
<td>Adjusted</td>
</tr>
<tr>
<td>Legislately Approved Budget from 2005-2007</td>
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<td>$732.4</td>
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<tr>
<td>Base Budget Request: (First Priority)</td>
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<td></td>
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<tr>
<td>EBL</td>
<td>$45.0 (3.0)</td>
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<td>POP 101 part a - Regional University Support</td>
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<tr>
<td>POP 101 part c - Student:Faculty Ratios</td>
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<td><strong>Subtotal Base Budget Request</strong></td>
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<td>Policy Packages: (in priority order)</td>
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<td>POP 301 - Healthcare Initiative</td>
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<td>POP 302 - ETIC</td>
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<td>POP 306 - Transportation Center</td>
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<td>POP 307 - Veterinary Diagnostic Lab</td>
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<td>POP 308 - Institute for Ecosystem and Climate Change</td>
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<td>POP 310 - Certificate of Participation (COP's)</td>
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<td>POP 311 - COP Debt Service (Non Limited)</td>
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<td><strong>Total Request (excludes new capital items)</strong></td>
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<td>$2.4</td>
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</table>

* Includes $16M in salary increases that will pass through the E-Board.
**Staff Recommendation to the Board:**
Staff recommended that the Board approve the increase in the Agency Request Operating Budget for the General Fund from $988.4 million to $990.8 million and the Other Funds Limited from $1,207.7 million to $1,256.2 million.

**BOARD DISCUSSION AND ACTION:**
Mr. Glen Nelson, Associate Vice Chancellor for Budget and Planning, reminded the Board that, in July, they had approved the OUS 2007-2009 Operating Request totaling $988 million. In the ensuing six weeks, there have been three minor adjustments to the budget that increased the General Fund request by approximately $5 million to $993 million.

First, there were two policy packages that were inadvertently identified in July as being subsumed into the Statewide Public Services package. They were the Veterinary Diagnostic Laboratory for $1.6 million and the Institute for Ecosystem and Climate Change for $800,000.

As a result of on-going discussions with Department of Administrative Services (DAS) and the Legislative Fiscal Office concerning the Essential Budget Level (EBL), there was a request that a component be taken out of the EBL and moved into the package #101, the major request for $188 million. The third change related to a request that was made as the EBL was being developed to have the state recognize the increased utility costs and fund those as part of the EBL. That request was denied and DAS advised staff to file an appeal. In the appeal hearing, the request was again denied. Following the denial, DAS recommended that the request be put forward as a policy package that is included as a part of this total request for Board approval.

It was pointed out by Director Dyess that when the Academic Excellence and Economic Development (AEED) Working Group reviewed the policy packages there were two of them that the Group did not recommend taking forward and they are the two that are now being recommended for inclusion. “I’m surprised that they’re all of a sudden in again. One was the Ecosystem Climate Change and we said that there was already something very similar in the state already. On the Veterinary Diagnostic Laboratory, it appeared there was not an educational justification for it. I’m more concerned from a policy perspective and how decisions are made.”

Chancellor Pernsteiner apologized to Director Dyess and the AEED group because he wasn’t aware of the actions that group had taken.

There was general discussion about the numbering and ordering of the Policy Option Packages. The last three are technical in nature – technical adjustments. “What Bill McGee from DAS [Department of Administrative Services ] continues to tell me is, we can put these in priority order but it really doesn’t matter because the Governor reassigns the priorities, or the Executive Branch, reassigns the priorities at a later date,” Mr. Nelson explained.

Vice Chancellor Kenton added that the Statewide Public Services have a different numbering system because it is from a different funding source. This present discussion concerns getting the items plugged into the DAS formats. Director Schuette asked for clarity about whether the Board
was effectively on record that as far as the Chancellor’s Office and the State Board of Education are concerned, 301-306 are not in priority order.

Director Schuette moved, seconded by Director Sohn to approve the increase in the Agency Requested Operating Budget for the General Fund from $988.4 million to $990.8 million and the Other Funds Limited from $1,207.7 million to $1,256.2 million.

On roll call, the following voted in favor of the motion: Directors Burns, Blair, Blakney, Dyess, Lorenzen, Nesbitt, Miller-Jones, Sohn, von Schlegell, Schuette, and Van Vliet. Those voting no or abstaining: None. Motion passed.

Chancellor Pernsteiner pointed out that in the Budget Request Adjustment, the utility increase package was erroneously placed below the line as part of POP 101 and recommended it be moved up to the #101 Policy Option Package.

Director Van Vliet moved approval of the Chancellor’s recommendation. Those voting in favor of the motion: Directors Burns, Blair, Blakney, Dyess, Lorenzen, Nesbitt, Miller-Jones, Sohn, von Schlegell, Schuette, and Van Vliet. Those voting no or abstaining: None. Motion passed.

Finally, Director Schuette asked if there was consensus of the Board that, referencing Director Dyess’ comments regarding items #307 and #308 (the Veterinary Diagnostic Laboratory and the Institute for Ecosystem and Climate Change) that they are not in the same cluster of un-prioritized packages and should not be considered in competition with the other ones already put forward. President Lorenzen noted there were no adverse comments and it should be considered as a consensus.

c. Compensation for PSU President and OUS Chancellor

In June, Chancellor Pernsteiner reminded the Board, they had adopted salaries for all presidents within the System. Then, in July, the Board approved supplements from Foundation Funds for the presidents at the University of Oregon and Oregon State University. “We recently have been approached by the Portland State University foundation, which this morning is meeting to determine whether or not it will also propose to you an increase for the president of PSU.” Mr. Pernsteiner further indicated that the Executive Committee of the Foundation Board had proposed a supplement for President Bernstine in salary of $118,908 per year for the 2006-07 fiscal year, beginning July 1. They also are proposing to pay all associated benefits (FICA, PERS). This would raise the salary of the PSU president, including supplement, to the same level as that of the OSU president, including supplements. “As I said, they are meeting as we speak and we expect to have their determination shortly.” President Lorenzen questioned whether the Board should wait to vote until the PSU Foundation reaches a final decision or approve a supplement up to a set dollar amount. Chancellor Pernsteiner suggested the latter approach.

In explaining the substantial increase, Chancellor Pernsteiner noted that the salary for the Portland State University president has been the lowest of those presidents of comparable universities in
the United States. The action the Board took in June, although it was a substantial increase for President Bernstine, still had that salary of the lowest among the 20-some institutions.

Director Blair added that the Board does not control what the Foundations elect to offer to the presidents. “We have the obligation to decide whether or not we are willing to accept the support from the Foundations. Essentially, we have the ability to restrict or veto; we don’t have the ability to set a particular number. With that said, we are very mindful of the fact that there are some boundaries and some considerations that we need to put into place to decide whether or not those amounts are appropriate.”

Among the considerations the Board made was the overall compensation for the presidents with relation to various peers. Additionally, it was discussed that there needs to be an appropriate relationship between the amounts of money that the president receives from the foundation in comparison to what the president receives from the state. “There are obviously tremendous numbers of areas where the foundation and the institution are exactly aligned on their agendas and their objectives. But there are cases where there might be differences and we want to make sure that, from the appearance as well as the fact of where the focus is, there is an appropriate relationship.

“What we’ve concluded in the previous two circumstances, and we obviously have not taken up the question today, was that we felt that the salary supplements that were proposed by the Foundations did meet the standards in terms of overall compensation for the presidents,” Director Blair concluded.

Director Nesbitt reminded the Board that “the biggest challenge we’re trying to meet is to get the faculty salaries up to the level that we can call competitive. One measure of that is the median of what faculty are paid at other comparable institutions. So, I was persuaded when we took the same approach in June, saying that we would have faculty salaries at 86 or 87 percent of that median. And, we said, let’s move our presidents’ salaries up to a similar percentage of the median of their comparators. That’s what we did and I voted for that.

“Since then, we’ve had the supplements from the foundations come forward and, although I appreciate their commitment, to me it takes us beyond that. It kind of breaks that connection to the equity that we’re trying to maintain what we’re doing for our faculty. The issue for me today is maintaining kind of an equal effort paced equally. So, I will be a “no” vote again for the same reason and I wanted to explain that,” he concluded.

Having just completed the SOU presidential search, Director Sohn observed how important it is to have strong individuals at the head of the System institutions. “It’s a competitive environment, not just within the realm of the academic ranks – the ranks of academic administration, which is itself a competitive environment – but the competitive context is broader than that.”
“To attract and retain, we really have to be at levels that are competitive with the alternatives, both within and outside the academic arena. Although compensation may look high to some people, for these presidents, it is very much in order and to our benefit,” he concluded.

It was moved by Director Gretchen Schuette, seconded by Director Donald Blair to approve the Foundation supplement for PSU President Bernstein’s salary, up to $118,908, plus the costs of FICA and PERS. Those voting in favor of the motion: Directors Burns, Blair, Blakney, Dyess, Lorenzen, Sohn, von Schlegell, Schuette, and Van Vliet. Those voting no: Director Nesbitt. Director Miller-Jones of PSU recused himself. Motion passed.

NOTE: During the Board session, word was received that the Portland State University Foundation approved the supplement for President Bernstine.

The second compensation matter was a review and proposed compensation for the contract with Chancellor Pernsteiner, whose contract ended June 30, 2006. Board President Lorenzen and Director Dyess reviewed the Chancellor’s performance and the level of compensation. Additionally, the day prior to the Board meeting, in Executive Session, the full Board reviewed the Chancellor’s performance. There was unanimous agreement that Mr. Pernsteiner’s performance has been exemplary. “He has taken us and has helped us substantially in developing the budget process, developing a relationship with the Legislature. He has had accolades from all of the people with whom he has worked, both within the Chancellor’s staff, the presidents, and university staff. I can say without hesitation that we have been very fortunate to have had him the last two years,” President Lorenzen commented.

The original contract with Chancellor Pernsteiner was entered into two years ago and has not been adjusted. The base salary was set at $219,500 annually plus deferred compensation of $950 per month to make up for what the Chancellor gave up in the retirement program from the University of California System. In addition, there was an allowance of $1,500 per month to provide for housing in Portland, since his duties place him in both Eugene and Portland on a regular basis. Additionally, it was anticipated that if Mr. Pernsteiner took on the duties of acting Chancellor, there would be a professional allowance of $20,000 per year for expenses incident to the position that would not flow through the normal state reimbursement process.

In making a determination of what the current salary should be, General Counsel Ben Rawlins contracted a compensation survey so that the Board could review comparable system heads. In that review process, seven other university systems were selected and the vast majority of them were smaller than OUS, both in terms of budget and total student enrollment. President Lorenzen indicated that the salary package he would recommend would have the Chancellor’s total compensation package at approximately 86 percent of the median of the comparator universities. The following salary package was proposed for Chancellor Pernsteiner: base pay be increased from $219,500 to $250,100; professional expense allocation of $20,000 per year would stay the same; the deferred compensation level of $11,400 stay the same; and the housing allowance of $18,000 per year to compensate for housing in Portland remains the same.
Director von Schlegell moved, seconded by Director Blair, to accept the proposal for Chancellor Pernsteiner’s salary package. Those voting in favor: Directors Burns, Blair, Blakney, Dyess, Lorenzen, Nesbitt, Miller-Jones, Sohn, von Schlegell, Schuette, and Van Vliet. Those voting no or abstaining: None. Motion passed.

President Lorenzen indicated he would negotiate the remaining terms of a two-year contract with Chancellor Pernsteiner, with a review of salary in one year.

d. Election of Board Officers

Oregon Statute requires the Board elect officers yearly on or before July 1. For the past couple of years, the Board has let this slip. Director Blair talked to Board members to get a sense of what each one felt was needed in terms of Board Leadership. Additionally, he talked to both President Lorenzen and Vice President Dyess to determine their willingness to serve another term. Both agreed, if it was the will of the entire Board, that they would serve another term. “It became very clear,” Director Blair reported, “that there is a high degree of alignment on the Board. These are obviously very difficult jobs. We have many different constituencies to deal with: political people, the public, the press, the faculty, and the students. I have nothing but admiration for the level of commitment and the level of intellect that both of these people have brought to the positions.”

Director Blair moved to nominate and elect Director Lorenzen and Director Dyess as president and vice president of the Board. The motion was seconded by Director von Schlegell. Those voting in favor: Directors Burns, Blair, Blakney, Dyess, Lorenzen, Nesbitt, Miller-Jones, Sohn, von Schlegell, Schuette, and Van Vliet. Those voting no or abstaining: None. Motion passed.

President Lorenzen thanked the Board for the honor of serving as the president. At the next regular meeting of the Board, he indicated he would propose the membership of the Executive Committee. Additionally, he agreed to contact Board members regarding leadership of the Working Groups. “I’ve asked Director Van Vliet to lead the effort and coordination of the legislative efforts from the perspective of the Board and he has graciously accepted that request.”

5. DISCUSSION ITEM

a. WOU Undergraduate Tuition Guarantee

DOCKET ITEM:

Western Oregon University is considering a modification to its current undergraduate tuition model (excluding international students and nonresidents who do not participate in the Western Undergraduate Exchange Program) effective fall 2007. The proposed model would replace the current variable increasing rate model with a guaranteed tuition rate for four academic years. The purpose of this docket item is to discuss this concept with the Board prior to bringing a complete proposal for approval in October.
**Background:**
Traditionally, tuition and fees for OUS campuses are approved by the Board in June for the next academic year. The June date is used to provide students and others with adequate opportunity to be consulted and provide feedback regarding proposed changes. The variable tuition model is traditionally the one used by most universities in the country.

In 1999, Western Illinois University implemented a flat or guaranteed tuition program for its undergraduate students. The success of that program (increased new students and retention) led to a comprehensive adoption of a guaranteed tuition plan by the University of Illinois System in 2004. Central Michigan University implemented its version of the program in 2005 that included fees and room and board. Western Illinois and Central Michigan both report very positive results and strong endorsements for this tuition model. All community colleges and public universities in Georgia will offer a version of this program starting in 2006. Additionally, the State University of New York (SUNY) and Arizona State University have proposed similar programs for 2007.

Many smaller regional private universities offer similar programs. Willamette University in Salem offered a tuition-guarantee program from 1990-1993. They ended the program despite increases in enrollment (new students and retained) because of concerns about pricing themselves too far above their competition and more limited ability to modify their cash flow to respond to revenue shortfalls. The University of Minnesota ended its two-year experiment when too few students chose to participate in their optional program.

The WOU proposal is the result of extensive review of current campus enrollment data, comprehensive fiscal analysis and modeling, review of other guarantee programs nationally, and broad and extensive consultation with campus groups including the WOU Faculty Senate, ASWOU leadership, and the Oregon Student Association. This campus process has resulted in strong support for the plan.

**Tuition Guarantee description:**
The proposed tuition guarantee program will be for new undergraduate Oregon residents and participants in the Western Undergraduate Exchange (WUE) Program students only. International students, graduate students, and other undergraduate nonresidents will not be included in the program. Their exclusion is part of an overall hedging strategy designed to minimize campus exposure in the event of a decrease in state General Fund support. More details regarding this contingency plan is provided later.

Specific details of the program are provided below.

- Start date: Fall 2007.
  - All incoming undergraduate students from Oregon or in the WUE will be placed in the new program;
• Students admitted during the prior (2006-07) academic year will have a one-time, non-revocable opportunity to sign up for the program; and
• Formal marketing and recruitment of students will commence upon final Board approval.

- Guarantee length: four academic years for freshmen and prorated for transfer students.
  - Academic year begins with fall quarter;
  - For 2005-06, there were 50 new undergraduate students admitted for winter, spring, or summer terms. These students would in fact have less than four full academic years of guaranteed tuition since the four-year clock for them would have started in the fall term;
  - The four year period is an academic year count and does not stop if the student does not remain continuously enrolled;
  - Four years was selected since 30 percent of undergraduates are enrolled in degree programs that realistically take more than four years to complete;
  - Data from the entering class of 1999 found that 25 percent of graduates took longer than four years to complete their degree. The first step in increasing the number of students who graduate in four years is to decrease the number who take longer than four; and
  - Students who enter WOU in winter, spring, or summer quarters will be placed in the same countdown as those who began in the fall quarter and thus have less than four full years of participation.

- Tuition guaranteed at the per credit level.
  - Under current plans, the elimination of the tuition plateau will be complete in 2007-08; and
  - Students enrolled beyond the guaranteed period will be assessed the tuition rate effective for students who were admitted in the following year cohort. Each subsequent year of enrollment would result in an increase in tuition based upon the next cohort’s rate.

- Eligible students: undergraduate residents and WUE students.
- Members of the armed services (including the National Guard and the Reserves) who are called into active duty will have their four year calendar frozen until their deployment ends plus 12 months or re-enrollment, whichever happens first.
- A formal appeal to have the time extended will be available using current financial aid appeals process.
- In order to make the program work fiscally for WOU, a one-time increase in tuition rate of 16 percent will be assessed for Fall 2007. Subsequent annual increases are projected to maintain overall campus affordability and will be consistent with current pricing increase patterns.
- WOU’s tuition rates will remain comparable to other OUS institutions to avoid pricing itself out of the market.
**Program benefits:**

- Increased student access as a result of better fiscal planning tools for families, increased awareness of WOU and an accurate understanding of the cost to attend college, and actual tuition savings.
- Improved student retention. Experience from other campuses that have used this approach indicates a real and sustained increase in student retention.
- Lower student debt. Shorter time to degree and tuition savings will result in lower average student debt. This will also improve access.
- Improved time to graduation by creating meaningful fiscal incentives for students to complete in less than four years.
- Enhanced fiscal and enrollment planning tools for the campus. Improved retention and shorter time to degree will result in a more stable and predictable student enrollment pattern.

**Contingency planning in the event of serious reduction in state funding:**

- WOU reserves the right to discontinue this program at any time. However, students enrolled under the guarantee program will continue to receive their guaranteed tuition rates in the event the institution chooses to discontinue the program.
- WOU will seek to maintain a fund balance in the 10-15 percent range on an annual basis.
- International students, nonresident students not in the Western Undergraduate Exchange (WUE), and graduate students are not included in the plan. WOU is actively increasing its international student enrollment. As of August 11, international student applications had increased by 346 percent and international student admissions were up by 555 percent. These students provide the campus with additional flexibility to adjust tuition rates, if needed.
- The fiscal models project low annual tuition steps after the initial one-time start-up increase. There is potential capacity to increase the tuition level more if state support decreases.
- In the end, the best single hedge against decreased state funding is strong and growing student enrollments. All universities contacted indicated that student retention improved in addition to increased student interest and demand for their institution as a result of the tuition guarantee program.

This is a report item only with no action needed at this time. Assuming that there is interest in proceeding with this concept, staff will provide a thorough analysis and recommendation in the October docket.
BOARD DISCUSSION:

Dr. David McDonald, Director of Enrollment Management at Western Oregon University remarked that the proposal he was presenting to the Board was a novel idea for Western and for the state of Oregon. “However,” he said, “it is by no means an untested or a novel idea nationally. We are, in essence, taking best practices and applying them in an Oregon context. Western Illinois University has had a similar program since 1999. Central Michigan University is entering its second year and both institutions have remarked that, in addition to the obvious recruiting advantages this kind of program has, the big benefit they have also realized is retention.”

As Western has studied the program, it appears to have several benefits. One is for students and families. For first generation “going to college” families, there is a tremendous problem in accurately pricing what a college education will truly cost. Frequently the cost is overestimated by factors of three or four and they automatically take themselves out of consideration before they have done any further exploration. Dr. McDonald pointed out that, with this kind of program, they are told what tuition will be for four years, guaranteed.

As Western has modeled the Tuition Guarantee Program, they have looked at it as a way to produce savings for students. “And we note that there could be between $900–$1,000 savings. We have projected over an average of the last five years and asked, if that continued over the next five years, what would students be paying? The big savings, though, is that when they graduate in less time, they have huge savings in terms of opportunity costs, in dollars not paid, in terms of new dollars earned, and so forth,” he pointed out.

Retention will be a bonus – more graduates, better enrollment models will give WOU better fiscal management tools and increased revenue. Additionally, it was pointed out that the benefits that could accrue from the program align very well with the major initiatives of the Board. “The Shared Responsibility Model introduced at the last Board meeting is a model of predictable financial support. We’re now adding predictable cost. That just enhances the value of that Shared Responsibility Model,” Dr. McDonald added.

The details of the model were articulated: 1) there will be no tuition increase for four years; 2) part-time students are treated the same as full-time students because the model is based on a per-credit basis; 3) elimination of the tuition plateau, which the Board has already approved; 4) the program is for undergraduate resident and Western Undergraduate Exchange (WUE) students only; and 5) transfer students would come in at a prorated number of academic years, based on the number of credits that they transfer in. Additionally, there will be an appeals process that is yet to be developed.

Director Blair said, “Basically, what we’re saying is for every incoming class, you’re going to give them a number and say, ‘that’s what it is going to cost you per-credit for four years.’” Dr. McDonald concurred and said, for instance, the fall 2007 entering class would pay $105 per credit for four years.
At the present time, only about 25 percent of undergraduate students at WOU complete their education in four years. One purpose of the program is to incent students to finish earlier.

It was pointed out that parents would probably appreciate the fact that the tuition would not change over a four-year period. However, the biggest issue in the proposed program is the significant increase in the buy-in price. Although this would be a big increase in tuition cost for WOU, it is still below the market. “The lower tuition has a detrimental effect in some really interesting ways,” Dr. McDonald pointed out. “It’s much like pricing a valued commodity—the lower the price, the lower the perceived value. What we have found at Western is—despite being the lowest priced OUS institution—we don’t have students knocking down our doors to get in. They are looking at us and, unfortunately, we are pricing ourselves out of the market by being too cheap. We are not looking to use this as a revenue source, but as a way to adjust to where we need to be competitively,” he said.

Director Van Vliet commented that a student carrying 12 credit hours couldn’t graduate in a four-year period. He asked what happened to the tuition when a student went into his or her fifth or sixth year. Mr. Weiss, Vice President for Finance and Administration, responded that it would be a per-credit rate of $105 guaranteed for the four-year period. After that, when a student went into the fifth year, they would be charged the rate of the cohort of students behind them, which provides a disincentive to take longer than four years to complete a degree.

In trying to work out a longer-range view of how the model would work, Director Blair observed that, by setting tuition for a four-year period, if the University got into financial difficulty, “you are going to have quite a drag trying to get out of the hole because you are going to have three-quarters of your student body where you are not going to be able to change the tuition. So your degrees of flexibility are going to be pretty small. This is going to place an enormous premium on your ability to look into the future and understand what exactly is going to happen.”

Mr. Weiss concurred with Director Blair’s concerns about risk. WOU speculates, however, that there are several levers to mitigate the risk. One is that they are only including, in this model, resident and WUE students; nonresident and international students are not included.

Director Schuette remarked that Chemeketa Community College serves the same region as WOU and she thinks this program has tremendous potential for the families in Marion, Polk, and Yamhill Counties. “Chemeketa and Western,” she said, “are about to sign a dual enrollment agreement. Having information about the true costs of college will be very important to outreach to the families and to the high schools in this region. We can be clear about the relatively low cost at Chemeketa and a predictable cost at Western.”

“I think the incentive to graduate in a shorter time is also an incentive to incur a lower cost degree,” Director Sohn observed. “It isn’t just, obviously, the cost of tuition, it is the cost of not being fully in the labor market, not having all of the ancillary costs associated with living for those years. There is a psychological benefit of an implied contract between the student and the
institution. This helps students develop a mindset of continuity at this institution that I think is a big plus,” he posited.

Director Blakney, a WOU student in his fifth year, indicated that he thought there were some overriding problems with the model that should be considered. His number one concern was that this was a four-year program. If a student were to take 13 credits a term, it would take them four years and two terms to finish; and the average student at WOU will have to pay the increased tuition to finish. “For this first cohort year, I feel like we’re setting up the students for failure because our system isn’t ready to put out students in four years. Perhaps the solution would be, for our first year cohort, to give them five years and after that, go to the four year plan.”

There was discussion about why students can’t or don’t complete degrees in four years. One response was that there is either no or very poor advising for students, so it becomes a trial and error path to finding a major, getting the necessary classes in sequence, as well as not having to work much outside of school to make it financially. Director Blakney shared that every year he has been in school he has held three jobs.

It is planned that a part of the revenue that would be generated from this program would be used to improve the quality of the advising services. With the use of technology, WOU is preparing to tap into ATLAS and a student can track his/her own progress electronically or with an advisor. President Minahan predicted that one of the indicators of the difficulties with advising and programming would be backlogs and key courses required for majors and WOU doesn’t have them. In some few areas, the frequency with which classes are offered creates problems. “But even there, our enrollments for upper-division courses seldom ever get above 25,” he observed. “What we try to do is rebuild infrastructure to get our tuition back up to parity with other institutions in the System. There is a risk that we could miss-cue in terms of our pricing, but if there is any institution that has the least amount of risk it is to take an institution that is already in fairly serious trouble because they have been under-pricing.”

Chancellor Pernsteiner reminded the Board that one of the goals of long-range planning is to increase the number of degree-holding Oregonians. One of the impediments to that is retention to graduation of students in the System. “A subtext to that has been the time to degree. This proposal, while it may need some work, and we have to be careful that it does work in terms of the financials, begins to get at many of those issues,” he opined. “A fear that I have is that, if we roll out a proposal like this at five years instead of four, that the message we are sending to Oregon is that a five-year degree is standard.”

Director Burns concurred that every attempt should be made to stop perpetuating the mindset that it takes five or six years to graduate. “The appeals process could be utilized to allow for personal circumstances. If it takes longer to complete a degree, then you would go to the appeals process. If it something where classes weren’t offered, it would clearly be the fault of the institution. Or, if a student had extenuating circumstances, then we wouldn’t be publicly saying that we are lowering the bar.”
After considerable discussion, there was concurrence that the focus should be on encouraging completion in four years. Chancellor Pernsteiner was asked if there were System implications in this initiative. One, he pointed out, had been acknowledged earlier – the competitive advantage that Western sees it may have by offering this program. “The value of the program as it has been presented, is in its predictability and its clarity to students. The value to the state should be retention and graduation improvements. The risk that we run is that the finances won’t work. If Western is in a situation where they are contractually obligated at a certain rate of tuition and we see another major reduction in state support, which has happened fairly frequently in Oregon, that could put them in a financial dilemma. One of the things that we may need to consider here, and you may need to adopt as a Board, is a different kind of a fund balance policy for an institution that embarks on this so that they have some reserves as a fall back.”

Concern was expressed about the potential of creating two classes of students and relates to the concern about how so many of the students have to work so hard in order to be able to go to school, even on a part-time basis. “I’m not sure my concerns are assuaged by having it be five years as opposed to four years. There is an overarching concern for us about low-income students being able to go to school even with the improvements in financial aid. I don’t want us to act as if it is possible for every student to finish in four years, even with access to the Oregon Opportunity Grant,” Director Blakney said.

Director Dyess, acknowledging that there appeared to be several overarching concerns, asked if there were reasons not to give WOU approval at this time and enable them to get started with planning the marketing campaign. Final approval could be contingent on addressing the two major issues: advising shortfall and the potential financial risk. President Lorenzen questioned the advisability of voting on the Program prior to having a full proposal in hand.

Director Blakney voiced the opinion that any decision should wait until WOU students are back in session. He thought that the student leadership should have an opportunity to be a part of the discussion.

President Lorenzen indicated that WOU should move forward under the assumption that a program such as the WOU Undergraduate Tuition Guarantee would be given a very favorable review and response by the Board. This timeframe would allow the administration to work with the students to further refine the plan and bring it to the Board for final action.

Attempting to clarify the sense of the Board, Director Dyess indicated that there were three items that WOU should be prepared to address: 1) the advising situation at Western; 2) an analysis by the Chancellor’s office staff on the financial risks of such a program; and 3) an opportunity to hear from the student leadership.
6. **Report Items**


**Executive Summary**

*Background:*
In a continuing effort to understand the decisions and life choices of Oregon’s high school graduates, the Oregon University System conducted a telephone survey of a random sample of the class of 2005 Oregon high school graduates. This biennial study—the seventh in a series—sought to identify the proportion of the graduating class that attended a postsecondary institution, the type of college they chose, and the reasons for that choice. The survey also attempted to discern graduates’ reasons for not attending college. Recent surveys have included additional questions to clarify how potential students collect and assess college-choice information and how various factors related to academic background influence their decisions. Beginning with the class of 2003 study, questions gauging the importance of reasons for graduates’ choice of college were restructured to provide better alignment between higher education sectors.

*Enrollment:*
Fall term college enrollment rates for class of 2005 graduates are similar to the rates for the class of 2003, and represent a leveling off of the upward trend observed since the class of 1993. The fall 2005 rates continue to exceed those for the United States as a whole. Enrollment rates among women continue to increase steadily, while the proportion of male graduates attending fall term has decreased since the 2001 study.

<table>
<thead>
<tr>
<th>Percent of High School Graduates</th>
<th>Enrolled Fall Term Following Graduation</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
</tr>
<tr>
<td>Oregon - 2005</td>
<td>63.4</td>
</tr>
<tr>
<td>Oregon - 2003</td>
<td>64.1</td>
</tr>
<tr>
<td>Oregon - 2001</td>
<td>64.4</td>
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<tr>
<td>Oregon - 1999</td>
<td>63.8</td>
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<tr>
<td>Oregon - 1997</td>
<td>60.1</td>
</tr>
<tr>
<td>Oregon - 1995</td>
<td>57.7</td>
</tr>
<tr>
<td>Oregon - 1993</td>
<td>57.6</td>
</tr>
<tr>
<td>U.S. - 2004*</td>
<td>61.4</td>
</tr>
</tbody>
</table>

Over 69 percent of survey respondents were enrolled in a postsecondary institution during fall of 2005, with an additional 3.2 percent enrolling winter term. Taking into consideration likely delayed enrollment over the upcoming year, the college attendance rate of the class of 2005 could reach over 90 percent, according to respondents’ expressed intentions. Fall term enrollment rates held steady from the 2003 study (69.4 percent compared to 69.5 percent); however, total fall and winter enrollment among survey respondents has decreased from the class of 2001 study (from 75.0 percent in 2001 to 73.7 percent in 2003 and 72.6 percent in 2005).

**College Choices:**
Among class of 2005 graduates surveyed, 39.1 percent are enrolled in four-year universities and 32.7 percent have selected a two-year college. Consistent with previous studies, the largest proportion of college-bound respondents selected an Oregon community college (30.0 percent), followed by OUS institutions, which enrolled 21.7 percent of respondents. The enrollment in OUS institutions marks a decline from 24.5 percent of the class of 2001 survey respondents. Following several years of declining enrollment in out-of-state four-year universities (13.3 percent in 1999 dropping to 10.5 percent in 2003), the proportion of class of 2005 respondents choosing to leave Oregon increased to 11.5 percent, suggesting a reversal of this trend. While OUS institutions remained the most popular choice for 38 percent of survey respondents with a high school grade point average of 3.75 or better, the percentage has declined slightly from 41 percent two years earlier. Consistent with the overall increase in out-of-state enrollment, the percentage of high achievers attending out-of-state institutions also increased from the 2003 study (27.1 percent compared to 25.6 percent). The college choice distribution for class of 2005 graduates is shown in the graph at the end of this summary.

**Reasons for Choice of College:**
As in earlier studies, the major reasons for choosing a college are related to academic reputation, availability of a desired major, affordable cost (including scholarships and financial aid), and proximity to (or distance from) home. Consistent with the 2003 study, campus social environment and size were also important to graduates’ college choice—areas considered significantly less important in surveys prior to 2003. Academic reputation continues to be the most frequently cited factor affecting the choice of students attending four-year colleges. Affordable cost was almost as important to students attending OUS institutions and was the factor considered most important to those attending an Oregon community college. Receipt of a scholarship or good financial package was cited more often by respondents attending out-of-state four-year universities or Oregon independent colleges than by students enrolled in public institutions in Oregon. Over three-quarters of respondents attending a community college indicated plans to transfer to an OUS institution.
Financial Aid:
Among college-going graduates, 37.7 percent indicated they had received a scholarship from their college and 36.0 percent reported accepting a student loan. Over 23 percent of respondents indicated they were offered a Pell grant and 16.2 percent said they were granted college work study funding. Students attending four-year universities were more likely than those at two-year colleges to receive all forms of financial aid except Pell grants.

Fields of Study:
The most popular fields of study for students enrolled at four-year colleges are business, social sciences, natural sciences, engineering, fine arts, and health professions. Students attending two-year institutions most often cited business, health professions, education, professional/service trades, and fine arts. Approximately one-quarter of college-bound respondents of the class of 2005 report their major as “undeclared.”

Students Not Attending College:
Approximately two-thirds of students not enrolled in college said they are still considering enrolling, and one-third reported definite plans to enroll during the next 12 months. For those not attending college, an inability to afford the cost and a work schedule that precludes school remain the reasons most frequently cited. Other reasons included a desire for a break from school and the choice to work now and save money for college.
Academic background and preparation:
Approximately 90 percent of respondents completed their education at a public high school, and 7.7 percent attended private high schools throughout Oregon. An additional 2 percent of survey respondents completed a GED. Over one-third of graduates completed college level courses while in high school—with the majority of the classes taking place within a high school setting. Over two-thirds of respondents attending a four-year college reported that at least one parent had a four-year degree. Among graduates enrolled in two-year institutions, this figure drops to one-third, while just over one-quarter of respondents not enrolled in college reported that at least one parent held a four-year degree.

BOARD DISCUSSION:

Vice Chancellor Weeks introduced Ruth Keele, Director of Performance Measurement and Outcomes, who had been the director of the survey and the project. “Where Have Oregon’s Graduates Gone?” is a biennial survey that began with the high school graduating class of 1993. The survey tracks overall participation rates of Oregon high school graduates, their college choices, and the reasons for those choices. This survey, according to Ms. Weeks, reinforces much of what was discussed at the Long-Range Planning meeting about the consequences of long-term disinvestments in higher education.

Ms. Keele noted that the findings of this year’s survey paint an interesting picture and reaffirms the notion that Oregon is at a critical crossroads. The good news is that approximately 73 percent of Oregon’s high school graduates enroll in some form of postsecondary education following graduation from high school. However, since 2001, the rates have been declining slightly and, after years of growth, the trend is headed in the other direction.

In 1999, there was a fairly large increase in students going to college that resulted from a large increase in state funding and a moderation of tuition growth – an investment in the system that basically changed the way students and parents viewed OUS institutions.

The study showed that women enroll at rates that are remarkably higher than those for men. Attendance rates are the lowest for Hispanic/Latin and American Indian graduates. Those rates have declined since the class of 2001 and rates for Latino students are lower than the national averages.

Enrollment at four-year universities went up rather dramatically in 1999, peaked in 2001, and at the present time was going in the opposite direction. Conversely, students attending out-of-state four-year institutions were declining from 1999 to 2003 and, this year, they are starting to go up. This year, therefore, the trend is for fewer high school graduates to choose OUS institutions and more going out-of-state.

High school graduates with a GPA of 3.75 or higher are still choosing OUS schools at a higher rate than others. However, this year the study shows that this trend has shifted. OUS enrollment of high achievers is down a little, enrollment out-of-state is up, and the gap is narrowing.
Ms. Weeks highlighted that between 1997 and 1999, Oregon State University and the University of Oregon started some very significant merit-based aid to students. “It made a huge difference in the retention of high-achieving students in-state,” she reported. “The programs were a little different at each campus, but it was that each campus made scholarship money available to Oregon students for high-performance in high school.”

The study underscored the importance students place on the academic reputation of the institution they choose. And these are students who are going to four-year institutions as well as students going to a two-year college. Additionally, a number of factors are also related to costs. “Everything from financial aid packages and scholarship awards to the overall impact of tuition, financial aid, cost of living, and travel expenses are considered,” Ms. Keele highlighted. “I think the importance of those things reinforces the critical nature for students of the Board and System initiatives toward ensuring high quality and affordability in the state.”

The results of the survey underscore the importance of the community college sector in Oregon in providing broad access to postsecondary education. “Over three-fourths of students currently enrolled in Oregon community colleges plan to transfer to OUS and two-thirds of those who are not enrolled say they are still planning to attend. This finding supports the alignment of academic criteria across the educational sectors and reinforces the appropriate role of OUS in fostering and nurturing college aspirations,” Ms. Keele opined.

The study showed that two-thirds of students attending a four-year institution have parents with a four-year degree or higher. This suggests more attention needs to be placed on recruitment in areas where there are fewer residents who have obtained education past high school.

b. Statewide Outreach Plan for Higher Education Update

DOCKET ITEM:

Summary Work Plan

July Board Meeting Outcomes:
At the July 2006 State Board of Higher Education meeting, Board Directors agreed that:

1. There was value in pursuing an outreach campaign to help Oregonians understand “what’s in it for me” in having higher educational attainment rates in Oregon;
2. The campaign supported the Board’s 2007-2009 budget proposals and its advocacy for additional funding and restructuring of the Oregon Opportunity Grant;
3. This campaign could support advocacy during the 2007 Legislative Session and thus Board members requested that the campaign coincide with the Session; and
4. Members also wanted to review a “next steps” or draft work plan at the September 2006 meeting.
Establishment of a Campaign Task Force:
OSBHE member John von Schlegell will direct the Outreach Campaign Task Force. This will be made up of OSBHE members (less than a quorum), OUS staff, and external participants from education, business, and community sectors. The first charge of the Task Force Board team will be to determine an appropriately sized and inclusive group to help guide the campaign, Chancellor's Office staff support, and the decision-making and approval authority within the Task Force.

Consultative Meetings:
At the July meeting, Board members recommended that those involved with the outreach campaign schedule meetings with external resources who have undertaken similar campaigns or have expertise in this area. Thus far, directors have suggested meetings with:

1. The Oregon College Savings Plan;
2. The Oregon Forest Resources Institute; and
3. Other potential groups to talk with should be compiled by the outreach group, and those meetings begun immediately. These could include other state agencies and nonprofit groups who have run successful advertising campaigns in Oregon.

Fundraising and Support Meetings and RFP:
In order to complete a campaign of the scope envisioned by the planning group, a substantial fundraising effort needs to be undertaken. Campaign costs could be significant, depending on whether OUS can garner pro bono assistance from an advertising agency and from television and radio outlets and the length and scope of the campaign. The Task Force will determine the most appropriate business groups, foundations, and other organizations to meet with to seek support for the campaign effort. These meetings could conclude with a “needs” statement and how the organizations might be able to support this effort, either financially or by providing consultative or staffing support, or just advice if unable to provide other support.

As a public agency, OUS will issue an RFP within the state to solicit bids on this process. Part of the RFP will be a request of all bidders to include the level of pro bono/reduced rate support that agencies could provide. Bidders will also have to fulfill a very aggressive ad development and implementation schedule so that ads would air between March and July 2007 in order to provide advocacy during the Legislative Session. The winning bidder would also have to agree to and sign the standard OUS vendor contract if providing any products or services exceeding $5,000.

Other Campaign Components:
Other considerations in the development of the outreach campaign are:

1. Determine a detailed budget for the campaign once its components are well outlined and documented and which elements will be provided “pro bono” or at a “nonprofit” rate and which need to be covered through fund-raising efforts.
2. Determine what other, if any, aspects of a campaign that would tie in to advocacy 
advertising, such as school-based outreach to students, teachers, and parents (including 
tie-ins to GEAR UP, OPAS, ASPIRE, Upward Bound, Mesa, SMILE, 4-H, etc.).
3. Complete additional research on best practices in higher education campaigns in other 
states and in the current national campaign managed by the American Council on 
Education.
4. Coordinate outreach campaign with other relevant Chancellor’s Office efforts (EDP 
Working Group, AAWG and Shared Responsibility Model, ETIC pipeline work, and the P-
20 alignment/educational enterprise).
5. Develop a full communications plan for the campaign to be used as a road map and 
which includes an evaluation component. This will be reviewed by the Board.
6. Determine how to evaluate the success of the advertising campaign and whether there 
is a need for additional focus groups or statewide survey/polling to gather a perception 
baseline from Oregonians against which later surveys/polling could be compared at the 
commencement of the campaign.

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<thead>
<tr>
<th>Outreach Campaign Work Plan Timeline</th>
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<tbody>
<tr>
<td><strong>Action Item</strong></td>
</tr>
<tr>
<td>1. Determine whether to form working group or task force; which Board members and others in group; determine decision-making tree</td>
</tr>
<tr>
<td>2. Begun consultative meetings</td>
</tr>
<tr>
<td>3. Present follow up plan at September Board meeting</td>
</tr>
<tr>
<td>4. Fundraising meetings with business orgs and foundations</td>
</tr>
<tr>
<td>5. Meeting(s) with advertising agencies</td>
</tr>
<tr>
<td>6. Determine campaign focus; determine expected outcomes and evaluation of campaign; determine whether polling/survey needed; and/or focus groups; scope of related outreach work tied into campaign</td>
</tr>
<tr>
<td>7. Develop RFP and distribute; and select vendor</td>
</tr>
<tr>
<td>8. Meet with television and radio outlets</td>
</tr>
<tr>
<td>9. Develop budget for outreach effort</td>
</tr>
</tbody>
</table>
### Outreach Campaign Work Plan Timeline

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.</td>
<td>Finalize campaign focus; determine target markets and media outlets; and ad runs</td>
<td>12-01-06 - 1-12-07</td>
</tr>
<tr>
<td>11.</td>
<td>Develop ad creative</td>
<td>1-12-07, 2-05-07</td>
</tr>
<tr>
<td>12.</td>
<td>Film, record ads</td>
<td>2-09-07, 3-02-07</td>
</tr>
<tr>
<td>13.</td>
<td>Run ads</td>
<td>3-19-07, 7-31-07</td>
</tr>
<tr>
<td>14.</td>
<td>Evaluate campaign</td>
<td>9-01-07, 10-15-07</td>
</tr>
<tr>
<td>15.</td>
<td>Begin planning for Phase II of outreach campaign</td>
<td>11-01-07</td>
</tr>
<tr>
<td>16.</td>
<td>Report on campaign to Board and next steps for Phase II</td>
<td>12-07-07</td>
</tr>
</tbody>
</table>

### BOARD DISCUSSION:

Ms. Diane Saunders, Director of Communications, reiterated that the need in Oregon to increase educational attainment rates and have adequate and stable funding for higher education has reached a critical point. “It has become clear that the OUS needs to increase its communication and outreach to the public so that there is increased understanding of the value to the state and to them, individually, of a postsecondary education. Every Oregonian’s life is touched almost daily by someone with postsecondary training or a degree,” she emphasized.

After receiving support from the Board for pursuing a statewide outreach campaign with a goal of helping Oregonians understand the value of postsecondary education, a document had been prepared outlining a proposed plan. Director von Schlegell was to chair an organizational meeting of an inclusive taskforce to complete the work necessary to mount an effective advertising campaign.

The beginning of the campaign is aggressive, aligning it with the start of the legislative session in early spring. This includes meeting with the business community, foundations, media outlets, advertising agencies, and other non-profit groups to garner financial and advocacy support for the campaign.

Director Sohn observed that the campaign had several goals. “One is wanting to get subjects into and through college and what the data suggests is that we have a bigger issue with retention. The Hispanic/Latino under-representation and under-attendance could certainly be a potential target with respect to the goal of better output. But if the goal is to have general public support – political and funding – for higher education, it would need to be a very different kind of campaign than if it
is student and parent populations that are targeted. I think how we sort out the goals for this is extremely important as to what the communication strategy will be. I would probably be among the first to say that media and advertising are not the only vehicles."

There was a question as to how much the full Board should be involved in planning. “To what extent should the Board be weighing in on determining the focus for this kind of fundraising and expenditure. If this is about creating a stronger education ethic in the state, that is one thing,” observed Director Schuette. “But if it is about advocating for budget proposals, the Oregon Opportunity Grant, advocacy during the legislative session, that is something else. If it is the first, I think we would really miss the boat and would be stronger in our campaign by working with others, K-12 and others mentioned in the document. This suggests coordination, not really an integrated effort with others,” she concluded.

It was agreed that some polling would be useful in determining the direction of the campaign.

c. Sexual Harassment / Consensual Relationships Policy Update

DOCKET ITEM:

Sexual Harassment/Consensual Relationships Policy Update

The State Board of Higher Education, at its September 9, 2005, meeting, approved Board-level policies on 1) sexual harassment and 2) consensual relations. The associated discussion and approval requires that “…institutions shall periodically assess the effectiveness of their notification and training processes.” Additionally, the motion of approval required “…the campuses to report on compliance with the framework at the September 2006 Board meeting, including comments on the efficacy of education, information dissemination, and training efforts.”

Each campus of OUS has submitted its report in compliance with the above requirement. Staff have evaluated these reports and concluded that each campus has taken the Board’s policy into consideration and engaged in appropriate education information dissemination and training.

The following reports provided are available at: http://www.ous.edu/state_board/meeting/dockets/ddoc060908.pdf.

BOARD DISCUSSION:

At the September 2005 meeting, the Board passed the framework for a policy regarding sexual harassment and consensual relationships. At that time, the Board requested that, within a year, each campus should report on three specific areas: education, information dissemination, and training. All institutions submitted reports to General Counsel, Ben Rawlins, and those reports have been made available to the Board.
President Fatemi reported that Eastern Oregon University engaged in a number of training sessions. A specialist from the University of Oregon met with faculty and staff. “Next week I am meeting with the Chair of the Assembly to continue the dialogue so that training can be accelerated. We do have a problem, we do need to address it, and we are going to address it,” he concluded.

Director Dyess said that she was impressed with the level of activity on the campuses. Oregon State, she pointed out, is on a path to train everyone. “In other words, there is no opt out and there is no, ‘just send me the information.’ In general, I was impressed with the progress.”

7. **COMMITTEE REPORTS**

   a. **Standing Committee**

   Finance and Administration Committee: Chair Don Blair reported that the Committee had addressed a number of items. The Annual Report on Investments showed a total investment portfolio of $333 million. The total return for the year ended June 30, 2006, was 11 percent, which compares to a policy benchmark of 8.4 percent. The policy benchmark has been exceeded for the last three-year period in aggregate. He observed that it was a pretty strong investment performance. There is also a target for the portfolio to exceed the rate of inflation by five points. In the last five years, the rate of inflation was estimated at 2.7 percent; OUS return was 6.4 percent – not quite at the benchmark. All but one fund manager exceeded their relevant benchmarks for the last three years and the last five years. During the period, $2.3 million was distributed to the universities.

   The Quarterly Management Report for the year ended June 30, 2006, was consistent with prior reports, which is, on the whole, that the institutions are doing a very good job of managing in a very difficult situation. “Our revenues are growing slower than expenses; we are under-invested in faculty salaries and deferred maintenance, so we do have a lot of significant long term issues,” Director Blair highlighted.

   On the whole, the System ended with a reduction of $13 million in the fund balance for the Education and General Fund. The ending fund balance went from 13 percent at the beginning of the fiscal year to 10.9 at the end of the fiscal year. An examination of the institutions showed that it was a particularly difficult year for the regional universities. The large universities are carrying fund balances over 10 percent and, generally speaking, are in pretty good shape. “If you look at the regional institutions, they have a faster erosion in fund balance, several of them down in the 5 to 6 percent range. In a couple of cases, the auxiliaries are running slight cash deficits,” Director Blair reported. “In terms of a watch list, you know that we have been looking at Eastern fairly consistently and we have asked them to continue to work with the Chancellor’s staff to make sure we address some potential issues. The good news is they are making progress. The actual results came in about $580,000 better than expected in the last quarterly report.”
“The other institution is Southern Oregon University. They finished the year with a 5.9 percent fund balance. Obviously President Cullinan is not responsible, but she has her work cut out for her to get out of the hole.”

A new investment policy proposal, 403(b) plans, was presented to the Committee. At the present time, OUS has 17 independent providers of investment services who all contract individually with the participants in their plan. This presents a challenge for participants. The proposal is to consolidate the plans and offer a set of investment opportunities for employees. It is anticipated that the new plan has the potential of increasing participation.

The Committee also took action on a Fifth Site Database Integration Project that will require spending $450,000 from the Chancellor’s office fund balance and consent items that were forwarded to the full Board.

Present Lorenzen commended Director Blair for the outstanding job he has performed as chair of the Finance and Administration Committee. In particular, he noted the improved quality of the reports that are provided. In turn Director Blair commended the financial staff in the Chancellor’s Office and the institutions. He noted that there is increased cooperation and communication between and among those who work on these issues.

b. Working Groups

The AEED working group has dissolved and the Board will be asked at the next meeting to approve this decision. Director Dyess observed that the Committee was finding it increasingly difficult to have an agenda for AEED that was not repetitive of either OregonInC or the Research Council.

The Excellence in Delivery and Productivity (EDP) Working Group was scheduled to meet where the work of the past year will be discussed as well as a potential work plan for the coming year. “Over the past few years, certainly the role of the Joint Boards Articulation Commission and the evolution of the Unified Educational Enterprise (UEE) subgroup of the Joint Boards has raised some questions about the overlap or distinguishing of mission of the work of the Boards,” Director Schuette observed. “There is a lot of work to do, so I assume there will still be continuing effort to sustain the cross-sector interests.”

Director Nesbitt reported that his group [Access and Affordability Working Group] has discontinued meeting as a work group and is participating in the outreach and marketing phase of the Shared Responsibility Model. “We have had meetings with editorial boards; published an op ed piece in the Oregonian that Director Sohn co-signed; and met with the Business Council, the presidents of the independent universities and community colleges,” he highlighted.

c. Other Board Committees

Director Van Vliet reported that he and Chancellor Pernsteiner had met with the Joint Boards Working Group and heard the presentation of the 81 EDP policy packages. The packages were
grouped into communications, delivery, special situations, and stability. Together, the packages total up to $18 million. At this point, the packages go back to the Department of Education and the Community College and Workforce Development offices for final preparation.

8. **PUBLIC INPUT**

There was no public input.

9. **BOARD COMMENTS**

There were no Board comments.

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

Director Van Vliet moved approval of the Delegation of Authority as presented in the docket material, seconded by Director Sohn. Those voting in favor: Directors Burns, Blakney, Dyess, Lorenzen, Nesbitt, Miller-Jones, Sohn, von Schlegell, Schuette, and Van Vliet. Those voting no or abstaining: None. Motion passed.

11. **ADJOURNMENT**

With no further business proposed, the meeting adjourned at 2:15 p.m.

Henry Lorenzen  
Board President

Ryan J. Hagemann  
Board Secretary