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Committee members present included: Chair Kirk Schueler, Lynda Ciuffetti, Allyn Ford, and Farbodd Ganjifard; Orcilia Forbes was absent due to a business conflict.

Chancellor’s Office staff present included: Vice Chancellor Jay Kenton, Doug Botkin, Michael Green, Ellen Holland, Karen Levear, Jan Lewis, Melody Rose, Di Saunders, Patricia Snopkowski, Marcia Stuart, and Charles Triplett.

Others present included: Vice Presidents Mark McCambridge (OSU), Craig Morris (SOU), Monica Rimai* (PSU), Lon Whitaker (EOU), Eric Yanke (WOU), and Mary Ann Zemke (OIT); Randy Geller and Greg Strip (UO); Bill McGee (DAS).

1. **CALL TO ORDER/ROLL CALL/WELCOME**

Chair Schueler called the meeting to order at 9:00 a.m. and asked the secretary to take the roll.

2. **CONSENT ITEM**

   a. Approval of Minutes, March 15, 2013
   b. State reduction of Sports Lottery funding for 2011-2013

   **ACTION:** Chair Schueler called for a motion to approve the consent agenda; Directors Lynda Ciuffetti and Farbodd Ganjifard made the motion and second, respectively. Motion carried.

3. **AGENDA ITEMS**

   a. **OUS, Managerial Reporting – Quarterly Management Report**

   Controller Green provided the quarterly management report. Highlights of the report include:

   A review of campus accounts receivable valuation procedures was conducted; findings indicate that the processes used to determine the collectability of accounts receivable at the universities vary from campus to campus. Therefore, a Systemwide methodology is now in use for calculating bad debt reserve based on actual collections history. With that methodology applied to June 30, 2012 balances, it was noted that campuses have not been providing for an adequate reserve for bad debts in their operating budgets; consequently, accounts receivable balances and fund balances for both Education & General (E&G) and Auxiliary Enterprise funds have
been overstated. Mr. Green advised that, Systemwide, the amount is not believed to be material for the financial statements; however, the difference at some campuses appears to be material. The Controller’s Division will finalize a policy for implementation by this year-end and have received approval of the plan by the external auditors.

Projected campus fund balances for biennial-end include: EOU, 5.1%; OIT, 12.4%; OSU, 8.4%; PSU, 14.2%; SOU, 7.4%; UO, 17.%; WOU, 16.6%; and Chancellor’s Office, 20.7%. Vice President Moffitt, UO, advised that they are preparing a written plan for submission to the Board concerning their fund balance exceeding the Board policy maximum. She advised that this increase is due to the continued delays in hiring tenure-track faculty necessary to support the increased enrollment and related expenditures for the support of new hires. Management projects the fund balance will decrease at the end of Fiscal Year 2014 with the anticipated new hires and related PERS increases. She advised that 42 letters of offer were extended with 30 acceptances; with the retiring and resigning of current faculty, the net will not be 42 but anticipate a net of approximately 15 new faculty hires.

**ACTION:** Chair Schueler called for a motion to approve the quarterly management report for March 31, 2013; Directors Ganjifard and Ciuffetti made the motion and second, respectively. Motion carried.

**b. OUS, Report on Investments – As of March 31, 2013**

Chair Schueler called upon Director of Treasury Operations, Karen Levear, to provide the quarterly investment report. Highlights of the report note that the U.S. equity markets had a successful quarter, with the S&P 500 up 10.6 percent and that yields are within policy limits. The pooled endowment fund has met or exceeded its benchmark in the current quarter, for the fiscal year-to-date.

**ACTION:** Chair Schueler called for a motion to accept the investment report for the third quarter of Fiscal Year 2013; Directors Allyn Ford and Ciuffetti made the motion and second, respectively. Motion carried.

**c. OUS, Risk Management Quarterly Report**

Chair Schueler called upon Chief Risk Officer Ellen Holland to present the quarterly risk report. Discussion centered on the strategic plan developed by the Risk Council in February, the insurance renewal process and status, and risk control opportunities. Ms. Holland also reported on activities in the legislative session affecting OUS in the areas of risk. In response to Chair Schueler’s question pertaining to property insurance rates, currently, the appraisal rates established under the former program are in use with new appraisals anticipated to be completed prior to the October quarterly report.

**ACTION:** Chair Schueler called for a motion to accept the quarterly risk management report for March 31, 2013; Directors Ciuffetti and Ganjifard made the motion and second, respectively. Motion carried.
d. OUS, 2013-14 Proposed Tuition and Fee Rates and Policy Changes, Amendment of OAR 580-040-0040; 2013-14 Academic Year and 2014 Summer Session Fee Book

Chair Schueler called upon Associate Vice Chancellor Jan Lewis to present the item. The primary factors that drive tuition rate increases include the enrollment growth, reduced state appropriations, and increased costs in retirement and healthcare (both of which are outside of the campus control). While these factors increase the impact to tuition, campuses continue to strive to meet Board goals in access and affordability. In developing rate proposals, each university takes into account the mission, student demographics, market, and overall financial position. Five-year changes in enrollments, undergraduate enrollment-driven funding for fundable FTE, retirement and healthcare costs outside of university control, and tuition rates were provided for background. The Committee was provided with campus presentations pertaining to each university’s specific tuition and fee recommendations.

An opportunity was offered for public input and ten individuals submitted written and/or verbal testimony from PSU, UO, and WOU (written testimony is available in the Board’s Office).

Ms. Dana Rognlie, as both a graduate student at the University of Oregon and an educator, urged the Committee to vote against the tuition increase and asked that a tuition freeze be enacted immediately. She advised that over 300 signatures have been collected in support of the request. As the outgoing officer of the Graduate Teaching Fellows Federation and incoming vice president of AFT-Oregon and founding member of the League of Educators and Students Slashing Tuition (LESS-T is nationally recognized by AFT-national), she advised “At the University of Oregon, this year’s students will be paying 40 percent than what they paid as freshmen due to the seemingly innocuous 4-6 percent tuition increases such as the one proposed this year, despite a $101 million budget surplus. Tuition increases harm education—as educators and professionals, our primary output is the education of our students and, therefore, their debt.

“However, tuition increases do not increase the quality of education for several reasons:

1) Standards are often lowered so as to accommodate working students, decreasing the overall quality of education.

2) Tuition increases are not reflected in increased numbers of instructors or their salaries and education facilities but rather in administration costs and ‘keeping the lights on’ in new, extravagant non-education-oriented, energy inefficient buildings such as the Jaqua Center and Ford Alumni Center. As a result, instructors are further burdened with larger class sizes, especially where institutions have growing enrollment, without adding material support. With privatization of education, instructors become mechanized, demanding higher-productivity and output at reduced costs.

3) Administrators can use tuition increases as a dividing tool between students and instructors, hindering the mission of the educational institution and, contrary to popular belief, graduate students do care about tuition increases, as even the ones who don’t

1 The draft fee book is available at http://www.ous.edu/sites/default/files/state_board/meeting/dockets/ddoc130524-FA_appendices.pdf.
pay tuition, see at the bargaining table between the GTFF and the administration, the use of tuition increases as an argument against paying a living wage. The increasing privatization of education defers economic burden onto students which literally and figuratively impoverishes the community by suffocating students in often inescapable debt and creating insecurity in the funding of public education, which deepens existing inequality along racial, gender, and cost lines.

“Public education exists explicitly for the purpose of providing accessible and quality education to all regardless of economic status but public university is now a contradiction in terms, providing education only to those who can afford it or are willing to be indebted for decades. Popular thought used higher education as a means to an end to a financially secure future but it’s evident that in the current economy, students are often unable to procure relative employment. And if education is an investment, the state has grossly underinvested. However, education is not merely a means to an end but, as American philosopher John Dewy once stated, ‘education is not preparation for life, it is life itself.’ Education is an essential part of creating an informed and responsible community and it’s unfortunate that students and educators are underrepresented in the current OUS Board structure, as well as structures on the UO campus, but, nonetheless, I urge you to vote no on the 3-4.5% raise and, instead, enact a tuition freeze.”

Mr. Bryce Wolford, WOU, affirmed that students were involved in the process of tuition-setting at WOU; however, he urged the state to fund higher education at a greater level, emphasizing that students are driving themselves into debt in order to better themselves and to give back to their state through service.

Among the Committee’s comments, Director Ciuffetti expressed her concern with the level of increases to graduate education. Director Ganjifard encouraged the Committee to reiterate student concerns to the June full Board as students the academic year term will have ended prior to that meeting. The Chancellor was asked to express during the June Board meeting and with legislature that “the Board stands ready to partner with tuition relief or buy-down to offset resident undergraduate tuition.”

**ACTION:** Following a full and frank discussion, Chair Schueler called for a motion to recommend to the full Board at its June 21, 2013 meeting, the adoption of OAR 580-040-0040 by permanent rule; Directors Ford and Ciuffetti made the motion and second, respectively. Motion carried.

**ACTION:** Directors Ciuffetti and Ganjifard made the motion and second, respectively, to repeal the 1992 Tuition Policy; motion passed.

e. **2013 Internal Audit Division Quarterly Progress Report**

Chief Audit Executive Patricia Snopkowski provided the quarterly internal audit progress report, sharing that the division developed and implemented a departmental fiscal audit concept at each campus that covers high-risk transactions (e.g., accounts payable, procurement card,
travel, and petty cash). IAD recommended more centralized monitoring, better training in departments for programmatic review, and the examination of the level of documentation provided for each transactions at the regional campuses and will be auditing OSU, UO, and PSU in the upcoming months. It was noted that the campus business offices and the internal audit division will share best practice monitoring tools once all seven campus audits are complete, which will foster greater efficiencies in monitoring high risk transactions.

It was also highlighted that internal audit designed a compliance program audit program to gauge all OUS compliance programs against based upon suggestions noted in the United States Sentencing Commission Guidelines Manual on Effective Compliance and Ethics Programs. It was also noted that President Ray was a strong supporter for having the Athletics programs audited first under the audit program approach, which provide valuable suggestions for further strengthening our ability to NCAA compliance requirements.

Snopkowski provided an update on future audit plans and sought approval for the quarterly progress report.

**ACTION:** Following discussion, Chair Schueler called for a motion to approve the May 2013 Quarterly IAD Progress report; Directors Ganjifard and Ciuffetti made the motion and second, respectively. Motion carried.

f. **Oregon University System Audit Charter**

Director Snopkowski advised that the Committee is tasked with reviewing and approving the Internal Audit Division charter annually. The charter documents the duties and responsibilities of the division and outlines its service to the Chancellor, Board, and campus management.

**ACTION:** Chair Schueler called for a motion to approve the updated audit charter; Directors Ford and Ciuffetti made the motion and second, respectively. Motion carried.

4. **DISCUSSION ITEM**

a. **Update on NCHEMS Outcome-based Budget Project**

Dr. Kenton provided an update on the progress of the new budget project with the discussion focused on the proposed elements. He advised that the work group will continue developing the model and anticipates an update at the June meeting.

5. **ADJOURNMENT**

With no further business proposed, the meeting was adjourned at 2:39 p.m.