MINUTES OF THE REGULAR MEETING OF THE STATE BOARD OF HIGHER EDUCATION (#794)
PORTLAND STATE UNIVERSITY, PORTLAND, OREGON
OCTOBER 5, 2007

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Minutes

1. CALL TO ORDER/ROLL CALL/WELCOME

President Kirby Dyess called the meeting of the State Board of Higher Education to order at 9:50 a.m. Board members present included: President Kirby Dyess and Directors Don Blair, Hannah Fisher, James Francesconi (arrived at 10:07 a.m.), Paul Kelly, Adriana Mendoza, Dalton Miller-Jones, John von Schlegell, Howard Sohn, and Tony Van Vliet. Director Preston Pulliams was absent due to a business conflict.

Chancellor’s Office staff present included Chancellor George Pernsteiner, Michael Green, Ryan Hagemann, Jay Kenton, Marcia Stuart, and Susan Weeks.

Campus representatives present included presidents Mary Cullinan (SOU), Dave Frohnmayer (UO), Dixie Lund (EOU), John Minahan (WOU), Ed Ray (OSU), Michael Reardon (PSU), and Dave Woodall (OIT). Provost Lesley Hallick (OHSU) was also present. Others present included Provost Linda Brady (UO) and Vice President Frances Dyke (UO).

Honoring President Martha Anne Dow: President Dyess acknowledged the passing of Oregon Institute of Technology President Martha Anne Dow. President Dow passed away on Saturday, September 29, 2007, of breast cancer. Gary, her husband of 47 years, and their three children and six grandchildren surrounded her. “Martha Anne was able to return to Klamath Falls last month for the dedication of a new OIT classroom building. This was an incredible ceremony for many reasons and a dream that Martha Anne had for a long time. I’m sure those of you who had the fortune of knowing her for a long time knew that was her life work.

“Her leadership at OIT had been ranked on the level of the top presidents of any institution. She was very strategic in her thought, her ability to partner with other institutions, and with all of us. Her sense of humor was unbelievable and I think of so many times in this Board when she delighted us with her incredible sense of humor.

“Martha Anne was OIT’s fifth president, having become president in 1998 after serving as interim president for four months. Prior to that she served as OIT’s provost and vice president for academic affairs. I want to say, as someone who knew Martha Anne and experienced her incredible leadership and can-do attitude and perspective as well as her ability to change and adapt, it was such an incredible pleasure. I personally will miss her.
“With that, I'd like to call for a few minutes of silence to think about her family and the positive times with Martha Anne,” President Dyess concluded.

Introduction of New Board Members: Mr. Paul Kelly was introduced as a new Board member. Mr. Kelly is an attorney with a private practice in Portland. He was previously with Nike for 17 years and has been an active advocate through many education and community organizations and causes in Portland and within Oregon.

2. Reports
   
a. Chancellor’s Report

Chancellor Pernsteiner reported that fall term had officially begun on all campuses. This is not the year that there will be increased enrollments that will ultimately result from the legislature's investment. However, preliminary indications are that the enrollment slide that had been occurring in the past few years—the softness in enrollment—will end and, next fall, he hoped to return to the Board with increased numbers that will bear that out.

The provosts and Chancellor's staff are working on the appropriate metrics for measuring improvements in retention and graduation that the Board requested.

Chancellor Pernsteiner also acknowledged the death of Martha Anne Dow and remembered her as a visionary leader, a consummate partner, and a good friend to all.

b. Research Council

In introducing Dr. Rich Linton, Dyess reminded the Board that the Research Council was formed a year ago through action of the Board. Dr. Linton said that he wanted to underscore the progress and competitiveness of the Oregon research enterprise and the challenges that he foresees in the future. He underscored the importance of the business development side of the research enterprise that enables it to create a sustainable cycle of investment. Referring to an earlier report by Controller Mike Green, he highlighted that research funding is the largest single revenue source supporting OUS. The three principal recipients of federal research funds are Oregon State, with approximately 50 percent of the total; the University of Oregon, with about one-third; and Portland State University with approximately one-sixth. Some amount of the OSU income reflects its land grant mission and the fact that it has engineering, agriculture, and applied science extension areas that receive sponsored funding.

An area of growth has been in moving ideas, the products of research, to the marketplace or, as Dr. Linton called it, “out-placing innovation,” either into new or existing companies. Since 2000, that has increased, Systemwide, by 200 percent, thus becoming a rapidly growing revenue stream. At the present time, as a System, there is about a 2 percent return, meaning that for
every hundred dollars invested in research, two dollars comes back in the form of licensing income or licensing revenue out of innovation.

President Ray inserted that the old research paradigm goes back to the funding of higher education. “We gave away all our ideas and technology at one point in our history; that was part of the compact. We had public support, we gave back to society.” He indicated that now institutions have to, in fact, market the creations that are brought to the marketplace as a way to recover the resources needed to keep the research enterprise vital. He projected that there will be very dramatic growth in licensing and technology transfers out of the System because institutions are in the early stages of understanding that the old game, of giving these innovations away, doesn’t work anymore. Dr. Linton added that it is a point of balance: whenever there is an opportunity to develop marketable commercialized research, it must be pursued and thought about as success in terms of faculty efforts.

It was explained that industry sponsored research to the institutions represents a relatively small percentage of the income, typically around 4 to 5 percent. There are state and federal guidelines that add constraints to private use and flexibility around intellectual property. Director Miller-Jones observed that faculty are sometimes driven to private venues to compensate for the lower salaries in Oregon. Dr. Linton responded that there are regulatory requirements in place to manage financial conflicts of interest. “We are very committed to managing it effectively and we need to continue to develop policies as our research enterprise is going up. The stakes are higher and we need to be more vigilant,” he added.

Director Francesconi requested from the Research Council information and analysis for the Portland Higher Education group on the viability of a consolidated research entity like there is in Georgia. Continuing, he indicated that he did not have to be ‘sold’ on the value of research, but that it would be helpful for his committee to have some specific request, options, or suggestions on how to advance the research enterprise.

President Dyess concluded the discussion by cautioning the Board that the discussion about income from research was not about trying to make it a huge income source. Rather, it is about getting the faculty and System's share, just like other states.

c. Interinstitutional Faculty Senate (IFS) President

Dr. Mina Carson, IFS president, added the sympathy of IFS to the family of President Dow and her friends and colleagues. “It is hard enough to go through a major administrative change at a university and even harder when grief for a beloved person is part of that change,” she said.

Through a series of comic elements, from a broad range of literary works, depicting the persistent occupational hazards of the professorate, Dr. Carson related the challenges for faculty members every new academic year when there is a mix of old and new students, colleagues, courses, and committee work. (A complete copy of the IFS report is available in the Board’s Office.)
d. Oregon Student Association (OSA) Chair

President Dyess introduced Ms. Emily McClain, student body president at the University of Oregon, and newly elected Board Chair of OSA. Ms. McClain, in turn, introduced Ms. Tamara Henderson, new Executive Director of OSA.

Students on OSA-member campuses have begun the process of surveying students to help in formulating the legislative agenda for the 2009 session. Over 10,000 students will be a part of this process. Additionally, Ms. McClain had joined Vice Chancellor Kenton in testifying before the Senate Education Committee on the progress of the ad hoc committee examining programmatic resource fees and the System's tuition policy. Her perception is that, during the summer months, the Resource Fee Committee made great progress and OSA feels that they are close to developing a transparent policy.

Foreshadowing a discussion on the agenda regarding a strategic housing plan for the UO, Ms. McClain indicated that students applaud the administration's effort to improve the quality of housing and urged the administration to maintain a commitment to replacing the housing lost last year with the sale of the Westmoreland complex. (A copy of the full OSA report is on file in the Board's Office.)

3. Consent Items

a. PSU, Baccalaureate in Social Work

DOCKET ITEM:

1. Describe the purpose and relationship of the proposed program to the institution’s mission and strategic plan.

The Baccalaureate in Social Work (BSW) program will contribute to the mission of Portland State University (PSU) by providing high quality undergraduate professional preparation in broad based social work practice with individuals, families, and communities. Social work is a strong example of PSU’s national leadership in community engagement. PSU’s social work programs work closely with a wide array of public and private agencies in the region recommending best practices and sharing the latest innovations in social services research and professional education. PSU’s commitment to service learning and interdisciplinary education complement the proposal to expand access for Oregon undergraduates to gain professional knowledge and skills in the human services.

PSU collaborates with local community colleges to offer a seamless professional and educational ladder for students from diverse racial, ethnic, and economic backgrounds to careers in both the public and private sectors. The proposed BSW program plans to expand these career opportunities into areas of aging and disability services, as well as enhancing
current offerings in children, youth, and family services and health and behavioral health care.

2. What evidence of need does the institution have for the program?

Encouragement for the development of a BSW program came from the community. Specifically, initial funding for planning came from the Department of Human Services. Other community groups, including the Behavioral Healthcare Workforce Development Task Force, Aging and Disability Services Division, healthcare institutions, and juvenile justice and community corrections, have expressed the need for new workers with the philosophy, knowledge, and skills provided by a BSW program. PSU and the School of Social Work have active community partnerships with all of these stakeholders.

Recruitment and retention needs in public child welfare and behavioral health care are sobering. The workforce is aging and, in some sectors such as addictions, the average entry-level worker is middle aged. The workforce needs to diversify, partner more with consumers and peers, utilize evidence-based practices, and include a broad skill set and range of professional roles. There are not enough trained individuals to fill current open positions statewide and retention is challenging without meaningful career ladders. The need will become more acute as current professionals retire and as the population grows and ages.

3. Are there similar programs in the state? If so, how does the proposed program collaborate or complement those programs?

PSU has the only accredited social work program within the Oregon University System. There are two other accredited BSW programs in the area and two that may soon seek accreditation. All of these are small programs in private universities. They have had unaccredited BSW programs for a number of years and report that there is considerable demand for their undergraduates locally. They do not foresee competition for students, noting that the public university draws from a different student population.

4. What new resources will be needed initially and on a recurring basis to implement the program? How will the institution provide these resources? What efficiencies or revenue enhancements are achieved with this program, including consolidation or elimination of programs over time, if any?

A full-time permanent tenure track faculty position is required to initiate the proposed program. A national search for the BSW program director will be conducted in 2007-08. The University will fund this new faculty position. In addition, the program will require more than one FTE for the full complement of classes and practicum. Support staff (.50 FTE) and a small services and supplies budget are also needed for the BSW program.

With the recent merger of the School of Social Work and the Child and Family Studies Program, PSU has already begun to realize efficiencies through shared curriculum and
faculty. By expanding the contract of current experienced Child and Family Studies administrative support personnel and integrating functions into the existing infrastructure of the School of Social Work, the maximum efficiencies can be achieved.

The School of Social Work also offers an Advanced Standing option to graduate degree applicants with an undergraduate degree in social work from an accredited program. The Advanced Standing option will enable PSU’s BSW graduates to apply directly to the advanced level of the Master of Social Work (MSW) program and acquire an MSW in one year, thus saving considerable cost and time for students and the University.

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 PSU to establish an instructional program leading to a Baccalaureate in Social Work, effective Fall 2007.

**BOARD DISCUSSION AND ACTION:**

Director Miller-Jones asked for a discussion on the consent item related to the PSU Bachelor degree in Social Work. He questioned the status of minority faculty in the School of Social Work and asked how many of the current graduate students are students of color or from different cultural backgrounds. Provost Koch responded that he did not have the absolute numbers available at the meeting and asked what those numbers had to do with this request for an undergraduate major in Social Work.

Director Miller-Jones responded that it was important to him to have the numbers in order to feel comfortable approving the major. “We have issues around diversity, culturally appropriate, and sensitive kinds of instruction at the University. Social work is a critical area with regard to this because you’re talking about providing services to communities that typically represent diverse cultural backgrounds and first generation students. I want to be sure that the capacity of the faculty and the program at Portland State can, in fact, do this,” he concluded.

On another issue, Director Dyess pointed out that there is a demand from agencies for more professionals for the field of Social Work. She questioned if the positions were unfilled because there are not enough candidates for the positions or if it was an issue that there is high turnover because the salaries are relatively low. It was pointed out that the salaries are not very good; however, people are filling the positions. The intent in initiating the new program was to first, provide a more appropriate track for students to follow in entering the field and secondly students who have the Bachelor of Social Work have a shorter pathway to the Master's Degree. The expectation is that students who are in the existing Child and Families Studies Program will transfer into the Social Work program.
The point was made that PSU has the only social work program in the state and that is another incentive to add the baccalaureate. Director Van Vliet posited that, if there were questions, it might be prudent to delay approval of the program until November when there was greater clarity around the issues that had been raised. After considerable discussion around the topic of diversity, it was agreed to delay action on the PSU request until the November meeting.

b. OSU, Goss Stadium Expansion

DOCKET ITEM:

The 2007-2009 Legislatively approved capital budget includes $4.5 million in an Other Funds project for the expansion of Goss Stadium on the Oregon State University campus. This project is 100 percent funded from donations. Since the approval of the capital budget, project costs have increased primarily due to the need to upgrade the electrical systems to power the new lighting and inflation. OSU has successfully raised the additional donations to cover these increased costs and now has $6.0 million of donated funds in hand to complete the entire project.

Normally, seeking authority for an increase in the expenditure limitation for a project completely funded by private funds would involve approval by the interim Legislative Emergency Board. However, no Emergency Board meetings have been scheduled during the Fall, making it impossible for OSU to gain what would otherwise be a routine legislative approval in time to enable the project to be completed by the 2008 baseball season.

As a result, OSU is seeking Board approval for the expanded project on the consent agenda in a manner that will not require legislative approval. The proposal includes segmenting the expansion into two parts – first and third baselines – and contracting with the OSU Foundation for completion of the third baseline while OSU simultaneously undertakes the expansion of the first baseline. As proposed, the project continues to be completely funded by private donations, has been competitively bid resulting in a particularly favorable bid to accomplish the full project, and can be completed in time for the 2008 season. In developing this proposal, OSU has been proactive and forthright in working with OUS staff, the Department of Administrative Services, and the co-chairs of the Ways and Means Committee and the Legislative Fiscal Office.

All parties involved in discussions regarding the project agree that, due to the lack of a timely Legislative Emergency Board venue, this is an acceptable means to accomplish the project within the desired schedule and budget. Delaying this project would result in approximately $200-300,000 in higher costs due to inflation, the need to restage the second portion of the construction project next summer, and the requirement to rent temporary bleachers during the 2008 season. Subject to the OUS Board’s approval, OSU and OUS will report to the interim joint Ways and Means committee at a meeting scheduled for October 18-19, 2007. This report will be delivered to a body substantially similar to the Emergency Board, although the interim Ways and Means committee lacks the authority normally vested in an Emergency Board.
Elements of the Proposal:
OSU seeks to divide the project into two pieces, with one $4.5 million piece to be completed directly by OSU and the remaining $1.5 million piece to be completed by the OSU Foundation. This structure will be accomplished through a lease from OSU to the OSU Foundation such that:

- OSU will renovate the first baseline in Goss Stadium and the other work inside the stadium building.
- For nominal consideration, OSU will lease to the OSU Foundation the area encompassing the third baseline for the sole purpose of contracting for and completing the renovation.
- The lease will provide that upon completion of construction, the property and the renovated improvements revert to OSU.
- By agreement with the Foundation, the work will be done by the same contractor doing the first baseline work, will be based on OSU specifications, and will be done pursuant to a contract substantially similar to the form of agreement OSU would use for the same work.
- Also by agreement with the Foundation, OSU will provide construction administration and project management services for the third baseline renovation.
- This arrangement is similar to the way the OSU Alumni Center was constructed.

Staff Recommendation to the Board:
Staff recommended Board approval of this lease between OSU and the OSU Foundation for the purpose of having the OSU Foundation renovate the third base side of Goss Stadium using $1.5 million in donated funds in accordance with the structure outlined above and subject to the report being made to the Legislative Ways and Means Committee on October 18-19, 2007.

BOARD DISCUSSION AND ACTION:

It was moved by Director Blair and seconded by Director Francesconi to approve the staff recommendation. Those voting in favor: Directors Blair, Dyess, Fisher, Francesconi, Kelly, Mendoza, Miller-Jones, von Schlegell, Sohn, and Van Vliet. Those voting no or abstaining: None. Motion carried.

4. ACTION ITEMS

a. OUS, Resolution for the Sale of Articles XI-G and XI-F(1) Bonds

DOCKET ITEM:

<table>
<thead>
<tr>
<th>2007 Fall Bond Sale for Capital Projects</th>
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<tbody>
<tr>
<td>Four Campuses Served with Five Individual Projects</td>
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<tr>
<td>A Total of $21,146,500 Recommended for Sale, plus issuance costs for Article XI-F(1) Bonds</td>
</tr>
</tbody>
</table>
**Summary:**
The staff recommends the Board approve a request to the State Treasurer to issue $10,800,000 of bonds under authority of Article XI-F(1) of the Oregon Constitution and $10,346,500 of bonds for construction projects under authority of Article XI-G of the Oregon Constitution. This sale is currently scheduled to be held in November 2007. The total sale requested is for $21,146,500, plus estimated issuance costs of $216,000 for Article XI-F(1) bonds. All projects included in this sale have received both Board and Legislative approval.

**Staff Report to the Board:**

**Background:**
The 2007 Legislative Assembly has authorized the State Board of Higher Education to issue general obligation bonds, with the proceeds to be used to finance capital construction and facilities repair and renovation projects in higher education. These bonds were authorized under two sections of the Oregon Constitution, Articles XI-F(1) and XI-G.

Article XI-F(1) bonds are issued to construct and repair facilities that are self-financing and self-supporting as determined by the Board in accordance with Article XI-F(1) of the Oregon Constitution. Bonds of this type have been issued to cover projects for the construction and renovation of auxiliary enterprises space (such as parking facilities or student housing) where the source of debt service is from auxiliary funds. Bonds have also been approved for projects in student facilities (such as student unions, student health facilities, or student recreation facilities) where the debt service is repaid from the student building fee. The preponderance of bonds sold for capital construction in higher education has been under Article XI-F(1).

Article XI-G bonds are issued to construct and repair facilities classified as Education and General (E&G) use, including classroom facilities, libraries, teaching laboratories, and general administrative space. These bonds are matched by an appropriation from the state General Fund and are general obligations of the state; the debt service is paid from the General Fund. The Legislature established a mechanism whereby the General Fund match may be generated through gifts and/or federal and local governmental funds. These are first deposited to special project accounts in the Treasury and then treated as General Fund monies for purpose of the match.


**Request for Board Authorization to Issue:**
Institutions are now seeking authorization from the Board to issue a total of $21,146,500 in bonds, plus estimated issuance costs of $216,000 for Article XI-F(1) bonds, as part of a sale currently planned by the State Treasurer for November 2007.
Of this amount, a total of $10,800,000 is requested in Article XI-F(1) bond authorization, plus Article XI-F(1) bond issuance costs, and a total of $10,346,500 is requested in Article XI-G bond authorization.

Article XI-F(1) bond issuance costs are estimated at 2 percent ($216,000) and will be charged against each project for which Article XI-F(1) bonds are sold under this sale.

Prior to sale, the Board’s bond counsel may designate a portion of the sale as taxable, due to space utilization by private entities in the projects to be financed under this sale.

Several tables are provided in the docket and can be obtained from the OUS website at http://www.ous.edu/state_board/meeting/dockets/ddoc070718.pdf:

- Table A, included in the resolution, identifies the Article XI-F(1) projects recommended for the November 2007 Bond Sale.
- Table B, also included in the resolution, identifies the Article XI-G projects recommended for the November 2007 Bond Sale.

Three tables are provided after the resolution to display information on debt service issues:

- Table C displays the amount of Article XI-F(1) bonds to be sold, as well as the estimated annual debt service requirements associated with the projects proposed to be included in the November 2007 Bond Sale, by campus and Systemwide.
- Table D displays information on Article XI-G bonded debt, beginning with 1993-1995, through 2005-2007. It compares the amount of the debt service paid with the total biennial budget for E&G all sources and General Fund E&G.
- Table E projects annual Article XI-G bonded debt outstanding and annual debt service beginning with the 1999-2001 biennium through 2007-08, assuming approval of the proposed November 2007 Bond Sale.

In addition, summary information on each of the projects included in the proposed sale is provided as Appendix A in the docket materials.

**Resolution for the Sale of Bonds for Capital Projects:**
The resolution now before the Board authorizes staff to pursue the sale of bonds for all projects currently identified by the campuses as needing bond financing consistent with the overall bond limitation imposed by the Legislature for the period 2007-2009.

**Staff Recommendation to the Board:**
Staff recommended that the Board adopt the resolution: (1) finding that the projects for which Article XI-F(1) bonds are proposed meet the self-liquidating and self-supporting requirements of Article XI-F(1), Section 2, of the Oregon Constitution and authorizing the sale of Article XI-F(1) bonds; and, (2) authorizing the sale of Article XI-G bonds.
BOARD DISCUSSION AND ACTION:

Assistant Vice Chancellor for Capital Programs, Bob Simonton, stated that staff was recommending Board approval to allow the State Treasurer to issue approximately $50 million in bonds, with the sale scheduled for early November. There were two resolutions included in the request. The first covered $21 million of bonds for five campus projects: the University of Oregon’s Riverfront Research Park purchase of a building for $10.8 million in XI-F bonds; and four projects funded under Article XI-G—Eastern Oregon University’s Inlow Hall, SOU’s instructional facility in Medford, UO’s Hayward Field project, and a deferred maintenance project on the Humanities and Social Sciences Building at WOU.

The second group was a re-funding sale. The State Treasurer has recommended that OUS re-fund the 1997 Series D and E bonds that include approximately $21 million of Article XI-F(1) bonds and $8 million of Article XI-G bonds. By replacing these bonds at a lower interest rate, the Treasurer has estimated that there will be a savings of approximately $2.7 million over the remaining life of the bonds.

In response to a question regarding the UO Riverfront project, Mr. Simonton indicated it was an auxiliary project that would be self-supporting/self-sustaining. The University currently leases over half of that building. Essentially they are paying a debt service and OUS is selling the bonds taxable, which would give them the flexibility to sublease this building to other entities related to research and development.

Vice Chancellor Kenton acknowledged that the Bond Counsel for OUS would be looking more closely at the use of XI-F bonds as there is some concern that the constitution may not permit use of those bonds to buy pre-existing facilities. At the present time, attorneys are studying the issues and, depending on the outcome of the deliberations, this item may have to be returned to the Board in a different form.

Director Miller-Jones moved approval of sale of the Article XI-F(1) bonds and Director von Schlegell moved approval of Article XI-G bonds; Director Blair seconded both motions. Those voting in favor: Directors Blair, Dyess, Fisher, Francescon, Kelly, Mendoza, Miller-Jones, von Schlegell, Sohn, and Van Vliet. Those voting no or abstaining: None. Motions carried.

b. Fiscal status of Intercollegiate Athletics as of June 30, 2007

DOCKET ITEM:

Purpose and Caveats:
The purpose of this report is to provide a brief review and update of the fiscal status of Intercollegiate Athletics as of June 30, 2007. This report includes a review of compliance with the Board’s directives relating to deficits, specifically working capital, and a brief analytical analysis of each institution’s Intercollegiate Athletics Department (Athletics).
The financial statements that provide the basis for this analysis include all material revenues and expenses related to Athletics. Unexpended plant funds relating to Athletics’ capital assets activities are not included in this report.

The Summary Statement of Net Assets and Summary Statement of Revenues, Expenses, and Other Changes in Net Assets present the financial condition and operating results of Athletics at each OUS institution (see http://www.ous.edu/state_board/meeting/dockets/ddoc070718.pdf for all reports). The following analysis is based on these statements.

**Eastern Oregon University**
The attached financial statements and supplementary financial analysis shows that EOU Athletics is not in compliance with the policy that working capital must be positive at year end. EOU Athletics has negative working capital of $41,543 as of June 30, 2007. This negative working capital balance is primarily the result of a $47,748 net loss before depreciation in Fiscal Year (FY) 2006. In FY 2007, EOU Athletics significantly reduced operating expenses, which resulted in net income from operations before depreciation of $123,317 and a reduction in the negative working capital balance of $25,530. In FY 2007, EOU Athletics’ budgetary cash flow after institutional funding was a net inflow of $118,529.

EOU Athletics needs to work on its negative working capital balance to ensure compliance with Board policy. EOU Athletics also faces a liquidity problem that draws on other University balances during the fiscal year and should work to improve cash balances to a positive amount at fiscal year end.

**Oregon Institute of Technology**
OIT Athletics increased working capital by $39,735 in FY 2007 from $98,899 as of June 30, 2006 to $138,634 as of June 30, 2007. The increase in working capital is primarily due to a decrease in net loss before institutional funding and depreciation and an increase in institutional funding compared to FY 2006.

OIT Athletics ended FY 2007 with positive working capital and is in compliance with the Board’s directives relating to deficits.

**Oregon State University**
OSU Athletics has negative working capital of $3,920,053 as of June 30, 2007. As noted in the following table, the negative working capital balance is primarily the result of operating losses and lower institutional funding.
OSU has been asked to prepare a financial plan to address their working capital issues in Athletics and ensure compliance with Board policy.

OSU Athletics’ departmental debt burden ratio for FY 2006 is 11.4 percent. This ratio measures the entity’s dependence on borrowed funds as a source of financing its mission and the relative cost of borrowing to overall expenditures. Although this ratio is typically used on an institution wide basis, it provides a picture of the overall flexibility of Athletics if it needs to make budgetary tradeoffs in order to finance additional capital expenditures or adjust to declining revenues. Because debt service represents required payments from the operating budget, a higher ratio indicates that the entity has less flexibility to manage the remaining portion of the budget. At 11.4 percent, OSU Athletics debt burden ratio is slightly above the generally accepted threshold of 7 percent for the institution as a whole. While a debt burden ratio in excess of the generally accepted threshold does not necessarily indicate an unhealthy financial measure, sustaining a higher level of debt service expenditure reduces the entity’s flexibility to manage the remaining portion of the budget and to fund other strategic initiatives.

Portland State University
PSU Athletics’ net loss from operations before institutional funding and depreciation has decreased $770,024 from $3,491,437 in FY 2006 to $2,721,413 in FY 2007. This decreased loss from operations allowed PSU to decrease its institutional funding by $652,061 in FY 2007 and still maintain a positive working capital balance. Institutional funding of $2,918,164 in FY 2007 was the lowest amount since FY 2003.

Working capital increased $196,752 from $24,626 as of June 30, 2006 to $221,378 as of June 30, 2007. PSU Athletics is in compliance with the Board’s working capital policy and directives relating to deficits.

Southern Oregon University
As of June 30, 2006, SOU Athletics had a negative working capital balance of $30,773. In FY 2007, SOU reallocated salary expense between academic and athletic operations based on a cost accounting review. As a result, operating expenses for SOU Athletics increased and
institutional funding to Athletics was increased by an offsetting amount. The current year presentation results in a more complete picture of SOU Athletics’ costs and institutional support. As of June 30, 2007, SOU Athletics had a positive working capital balance of $43,526, and is in compliance with the Board’s working capital policy and directives relating to deficits.

University of Oregon

UO Athletics increased its net income from operations before depreciation $494,582 from $1,692,063 in FY 2006 to $2,186,645 in FY 2007. This increase is primarily due to a 21 percent increase in operating revenues partially offset by increased operating expenses and net transfers out.

UO Athletics ended FY 2007 with positive working capital and is in compliance with the Board’s directives relating to deficits.

UO Athletics departmental debt burden ratio for FY 2007 is 6.4 percent. Although this ratio is typically used on an institution wide basis, a higher debt service ratio indicates that an entity has less flexibility to manage the remaining portion of the budget and to fund other strategic initiatives.

Western Oregon University

WOU Athletics had a net loss from operations before institutional funding and depreciation of $1,179,442 in FY 2007 compared to $888,795 in FY 2006. In FY 2007, WOU performed a review of Athletics’ related expenditures, which resulted in the reallocation of salary expenses from academic to athletic operations. These reclassifications were the primary cause of an increase in operating expenses and institutional funding in FY 2007. The current year presentation results in a more complete picture of WOU Athletics’ costs and institutional support.

WOU Athletics ended FY 2007 with positive working capital and is in compliance with the Board’s directives relating to deficits.

Summary of Information Submitted by Campus Management Relative to the Value of their Intercollegiate Athletics Programs

IMD Section 8, adopted in 1982, defines the role of athletics as follows:

“Intercollegiate athletic programs are considered by the Board to assist the colleges and universities in achieving their goals. They:
(1) Contribute to the instructional programs by providing highly competitive opportunities for those students who excel in the various athletic activities.
(2) Enable the institutions to prepare graduates to serve the schools and colleges as athletic coaches, physical education teachers, athletic trainers, and athletic program administrators.
(3) Provide students, alumni, and other members of the public with spectator satisfaction and with an opportunity to identify with their institutions outside the classroom and laboratories.
(4) Enable the institutions to involve the public, not otherwise related to the institutions, in support of our colleges and universities.
(5) Provide opportunities for a few students, especially in football, basketball, and baseball, to prepare for careers in professional sports.”
Staff asked each institution a series of questions relating to the value of their intercollegiate athletics departments. Their responses are categorized and summarized below.

**Economic Impact of Intercollegiate Athletics on Campus Community:**
All campuses indicated that their athletics departments have a positive economic impact on their local economies relating to monies spent by away team participants, families, and coaches, as well as other spectators. Specific data presented by OSU indicates that athletics events bring some $27 million in to the Corvallis community. For OSU, for football and men’s basketball alone, some 384,000 people attended home games during FY 2006-07. UO indicates anywhere from $18 million to $36 million is brought in to the Eugene community annually. For UO, for football and men’s basketball, some 502,000 people attended home games during FY 2006-07. Significant economic impact also occurs through campuses hosting in-state regional, statewide, and conference playoffs and championships. Also, athletic events are seen as an effective passive recruiting effort.

**Public Service Aspects of Intercollegiate Athletics:**
Intercollegiate Athletics events provide social and educational activities for students, as well as the community at large. Many student-athletes are involved in local charity events and efforts. Coaches and students put on annual athletic clinics, teaching skills to community youth. In addition, coaches and athletes support local youth athletics.

**Marketing Value of Intercollegiate Athletics:**
Intercollegiate Athletics conference affiliations and media coverage, including live audio broadcasts across the globe, yields significant media and public relations value to the institution. PSU notes 2.4 million hits per month on its athletics web site during football season and calculates the media value and public relations value of basketball and football to be $560,000 and $1.7 million respectively.

**Revenues Accruing to University from Intercollegiate Athletics:**
Intercollegiate Athletics provides revenue streams to the University’s Education and General Funds through tuition and fees, some non-resident, paid by Intercollegiate Athletics or the student-athlete. In addition, Intercollegiate Athletics utilizes on-campus housing and food services, including pre-season camps and practices before classes start. This provides for additional utilization of athletic facilities and generates additional revenues for the housing and food services departments. Athletic events also provide parking services additional revenues.

**Joint Use of Athletic Facilities:**
Athletic facilities are used by the other university departments, including physical education. In addition, athletic facilities are used for other special student and institutional events. Campus recreation departments also use athletics space for intramural activities as well as sport clubs.
Impact of Intercollegiate Athletics on Student Retention:
Athletic development and competition lends enormous value to the educational process for student-athletes – focus, discipline, perseverance, work ethic, diversity, teamwork. In many cases, the enticement to participate in a sport extends a bridge to academic success for young people who might not consider college otherwise. Although some student-athletes come to college initially with athletics as their top priority, they must maintain a high grade-point average and maintain academic progress in credit requirements for a major in order to be eligible to compete. Student-athletes work hard academically and physically and many of them provide special service to the university and community because they are such positive role models and ambassadors.

Four or five years of this effort pays off for the individual and the institution. At SOU, for instance, retention statistics for 2004 indicate that first-year athletes remain in school at higher percentages (88.5%) than first-year students who are not participants in athletic programs (62.4%). The rigors of academic work required to stay eligible for competition leads student-athletes closer and closer to graduation. Having stayed in school into their junior and senior years, they begin to see the tangible benefits of their academic pursuits. Graduation rates of 93.3 percent (as of 2005) for student-athletes completing four years of eligibility at SOU illustrate this success.

Practicum Opportunities within Intercollegiate Athletics:
Intercollegiate Athletics provides students interested in careers in coaching, teaching, or athletic training practicum opportunities. Many of our teams have student coaches who use this opportunity to develop skills, under the direction of our head coaches, that will prepare them for teaching/coaching careers in the future. Additionally, intercollegiate athletics provides training opportunities for students in athletics training programs. Students in athletic training programs spend time on campus applying what they have learned in treating sport related injuries. This is an excellent opportunity for students to gain valuable experience and provide the university with a valuable service. Athletic events provide opportunities for groups, like the pep band (10-40 students), the cheerleading team (15-20 students), and the dance team (15-30 students) to be engaged in the collegiate experience.

Gifting to the University Enhanced by Intercollegiate Athletics:
University development programs stress a team approach to a partner (donor or potential donor) and his/her relationship with the university. A specific partner is not the “property” of one school, college, or program; rather, the partner is introduced to many facets of the university by one or more development professionals, educators, and/or senior administrators. Once a partner states an interest in a specific area(s), we work as a team to maximize the impact of that partner’s interest and philanthropy. This team approach often yields investment in various areas of the university. Intercollegiate Athletics is a very important component of a university development program and fundraising success.
Intercollegiate Athletics is a wonderful example of a campus entity that connects and reconnects the university with its constituents. The athletics programs also provide a wonderful vehicle to maintain this connection and our relationship with our partners. This, in turn, plays a vital role in fundraising efforts, whether for Athletic Department programs or programs of our various schools and colleges.

OSU Foundation records indicate that 32,322 donors gave $68 million to support athletics from 2002-2005, of which 14,836 gave $76 million to other parts of the University. PSU indicates that, since 1991, 13,012 donors gave some $12 million to athletics. Those same donors, who first gave to athletics, later gave $23 million to other parts of the university.

UO gave a specific example where an alumnus reconnected with the University largely through its athletic teams and exhibited interest in making a sizable first gift to the University. The original intent was to donate funds for Athletics. Development staff worked to further educate the donor about UO academic success and needs. This resulted in a seven-figure gift benefiting both Intercollegiate Athletics and specific academic units. This donor subsequently developed a very strong relationship with the University and additional gifts have benefited both Intercollegiate Athletics and academic programs (including an additional seven-figure gift).

WOU indicates that the Wayne and Lynn Hamersly Library was made possible through the Hamersly’s $1.5 million gift. The Hamersly’s gifting began in support of athletics and then turned to the academic core of the campus.

**Enhancing OUS Student Diversity:**
One important aspect with respect to individual academic, athletic, and co-curricular programs at OUS institutions is their contribution to enhancing student diversity within OUS and Oregon as a whole. According to institution management, Intercollegiate Athletics brings significant ethnic and racial diversity to Oregon universities and communities. “Diversity is that part of education that capitalizes on the unique experiences and common wisdom of all cultures by providing a fertile ground for contrast and comparison.” This statement is manifested on the fields of competition of our intercollegiate athletics programs. Strength on the field is accomplished by incorporating the differences of each teammate for the common purpose of program success. The same vitally important educational aims are played out in the classrooms and student activities in which our student-athletes participate. As intercollegiate athletics facilitates the diversification of the student body, this diversity enhances the quality and character of the educational enterprise for all students.

**Staff Recommendation to the Board:**
Staff recommended that the Board accept the report on the Fiscal Status of Intercollegiate Athletics as of June 30, 2007, as provided in the full docket material.
BOARD DISCUSSION AND ACTION:

Controller Green pointed out that the report and discussion on the Fiscal Status of Intercollegiate Athletics was in two sections: the first to examine the fiscal status, as of June 30, 2007, of all of the OUS athletic departments; and, secondly, to discuss the institutional funding of intercollegiate athletics and the value of athletics to the mission of the institutions.

Eastern Oregon University is currently not in compliance with the Board's deficit policy. The working capital balance is negative by approximately $42,000. During fiscal year 2007, EOU reduced operating expenses of the athletics department that has significantly improved the bottom line, while at the same time reducing the institutional fund subsidy. If this operating trend continues, it will liquidate the working capital deficit within two years.

Oregon Institute of Technology has improved the working capital balance during the year primarily due to an increase in institutional fund subsidy provided to the athletic department. OIT is in compliance with the Board's deficit policy.

Oregon State University has a negative working capital balance at year-end. Working capital is approximately $4 million from the prior year-end, primarily due to operating losses and lower institutional funding. President Ray observed that a $3.9 million problem isn't generated without getting several things wrong. One of the key elements was that there had been a change in financial officers, both in the University Foundation and in athletics itself toward the end of the fiscal year. The Foundation was installing new financial software for its accounts, with two consequences: one, people in athletics actually thought they had a positive balance when they didn't, so they made an advance payment of $900,000 to the Foundation. At the same time, the Foundation had acquired $1.6 million in cash contributions to athletics that had not been credited to athletics. “So,” President Ray explained, “we had a net swing of $2.5 million that would not have occurred if the left hand knew what the right hand was doing and people had communicated effectively. So, $2.5 million of the $3.9 million in working capital deficit was attributable to monies not getting transferred at appropriate times.

He went on, “I think what we're looking at is not a financial difficulty that can't be managed. I think we're looking at ineffective management of the financial conditions that we were dealing with at the time and it's fair to ask, ‘so, what are you going to do tomorrow that's different from what you did today so we don't relive this little drama.’” President Ray indicated that he has requested a synchronization of efforts to make sure there is agreement of figures and this will be done through a monthly report to him regarding athletic accounts.

Further, he pointed out that OSU has cut everything outside of academic programs to the bone. A decision has been made, however, to hire a CPA as an institutional control person who will be available to work with people who are new in positions, people and systems that are transitioning (like the Foundation), organizations that are bringing in new personnel who have to get up to speed on what their predecessors did or didn't do with respect to their accounts, and so forth. Finally, President Ray offered that OSU must think about how to operate in the
future with respect to athletics and matching goals with financial capacity. “Going forward, we will be looking at the objectives that the development staff and athletics work on with respect to funding for the program, putting a greater emphasis on scholarships and current use of cash for salaries and other purposes such as travel. That will relieve some of the pressure on the operating accounts and maybe less emphasis on being aggressive about going after some of the capital projects that we’d like to pursue to make certain that, in an operating sense, we are in good standing,” he concluded.

Portland State University's working capital increased from the prior year, primarily due to significant improvements in operating and other revenues that exceeded the increases in expenditures. PSU decreased its institutional support of athletics to the lowest level since fiscal year 2003. PSU is in compliance with the Board's deficit policy.

Southern Oregon University increases in operating expenses and institutional support came as a result of improved accounting for athletic costs. Southern is in compliance with the Board's deficit policy.

The University of Oregon increased its net income from operations and working capital balance from the prior year. The UO athletic department continues to operate without institutional funds subsidizing its program and is in compliance with the Board's deficit policy.

Western Oregon University, like SOU, has gone through the accounting procedures for athletics to assure that they are capturing all of the costs. Western is in compliance with the Board's deficit policy.

The codified Board policy on intercollegiate athletics is cited in IMD Chapter 8. At the beginning of 1982, in response to a state funding crisis, the Board made some statements regarding athletics that are instructive. They set forth ideas about what the athletic departments do for a university, as well as Board policy.

In the 1990s, in response to the rising deficits at OSU, PSU, and the UO, the Board allowed the use of institutional funds to support athletic programs, while directing the universities to clear their deficits. All three universities did clear the deficits in their intercollegiate athletics programs, as directed, and both OSU and PSU continue to utilize institution funds to support their athletic programs. The Board's discussions and directives, with respect to institutional funding, is summed up in three statements: 1) the working capital balance must be positive at year end; 2) the use of institutional funds for athletics is permissible, but should be minimized; and 3) the use of state general funds for athletics is limited per IMD Chapter 8.

Mr. Green reviewed several tables that had been prepared to put the financial activity and level of student incidental fee support for each intercollegiate athletic department in OUS in perspective. He noted that student incidental fees that are directed to athletics are done so at the direction of the respective student governments. The data show that, in general, the regional institutions utilize institution funds to a greater extent, in proportion to their total
Education and General Fund revenues than do large campuses. Additionally, the regional universities and PSU rely on student incidental fees to fund their athletic department expenditures to a much greater extent than do OSU and UO.

The data further show that OSU relies more heavily on gifts, grants, and booster receipts to fund the operation, on a national average, and less on student incidental fees. The UO relies less on gifts, grants, booster fees, and student fees and more heavily on operating revenues to fund its operations than the national average. Both OSU and the UO are below their peer institutions’ averages for the amount of institution support for intercollegiate athletics. PSU’s revenues and expenditures are comparable to its peer averages and the level of institution funds used to support PSU athletics program is lower than the peer average.

The peer data for EOU, SOU, and WOU were not very useful for comparison purposes. It was noted, however, that both Eastern and Southern rely on student incidental fees to a greater extent than the average and grant fewer scholarships. Western, which is in the NCAA Division II, generates operating revenues comparable to its peers and relies more heavily on student fees and less on gifts, grants, and booster receipts than do its peers. Additionally, Western grants fewer scholarships than does its peers. OIT was compared to all NCAA Division II public universities without football programs. As with the other regional institutions, the peer comparisons were not very useful. The data show that the revenues and expenses of OIT athletic departments are reasonably comparable to the average available data. It utilizes institution funds at a greater level compared to the average, while utilizing student incidental fees at a lower level than the average.

Director Blair asked if the scholarships that were granted were basically funded out of the athletic programs so that, in a sense, the athletic programs are providing a cross-subsidy to the Education and General funds. Mr. Green responded that they were and that the same would be true for housing and room and board, book allowances, to name a few. Additionally, many athletes are from out-of-state and in those cases, the athletic department also pays the nonresident tuition. It was noted that, if it were not for athletics, many of these nonresident students would not be attending an Oregon institution.

In terms of return on investment from athletics, President Cullinan highlighted that approximately 300 students go to SOU for the purpose of participating in the athletic programs. Therefore, enrollment is positively affected by it. Additionally, these athletes are, for the most part, strong students, have high GPAs, and are retained to graduation. There is also a strong booster club. The same holds true for WOU and EOU. At EOU, the first football game was played several weeks prior to students arriving and, additionally, it was played on Labor Day weekend. Nevertheless, the stands were full, thanks to strong community support. It was pointed out that at OIT, there is a multiplier effect on the number of students who attend for the athletic programs – they generally bring one or two people with them to OIT.

Director Sohn moved and Director seconded the motion to accept the report on the Fiscal status of Intercollegiate Athletics as of June 30, 2007. Those voting in favor: Directors Blair,
Dyess, Fisher, Francesconi, Kelly, Mendoza, Miller-Jones, von Schlegell, Sohn, and Van Vliet. Those voting no or abstaining: None. Motion carried.

Continuing the discussion, Director Francesconi mused that he understood many of the benefits that had been given for athletic programs. However, he wondered if every institution had to have athletics in order to accomplish its mission.

President Ray had been asked to prepare some information on the topic of how athletics does or does not contribute to the life and greater good of the institution. He indicated that he did not have a problem with a university that is providing a modest amount of educational dollars to support intercollegiate athletics because of the opportunities it creates for those students. Continuing, he pointed out that this was not a lot different from the students who are in music, dance, art, student government, or other clubs. “The whole learning experience matters, outside the classroom as well as inside, and success with respect to retention through to graduation depends, in a significant way, on the out-of-classroom experiences, support systems, and learning opportunities that students have. I would submit that intercollegiate athletics is an incredible learning opportunity for students,” he said.

Director Francesconi cautioned that it was difficult to justify the expenditures of athletics at all institutions in the way President Ray had characterized OSU. In response, President Ray pointed out that most of the student athletes have nothing to do with athletic careers once they are out of college. They, like all students, have college degrees and go on to careers like all other students—doctors, lawyers, engineers, and so forth. Athletics are used as a vehicle by which people are enabled to get their degrees and the retention rate for them is greater than the general populations. If you focus specifically on minority groups, for example African-American students, their graduation rates are significantly higher than the graduation rates in the general student population. Athletic participation provides, according to President Ray, support services, coping skills, and other mechanisms necessary to reach completion.

“I have a really good sense these numbers (return on investment) are pretty impressive, that Oregon State University has been very attentive to understanding that first you connect with people as best you can. Intercollegiate athletics is a great way to do it, but you don't just connect with them for that purpose. You try to bring them more broadly into all of the areas of concern and dedication in the university and if you're smart and you get it right, you bring a lot of resources to the academic programs and enterprise that wouldn't otherwise be there,” President Ray explained. “We're academic enterprises. So if you're not figuring out how to use everything you do ultimately to advance the academic mission and you're not succeeding, then you ought to reassess that activity or at least the way you're managing that activity. But I think $150 million toward academic programs from this subset of people (athletes) is one tremendous return on $2.5 million per year or four million for six years of Education and General money going in to support intercollegiate athletics,” he concluded.

President Minahan reminded the Board that WOU is a Division II NCAA team—the only institution in Oregon in that particular division. The rationale goes to the issue of identity and
history. “We are, in fact, the only institution in the state that never dropped its four-year program in teacher education. In that program (it is a high school program) we have, for about 100 years or so, been producing teachers and people who, in fact, get degrees in health, physical education, and recreation and become coaches, teachers, principals, and superintendents throughout the state. How did we become a Division II school? We had to keep that commitment. We do it because it is absolutely important to us as part of our curriculum. We’re not going to lose the sense of identity with the people who continue to send students and who expect us to produce people in the education field,” he stressed. Because Western is the only Division II NCAA team in Oregon, the majority of games are played all over Oregon and other states and with teams from a number of different leagues. There are no full scholarships; however, the graduation rate of athletes is higher than the University average. In 2006, 68 students from the men's football team made the Dean's List. President Minahan said that he does not think they should be using the model of reducing all of the Education and General expenses for athletics in the same way that Division I schools do because they teach through athletics, it is integral to their curriculum and to their mission.

Several directors encouraged continuation of the conversation concerning the need or advantage for all institutions to have athletic programs

President Dyess closed the discussion by indicating that the direction from the Board is that using resources from Education and General Funds should be minimized and institutions must be prudent and understand the direction the Board would like to see in the use of those funds.

5. REPORT ITEMS

a. Board Long-Range Planning: Portfolio Conversation with University of Oregon

The mission statement of the University of Oregon speaks to a comprehensive research university serving students and the people of Oregon, the nation, and the world through the creation and transfer of knowledge in the liberal arts, the natural social sciences, and professions and it is the Association of American University (AAU) flagship institution for the Oregon University System. President Frohnmayer explained the designation "flagship" and pointed out that there are only 62 such designated universities on the North American continent. More than a quarter of the geography of the US has only two such institutions and the existence in a knowledge economy of research universities in the midst of a region helps to dictate the character and nature of its future. This is an important possession of the states of Oregon and Washington, that each has one research university. One definition of a "flagship" university is that it is a fully developed public university that is a focal point for research and graduate education, as well as home to a well-established array of professional schools.

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1 To obtain the background information on this report, see materials contained at http://www.ous.edu/state_board/meeting/dockets/ddoc071005-UO%20profile.pdf and http://www.ous.edu/state_board/meeting/dockets/ddoc071005-UO%20portfolio.pdf.
The UO has a strong commitment to access; approximately 123,000 degrees have been conferred by the UO since 1975 and each year it has the most undergraduate degrees given by any OUS institution. Access to an undergraduate education, according to the president, is the key to personal liberation, individual opportunity, providing for a family, and making a difference between individual choices that mean freedom. The UO hopes to launch a program making it clear that the UO is available and accessible for anyone irrespective of a family or individual's ability to afford tuition and fees. This means that they will be able to give the kind of universal access that public higher education ought to give that will supplement the Shared Responsibility Model and allow close to $75 million in private support to be used for this purpose.

At the UO, access must be accompanied by excellence. In the context of a research university, the undergraduate experience allows the research experience to become an integral part of undergraduate education. The UO's retention rate, at 85 percent, and graduation rates are the highest of any institution in the System. The UO has an unswerving commitment to the liberal arts and to professional programs. There seems to be general agreement that a broad liberal arts understanding will enable students to be better professionals, once they have received their specialized education. Additionally, the liberal arts education can be intimately tied to the residential experience. President Frohnmayer described the UO as large enough to be comprehensive and small enough to get your arms around. In actuality, it is the smallest public university in the AAU. In a residential setting, students learn on a 24/7 basis and not just from "the sage onstage three-six hours a day."

In the recent accreditation review, the student satisfaction level was rated extremely high, rare for an institution of this size. The commendation from the review team was for creating a learning environment and intellectual climate that fosters student engagements, student loyalty, and broad student appreciation of the institution as a whole.

The UO has a broad array of graduate and professional educational programs – a part of its mission as an AAU institution. These programs help to support Oregon's economy and not only recruit but retain intellectual capital. Seventy-five percent of the nonresident graduate students who come to the UO stay in Oregon. The outcomes of research and scholarship also bring technology licensing income to Oregon. Last year this amounted to $5.1 million added to the bottom line. Since 1992, there have been 86 patents and 195 technology license agreements and start-up formation per research dollar was two-and-one half times the US average. There is a very talented faculty with broad interests in making sure that this is reflected, in turn, in concrete enterprises that assist Oregonians and how they live.

To fulfill its mission, the UO believes that it should also be international and the National Association of Foreign Student Advisors (NAFSA), the Institute of international Education, and the American Council on Education all have singled out their efforts. More than 20 percent of the students have some kind of international experience before they graduate and during the last academic year, 941 students studied in more than 110 overseas study programs.
International education, however, is much more than student exchanges. It also involves research collaborations, many of which are done through the worldwide web. And in these cases, there is no need to be co-located to participate. It is possible to bring science, team science, and network science through a variety of partners abroad.

In addition to the Eugene campus, the UO has a number of activities in other geographic locations. One of these is a Chinese language program, the first of its kind in the nation, sponsored by the federal government. The program, in collaboration with the Portland Public Schools, is designed to assure that students have language immersion from kindergarten through a collegiate experience so that they, in turn, can go on to careers in international business, the state department, or other places where it is in the vital national interest of the U.S.

There are criteria and reasons for the UO presence in geographic areas other than where it is physically located. First, it must be consistent with, and indispensable to, the AAU international and institutional mission and build on strengths the UO already has within OUS. For programs in the Portland metro area, there must first be a sound business plan and financial support to assure that it makes sense to do what it plans to do; secondly, it has to be of some unique benefit to the student experience; and third, that it doesn't duplicate the general education or introductory curricula of other institutions that are already located in Portland. Basically, the UO focuses on advanced study that provides students and faculty with education, research, collaborative, and professional opportunities that take advantage of Portland's unique area.

How is the UO enterprise funded? President Frohnmayer didn't hesitate to declare, “Mostly on our own.” The state's contribution to the overall budget, on an operating basis, is only 13 percent – the UO gets two-and-a-half times more of its revenue from student tuition than it does from the state. The State of Oregon is a substantial minority contributor to the overall revenue stream. “Everyone is in a precarious position, but being as tuition dependent as we are, we believe, is particularly imperiled in this regard,” he added.

Turning to the challenges facing the UO, President Frohnmayer addressed the need to continue to focus on attracting and retaining the best and brightest Oregon students. Further, there is a need to attract non-resident students to pay tuition that is three times higher than that of in-state students, to recruit and retain top faculty with salaries that are competitive, and to recruit top graduate students who do the research that will bring the next big ideas that will help to drive Oregon's economy. The UO, it was highlighted, is uniquely vulnerable to any perception that this quality is compromised.

The president said, “Spin a wheel, pick a state—large or small, rich or poor—look at how they fund the flagship and land grant institutions compared to other institutions. Oregon is the only state that does not fund these institutions as well as others. The UO tuition is already the highest in the System and they earn more money on their own that they receive from the state, tuition, fees, out-of-state, or research grants. Donors don't give money to replace state money,” President Frohnmayer emphasized. “Donors give money because they believe in your
excellence and they want to add a margin of additional power to achieve on top of the excellence you've already attained. So private philanthropy is really not a catch-all category to which we can look with any kind of comfort to replace the basic sustenance that a state ought to provide."

Student FTE for the UO is the lowest in the state, notwithstanding its mission. This speaks to the question as to how the Board-approved mission is, in fact, supported in this state after that mission has been selected and ratified vis-à-vis all of the other things that are done there. There are choices. Fund the mission or create a governance structure that lets the University of Oregon succeed in pursuing that mission—business as usual/status quo is no longer an option, it was stressed.

In answer to the question of what level of support would be required to fund the UO's mission, President Frohnmayer indicated it would be three times the current amount of state support per student. That would amount to approximately $150 million. If the state could not fund the UO at that level, Director Francesconi asked what kind of governance structure they would want and what would be the advantages. President Frohnmayer posited, “We would ask for freedom from price controls, because I think we can find tuition levels that allow us to give adequate financial aid to needy students that would more adequately allow access and would give us a higher and better predictable level of revenue; free us from—and this would have to be done with the state legislature—the really unfair tax on students' tuition that is embodied in the fact that the interest income from tuition is diverted from higher education altogether and given to the state.” Further, he explained, “they would seek constitutional corporation status, the same as, for example, the UC System and Michigan, that would make us, in the vernacular, a fourth branch of government, but provide the kind of autonomy and operating independence that lets us set long-term policies and have the ability to do things in ways that are not micromanaged negatively.”

Board President Dyess observed that this type of discussion would be very beneficial for the Board, but that opportunity had not, to date, been provided to the UO or the other institutions. She expressed interest in better understanding what one or the other changes might mean in the outcomes of the UO. President Frohnmayer observed that changes in governance are not a substitute for state funding. They can give greater freedom to be entrepreneurial and seek sources of revenue to sustain economic well-being. No amount of tinkering with governing boards or with legal freedoms substitutes for investing resources because outcomes are so critically important to the future of the enterprise. He observed that all of the public institutions are struggling while the private ones are succeeding. “It must be something about the relative freedom to operate in the private sector, the relative freedom to set tuition. They (private institutions) have the capacity to go the bank and borrow and the capacity to leverage their resources without the restrictions that are built in, sometimes for good reasons, into our constitutional structures.”

Director Blair offered that President Frohnmayer had not presented a binary choice but rather an "and" not an "or." He indicated that the Board needed to see his vision for what these things
would imply for the University and the implications for the state. President Frohnmayer emphasized that there is a public mission to higher education and he provided an historical chronology of that development. Concluding, he said that the UO spends a lot of time thinking about why it is here and what it wants to do because we think a public mission for higher education is essential to what we are as a people.

Chancellor Pernsteiner reminded the Board that the UO, like all of the OUS institutions, had reduced its support for student services, finance and administration, and physical plant, and not all of this has been made up by tuition increases. “I want to emphasize that the universities – all of them, including the University of Oregon – have attempted to manage right to the margin and reduced as much as they could in operating expenses, perhaps to the detriment of the state going forward longer term. So don’t just assume that the UO is not being efficient, because I think they are. The second point, I think Dave made and I want to emphasize it even more strongly, is if you look at those other universities to which the UO has been compared, most of them already have some or all of the freedoms Dave talked about as the alternative to greater state funding.

“It is not a binary choice. The imperative really is: if this state wishes to receive the benefits of the research and education of the kind of institution that it has chartered UO to be, then it needs to invest more state money, even if it chooses to change some of the legal restrictions that are currently on the University. It is not either/or. It is, perhaps, both. But it is without question additional investment that would be needed,” the Chancellor concluded.

b. UO, Report on Strategic Housing Plan, Phase 2

DOCKET ITEM:

The Chancellor and OUS Board asked the University of Oregon to develop a long-range housing plan in conjunction with their approval of the sale of the Westmoreland Village Apartment Complex. The University of Oregon initiated a two-phased strategic planning process to develop a housing plan that will guide housing-related activities through the next decade, including making recommendations regarding the amount and type of new housing stock. Senior Vice President and Provost Linda Brady will provide an update on Phase 2 of the planning process.

During Phase 1, the Housing Strategic Planning Group established broad objectives and measurable goals (with primary benchmarks being AAU institutions and, more specifically, the University’s peer institutions as defined by the OUS) and identified short-term housing improvements that could be undertaken in parallel with the long-range planning process. The Board received a progress report on Phase 1 in January 2007. During Phase 2, the Housing Strategic Planning Group refined the University’s housing objectives; conducted a comprehensive housing analysis (existing conditions and market study) with the assistance of Anderson Strickler, LCC; and developed an implementation plan.
Significant new construction will be required to replace the existing traditional double-bedroom residence halls with a mix of unit types to meet student demand in general and to encourage upper division students (in particular sophomores) to live on campus. The implementation plan developed in Phase 2 includes a financial plan to accomplish housing goals.

The provost will solicit broader University feedback before moving ahead with implementation and the first phase of construction. With this completed plan, the University can make informed decisions on how best to spend housing funds, including the significant new proceeds from the sale of the Westmoreland Village Apartment Complex. The University will consider the following issues during implementation: cost, delivery strategy, project phasing, student-learning integration, and market capacity. In addition, the University will regularly update the market study, including student preference and private offerings, to assure that future construction will be responsive to changing demand.

**BOARD DISCUSSION:**

University of Oregon Provost Linda Brady provided an update on the progress in defining the future of the student residential environment of the campus. The planning process began with two goals: first, to view housing in the context of the overall enrollment management strategy, which is committed to maintaining access for undergraduates, including nonresidents, enhancing the diversity of the student population, growing the international and graduate student enrollment, particularly doctoral enrollment consistent with the mission of the institution; and secondly, to support and enhance the UO character as a residential university, fostering intellectual engagement on the campus, providing a seamless living/learning environment with the fundamental goal of enhancing retention and student success. A committee was formed and a consultant, Anderson Strickler, was engaged to assist with a housing analysis and marketing survey. The housing/strategic planning group has a goal of housing 25 percent of the undergraduate population. An online survey was completed by more than 3,100 respondents and provided input on the different amenities and features, by various classes of students at various class levels. The survey also attempted to collect data on satisfaction with the current housing situation. More than 90 percent of students who are living in the Living/Learning center were either satisfied or very satisfied with the arrangements. The satisfaction included the fact that the facility offers larger rooms with more storage space, wireless Internet, attractive common areas to support study and group work and a real community atmosphere.

In contrast, students living in the older Bean Hall were not as satisfied with their conditions, pointing out small living spaces, narrow hallways, poor lighting, thin walls, lack of privacy, and unattractive and dysfunctional common areas. Students who currently live off campus were also surveyed to determine what their needs are and how many would be interested in considering some of the newer options for facilities. The UO currently provides an array of residential learning communities and the results of those activities impact freshmen retention rates. In the Living/Learning Center, there is effective integration of academic and social spaces.
In developing an implementation plan, the UO attempted to balance the goal of meeting its objectives in terms of housing 85 percent of freshmen, 15 percent of upper class students, and 11 percent of graduate students and responding to the market study in terms of what students were actually looking for in the way of housing. Four specific development scenarios were explored: a minimal renovation plan that would retain most of the existing halls and attempting to renovate them; substantial renovation; replacement; and finally accelerated replacement. The option being recommended is an accelerated replacement plan that would be implemented over a ten-year time frame.

The next step is to share the results of the study and planning more broadly on the campus. The expectation is to have a recommendation to President Frohnmayer during winter term, addressing the number of outstanding implementation issues and engaging the campus planning committee in determining the timeline. There is a need to address the specific use of the Westmoreland proceeds. The UO agreed to provide funding to support debt equivalent to the net sales price, or approximately $16 million. Work also needs to be done on public/private sector partnership opportunities in Eugene and the possibility of working with the private sector to actually jointly develop and build facilities. The sale of Westmoreland Village was indispensable to development of the plan, Provost Brady highlighted. “We believe we have moved through a process that involved campus and community constituencies. The approach was characterized by evidence-based decision-making and we were very pleased with the work of our consultant in that regard. We are committed to the residential university experience, we think it is consistent with our mission and portfolio, we believe it is a way in which we serve the state that is extremely important, and we are committed to moving forward,” she concluded.

Director Mendoza observed that, in reviewing the information, she hadn’t seen any indication of family housing being considered for the families displaced from Westmoreland. “How would they be able to afford $16,000 a year for the rooms?” she asked. Director Dyess remarked that she saw that as one of the UO's objectives and that Provost Brady could bring information on that topic when she returned to the Board with more complete plans. UO Vice President Dyke added that one of the promises made when the Westmoreland Village was sold was that the UO would mitigate the rent increases for any student who was living in Westmoreland. That has been done and to date, $103,000 has been spent covering the additional rent that the residents have been charged by the private landlord.

6. **Committee Reports**

   a. **Standing Committee Reports**

   There were no reports from the Standing Committees except that a great deal of work is occurring and new Board members will be assigned to Committees of their interest.

   b. **Other Board Committees**
The Nominating Committee, consisting of Directors Blair and Sohn, developed a slate of candidates for Board leadership. They had visited with all Board members and there was unanimous agreement that Director Dyess should be nominated for President of the Board. She had agreed to accept the nomination.

The Board's Bylaws specify that there may be two vice presidents. Director Blair was nominated as First Vice President and Director Sohn as Second Vice President. The First Vice President is next in line in the absence of the President. Directors Francesconi and Van Vliet were nominated to fill the two remaining places on the Executive Committee.

Additionally, Director Dyess asked the Nominating Committee to assure that the Executive Committee reflected, as nearly as possible, the composition of the Board, to include students and faculty. Therefore, Directors Mendoza (student) and Miller-Jones (faculty) were nominated. With these two additional nominations, it would make a seven-member Executive Committee. This number would require a quorum of four members to conduct business.

However, the Board's Bylaws specify that there will be five members on the Executive Committee. Therefore, adding two members would mean a change to the Board's Bylaws. Director Blair suggested that the first five (president–Kirby Dyess; two vice presidents – Director Blair first vice president and Howard Sohn second vice president; and two at-large – Directors Francesconi and Van Vliet) be elected at this meeting. At the November Board meeting, a proposed change to the Bylaws will be brought to the Board stating that there would be "at least" five members on the Executive Committee. At that time, Director Blair suggested that Directors Mendoza and Miller-Jones should be elected.

Director Miller-Jones, seconded by Director Dyess, nominated the following officers: President, Director Dyess; First Vice President, Director Blair; Second Vice President, Director Sohn; and Directors Francesconi and Van Vliet, Members-at-large of the Executive Committee. Further, it was moved that the Bylaws be amended from stating "shall be five" to stating "at least five members shall be elected to the Executive Committee," to be voted on at the November 2007 meeting. Upon approval of the amended Bylaws, Directors Mendoza and Miller-Jones be elected to the Executive Committee. Those voting in favor of the motion: Directors Blair, Dyess, Fisher, Francesconi, Kelly, Mendoza, Miller-Jones, von Schlegell, Sohn, and Van Vliet. Those voting no or abstaining: None. Motion carried.

Director Mendoza thanked the Board for making the decision to include a student on the Executive Committee.

Director Blair reported that the Board's Bylaws also specifically reference Roberts Rules of Order for the conduct of meetings. Board Secretary Hagemann indicated that many boards have deleted the specific reference to Roberts Rules of Order from their by-laws and are using more generic rules procedures, which allows for greater flexibility. He indicated that this announcement would serve as notice that at the November meeting the Board would vote on removing reference to Roberts Rules of Order from the Board's Bylaws.
7. **PUBLIC INPUT**

There was no one who wished to offer public comment.

8. **BOARD COMMENTS**

There were no further Board comments.

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

Director Van Vliet moved, seconded by Director Kelly to approve the Delegation of Authority to the Board’s Executive Committee as presented in the docket material. Those voting in favor: Directors Don Blair, Kirby Dyess, Hannah Fisher, James Francesconi, Paul Kelly, Adriana Mendoza, Dalton Miller-Jones, John von Schlegell, Howard Sohn, and Tony Van Vliet. Those voting no or abstaining: None. Motion carried.

10. **ADJOURNMENT**

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