STATE BOARD OF HIGHER EDUCATION

Minutes of Meeting Held on January 25, 1980

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Commission on Public Broadcasting
Report on City College in Seattle
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STATE BOARD OF HIGHER EDUCATION
MINUTES OF REGULAR MEETING HELD IN
THE DADS ROOM, ERB MEMORIAL UNION,
UNIVERSITY OF OREGON, EUGENE, OREGON

January 25, 1980

A regular meeting of the State Board of Higher Education was held in the
Dads Room of the Erb Memorial Union, University of Oregon, Eugene, Oregon.

ROLL CALL
The meeting was called to order at 8:30 A.M. (P.S.T.), January 25, 1980,
by the President of the Board, Mr. Louis B. Perry, and on roll call the
following answered present:

Mr. Lester E. Anderson
Mr. Alvin R. Batiste
Mrs. Jane H. Carpenter
Mrs. Edith Green

Mr. Edward C. Harms, Jr.
Mr. Robert C. Ingalls
Mr. William C. Thorp, III
Mr. Loren L. Wyss
Mr. Louis B. Perry

Absent: Mr. Jonathan A. Ater was absent for business reasons;
Mrs. Elizabeth Warner-Yasuda was absent due to illness.

OTHERS PRESENT
Centralized Activities--Chancellor R. E. Lieuallen; Secretary Wilma L. Foster;
W. T. Lemman Jr., Vice Chancellor for Administration; J. I. Hunderup,
Vice Chancellor for Facilities Planning; Miles C. Romney, Vice Chancellor
for Academic Affairs; E. Rex Krueger, Vice Chancellor for Educational
Systems; Edward Bruchfield, Assistant Attorney General; Janet E. Young,
Assistant to the Chancellor; Richard S. Perry, Director, Division of Manage­
ment and Planning Services; Ken Jones, Assistant to Vice Chancellor for
Administration; Keith Jackson, Assistant Budget Director; Davis Quenzer,
Assistant Budget Director; Ross Hall, Controller; A. M. Rempel, Assistant
Vice Chancellor for Academic Affairs; Wayne Sims, Assistant to Vice
Chancellor for Academic Affairs; Clarethel Kahananui, Assistant in Curri­
culum Planning; Richard Zita, Director, Public Services and Publications;
Virginia Avery, Assistant Director, Public Services and Publications;
Francetta Carroll, Administrative Assistant; Karen McCumsey, Secretary to
Chancellor.

Oregon State University--President R. W. MacVicar; Clifford Smith, Vice
President for Administration; Robert Chick, Vice President for Student
Services; Sandra Suttie, Assistant to the President/ Curriculum Coordinator.

University of Oregon--President William B. Boyd; Curt Simic, Vice Presi­
dent for Public Services; John E. Lallas, Executive Dean; Ralph Sunderland,
Budget Director; Kenneth Thomas, Director of Continuing Education.

University of Oregon Health Sciences Center--President Leonard Laster.

Portland State University--President Joseph Blumel; James Todd, Vice
President of Finance and Administration; Kenneth Harris, Director of the
Budget.

Oregon College of Education--President Gerald Leinwand; James Beaird,
Provost; John N. Sparks, Director of Business Affairs; Ronald C. Coolbaugh,
Dean of Arts & Letters; Maxine Warnath, Chairman, Department of Psychology
& Special Education.

Eastern Oregon State College--President Rodney A. Briggs; David Gilbert,
Dean, Academic Affairs; J. C. Lundy, Business Manager.

Southern Oregon State College--President Natale A. Sicuro; D. E. Lewis,
Dean of Administration; Ernest E. Ettlich, Dean of Academic Affairs.
MINUTES
APPROVED

The Board voted to dispense with the reading of the minutes of the last regular meeting of the Board held on December 14, 1979, and approved them as previously distributed. The following voted in favor: Directors Anderson, Batiste, Carpenter, Green, Harms, Ingalls, Thorp, Wyss, and Perry. Those voting no: None.

Staff Report to the Board

On October 9, 1979, the Foundation for Oregon Research and Education (FORE) released a report entitled:

Budget Review
Oregon State System of Higher Education
Portland State University

The report was the consequence of a written request, dated March 27, 1978, from the President of the Board of Higher Education, inviting FORE "to conduct detailed examinations of (institutional) 1978-79 annual operating budgets and to report to the Board on the results of the examinations." The letter request appears in the FORE report on pp. 15 and 16 and is included as Supplement A to these minutes because it records the Board's acknowledgment that it cannot undertake detailed review of the operating budgets of the institutions but must rely on the adoption of guidelines, the close examination of selected portions of the annual budgets, and delegation of responsibility for further surveillance to the Chancellor and the Presidents. The letter further noted that this set of facts left the Board desirous of a more intensive (external) review of the base budgets as a means of determining their reliability and credibility.

FORE met with President Perry and Vice Chancellor Holmer on April 10, 1978, accepting the request as a part of its planned project on Educational Cost Management in Oregon.

Although it had been hoped that FORE might study the budgets of several institutions, FORE chose instead to examine the budget of only one institution: that of Portland State University. This decision was disappointing but it may demonstrate that it is impractical to expect a lay organization to undertake detailed examination of the base budgets of all the institutions. Indeed, the FORE Budget Review Subcommittee confined its discussion and recommendations to policy and procedure, electing not to express judgments directly about the propriety of individual elements in the PSU budget.

The heart of the report is to be found in the three paragraphs at the top of page 9 of the FORE report:

Portland State has been utilizing a budgeting process in which many elements of personnel and program cost have been open for annual review. Strong efforts have been made to control internal costs and deal with problems of internal allocation of funds.

It is the conclusion of the committee that procedures for budget development and approval are being soundly and effectively administered at Portland State University. The administration communicates well with the deans and the department heads. The budget process supports efforts toward program evaluation and improvement.
Within Portland State, considerable attention is being paid to issues of allocation of resources and productivity of efforts, and to the extent possible funds are being utilized in response to identified needs and priorities.

At the State System level, the process of compiling budget information and preparing budget documents is soundly administered. The principal problems lie in interpreting the role and actions of the Board in budget policy, development, and review.

This generally favorable commendation should be reassuring to the Board.

The FORE report includes nine numbered recommendations. The remainder of this report comments on each of them.

FORE Recommendation 1: We recommend that the State Board of Higher Education and the office of the Chancellor undertake immediate action to organize and make available written statements of Board policy in all areas of Board concern but particularly in relation to general management and budgeting.

The Board's policies are recorded in a variety of forms: Administrative Rules; Internal Management Directives; and in specific policy decisions of less formal or enduring nature. FORE's discussion of this recommendation alleges that a special compilation would somehow facilitate internal and external policy review.

Every large organization faces a problem of codifying its internal regulations and policy decisions. In the Department of Higher Education, the making of budget decisions (a particular subset of Board decision-making) has seemed to be best served by bringing to the Board a broad but selected range of policy options. When all of the Board's basic budget policies are arrayed (as they were in the 1975-1977 budget document) they are a useful source of reference for full-time professionals but of limited value to a part-time lay board.

In the judgment of the staff, implementation of this recommendation would divert staff effort from matters of much higher priority.

FORE Recommendation 2: We recommend that Portland State University develop an institutional policy manual which defines institutional policies regarding management and budgeting in conformance with Board policies.

Portland State University plans to complete such a manual within the fiscal year. The manual will consolidate policies and procedures in a single document, with subsections identifying differences between organizational units.

FORE Recommendation 3: We recommend that annual and biennial budget documents of the State System and each institution be modified to include statements of intended change and performance.

One of the difficulties in presenting the budget of any large organization to its policy-making body is the selection of those budget elements that deserve the time and attention of the board of directors. One of the recurring themes of critics of state agencies in general and of higher education in particular is that "no one ever examines the base." The implication in our case is that the budgets presented to the Board and the legislature should "be modified to include statements of intended change and performance."

The last paragraph of FORE's discussion of this recommendation says: "It is important to define appropriate levels of detail for presenting intended actions and changes within budget materials. Some degree of consolidation is appropriate at higher levels of budget review, but should not result in vague or general statements. The quality and extent of change must remain visible."
It is the judgment of the Board’s staff that the appropriate levels have been determined and that appropriate statements of intended change and performance are already provided.

FORE Recommendation 4: We recommend that Monthly Expense Reports generated by the State System and Portland State be modified to reflect initial budget amounts and budget variances. The monthly reporting process should include comparison of actual expenses to the initial budget and calculation of variances.

This recommendation is inappropriate. A budget is a tool of management. Since the initial budget may be modified only in accord with Board policies, constant recurrence of comparisons to the budget at some arbitrary point in time is managerially irrelevant.

FORE Recommendation 5: We recommend that the Board conduct a review of budget policies, assumptions and major issues prior to issuing budget guidelines each year. Deep examination of programs, major goals and policy issues must occur early in the year to provide a stronger basis for budgeting.

It has been the staff’s assumption that this is what has been taking place.

FORE Recommendation 6: We recommend that the purpose and process of actual budget review be structured to ensure that budget requests conform to Board policy and guidelines. Support expected changes in programs and enrollments, and promote increased performance and productivity.

It has been the staff’s intention to submit budgets that serve these purposes.

FORE Recommendation 7: We recommend that major service functions within Portland State University be individually budgeted by user departments and that those departments be held accountable for planning, budgeting and utilization of such services.

This recommendation is a judgment call. Whether it is better to budget computer operations as a self-supporting unit (funded by charges to other departments) or by direct allocation of funds is too complex a question to be addressed as arbitrarily as the FORE report does. Although PSU may plan to budget its computer operation in this way, it is not clear that all "major service functions" should be so budgeted.

FORE Recommendation 8: We recommend that the State System and its institutions continue development of improved measurements of performance and cost, and seek increased performance and productivity. Such efforts should be reflected in the budget process.

The Board’s staff concurs.

FORE Recommendation 9: We recommend that the State System and Portland State University develop increased proficiency in planning and its application to budgeting.

An outcome devoutly to be sought. This fall, Portland State University has initiated a formalized long-range planning process.

Discussion and Recommendation by the Committee

This item was deferred for discussion at the January Board meeting.

Board Discussion and Action

Mr. Perry invited the representatives of FORE to present their comments on the FORE budget review report. Mr. Jack Baxter, Chairman of the FORE committee which constructed the budget report, expressed appreciation for the invitation to comment on the report. Mr. Baxter explained that the Foundation is supported by contributions of cash and services. The studies have three basic criteria. They concentrate on the management aspects of
Meeting #461 January 25, 1980

educational process as opposed to the area of curricular availability, curricular content or emphasis, and adequacy of curricula. Efforts are made to work with the sector being studied and not against it. Reports are submitted first to that sector. There is a follow-up aimed at securing implementation of the recommendations.

Mr. Baxter reviewed the background leading to the study, noting that the Board was desirous of a more intensive review of the base budget as a means of determining its reliability and credibility. Mr. Baxter requested that Dr. Ray Honerlah, Research Director at FORE, discuss the budget. Dr. Honerlah said that there had been an opportunity to review the comments in the docket on the recommendations presented in the published report. Mr. Perry noted that there had been an opportunity also for telephone discussion concerning the presentation.

Dr. Honerlah said that FORE’s effort was directed toward the management aspects of the budget of the System as a whole, but particularly at Portland State University. He indicated that there were actions and basis for support. He commended the staff in Centralized Activities and at Portland State University for the manner in which they have administered aspects of budgeting within the current policy framework and within the base budget approach.

Dr. Honerlah then reviewed each of the recommendations. He emphasized that indications of the kind of performance and the changes in performance in various components of the institutions should be appended as part of the budget preparation to be used as the basis for measuring what actually occurs along with measuring the actual expenditures in relation to the budget. Recommendation No. 4 would require greater computer support but this has become a standard approach in other areas of endeavor and would be appropriate in the public sector. In conclusion, Dr. Honerlah said he supported any efforts to improve planning, particularly in its application to the budget process.

President Perry thanked the representatives from FORE for their comments. He expressed the Board’s regret that the agenda in December had prevented having the FORE presentation at that time.

Mr. Ingalls commented that some of the concerns expressed in the FORE report also had been concerns of the Finance Committee. He indicated that there would be a series of meetings to work on the budget. Staff has been asked to provide the Board with the same materials which will be given to the Legislature.

In response to a question as to whether FORE had any information on budget procedures utilized by other similar state systems, Dr. Honerlah said there was nothing of significant depth to offer as a model at this point.

Mr. Wyss said it seemed that a number of the FORE recommendations have moved toward an attempt to formalize procedures that may have been informal in the past. In fact, the Board has discussed the advantages and disadvantages of formalizing various procedures and predictive documents. However, there are many opportunities during the year which remind Board members of the current priorities and how they have changed from the previous year.

Mr. Perry asked whether the quarterly reports rather than the monthly reports mentioned in Recommendation No. 4 would fulfill the intended objective.

Dr. Honerlah indicated that they would.

As added explanation with respect to indicators of change mentioned in Recommendation No. 3, Dr. Honerlah said the recommendation was related to program-oriented budgeting in which the budget is separated into program
components which would show the financial side and also the particular goals, objectives, or indicators of performance related to the particular expenditure.

The Chancellor said the report would serve as a stimulus to examine the Board's budget activities although he had some reservations about the capacity or, in some instances, the appropriateness of following strictly the recommendations. However, the recommendations will be useful. He commented that the request to FORE had been stimulated by the problem that there is a lack of conviction on the part of the Board's constituency that the base budget ever does get examined. He said it was probably an unrealistic expectation that FORE could review the actual budget at one or more institutions and draw some conclusions about whether there were significant variances from good budget practice which might then lead to an appropriate response. As a result, there was an examination of budgeting processes rather than of the substance of the annual budget, thus leaving an uncertainty that there has been a substantive external examination of the base budget.

Mr. Baxter responded that FORE attempted to stay away from substance and would not have undertaken the study had it been understood that a review of substance was expected. He said the interpretation had been that the Board was interested in knowing whether there was good budgetary practice and the study revealed that there was a lot of good budgetary practice occurring. Other budgetary practices could be added to improve the process. He said it is recognized that the transfer of experience from business to the public sector is not necessarily precise or valid, but much is similar. Mr. Baxter said he felt very strongly about the necessity for variance accounting to assure a tight budgeting procedure. Variance accounting allows the Board to see where the approved budget was actually spent.

The Chancellor said he would be reluctant to have the Board judge how well the budgets were executed by the magnitude of the variance between the beginning and ending budget when the beginning budget does not include any of the salary adjustment funds for the year and when it is necessary to adjust the budget for significant enrollment changes.

Mr. Baxter said outside unknown factors affect business budgets also, but variance accounting forms the basis for determining what has happened.

Mr. Perry thanked the representatives from FORE for their presentation and the work which they had done in preparing the report. It was indicated that no Board action was required.

The Chancellor said that the statute establishing the new Commission on Public Broadcasting provides that actions of the Commission are subject to veto by the Board of Higher Education. In view of the strong legislative intent to delegate authority to the Commission, the prospects are remote that a veto would occur. However, in the event the veto power were to be exercised, it would be desirable to have a clear understanding of the process to be followed. The Chancellor indicated that a policy statement had been prepared to provide guidance for both the Commission and the Board. He indicated that the policy would be subject to modification after it had been in operation for a period of time.

The Chancellor recommended adoption of the following policy statement setting forth the proposed procedure:

The Chancellor shall remain generally familiar with the conduct and operations of the Commission on Public Broadcasting. Within ten (10) days after receiving a copy of the minutes of a meeting of the Commission, if the Chancellor believes an action should be vetoed, the Chancellor shall notify the chairperson and Executive Director of the Commission of the Chancellor's intention to recommend a veto of action taken by the Commission. The Chancellor
shall inform the board members promptly of such recommendation. The Board shall act on the recommendation at its next meeting, whether regular or special. If the Board does not veto an action of the Commission at such meeting, it shall not thereafter veto any action taken by the Commission which is reflected in those minutes.

It is expected that, following a notice of intent to veto an action, the Commission will hold the action in abeyance until the Board acts on the recommended veto.

The last sentence of the first paragraph subsequently was deleted.

In response to a question concerning the 10-day time limit for notification of a possible veto, the Chancellor stated that in the event of his absence for a period longer than 10 days, he would assume that there would be an automatic delegation of authority to act. A specific delegation could be stated in the policy.

Mr. Batiste commented that an item mentioned in the minutes might not be discussed in sufficient detail to justify a veto but later specific acts might require one. He suggested that the language in the policy statement appears to preclude further consideration of such items.

The Chancellor explained that the intent of the sentence was to give the Commission some assurance against the continual threat of a veto of its actions. In other words, the Board is forced to reach a decision in a timely fashion to eliminate uncertainty for the Commission. He said the statement was based upon the assumption that the inclusion of the veto in the statute was designed to give some force to the phrasing in the statute which says the Commission shall function under the Board of Higher Education. The Chancellor said it was not, as he viewed it, an indication that the Board of Higher Education and the Chancellor have the responsibility for careful monitoring and surveillance of everything done by the Commission, and that the delegation to the Commission is, in fact, a real delegation.

Mr. Batiste said he questioned whether binding all matters included in the minutes against any future veto is required or necessary.

Mr. Perry concurred with an earlier statement by the Chancellor that this is an unusual relationship. He pointed out that whatever was adopted could be changed.

Mr. Wyss expressed concern that the Chancellor was the only person who was given responsibility for this. He pointed out that while he had no question that the Board would be well served under the present Chancellor, the policy is expected to continue even after the present Chancellor might be replaced. For that reason, he suggested that the President of the Board or other Board member, as an appointive representative of the public, also should be responsible.

The Chancellor said it had been his assumption that any Board member who was concerned about actions of the Chancellor in these matters would be able to communicate those concerns without the necessity for a specific statement in the policy. After further discussion, it was agreed that the statement should not be modified in this respect at the present time.

Mr. Anderson said the important thing was that the public be served. It is clear that there has been a significant delegation of authority to the Commission. It is also important that actions taken by the Commission can be appealed or reconsidered by a higher authority. He said he was convinced that the public would advise the Board if any actions taken by the Commission did not appear to be in the interests of the public.

Mrs. Green suggested the deletion of the last sentence in the first paragraph because events change, later information requiring reconsideration might come to the attention of the Board, and problems of interpretation could
occur. She stated that the working relationship between the Commission and the Board and the credibility and confidence the Commission has in the Board are dependent upon many factors.

A motion by Mr. Harms to delete the last sentence in the first paragraph was supported by Mr. Batiste. Mr. Batiste also requested a statement expressing the Board's intention to make significant delegation of authority to the Commission.

The Board approved the motion with the understanding that the statement requested by Mr. Batiste would accompany the policy. The following voted in favor: Directors Anderson, Batiste, Carpenter, Green, Harms, Ingalls, Thorp, Wyss, and Perry. Those voting no: None.

Report on City College in Seattle

The Chancellor said the Board had expressed an interest in a report concerning the activities in Oregon of City College in Seattle. He requested Dr. T. K. Olson, Executive Director of the Educational Coordinating Commission, to describe the situation.

Dr. Olson said City College is a Washington-based institution. Entrepreneurs employed at other educational institutions conceived a package providing educational delivery of certain kinds of education for certain types of people and settings in the Seattle area. The project expanded throughout Washington and authorization has been requested to offer degrees in Oregon. Basically the programs are upper-division and graduate programs geared to people who are currently employed, who take their work at night, on weekends, and in late afternoons. They transfer in a substantial amount of credit from other institutions or their experiences. Dr. Olson stated that the City College is a fully accredited institution of the Northwest Association of Schools and Colleges. Application has been made to the Commission to offer degrees formally in Oregon under the Commission statute as the degree-granting agency for non-public institutions for the State of Oregon.

Dr. Olson reported that an initial hearing has been held and in the meantime approval has been granted for City College to offer three courses in Oregon in Portland. These courses are housed currently at the Cascade Campus of Portland Community College and consist of two graduate and one undergraduate course. Students must be informed that City College cannot award degrees for coursework given in Oregon until the Commission has acted under its degree-granting authority. In addition, before such authority is given, City College must make written agreements with the libraries in the areas where the coursework will be offered for use of the facilities by City College students. Arrangements also must be made to assure the availability of faculty to consult and advise students outside the regular class time. City College complied with these conditions prior to offering the three courses in the Portland area for the present academic year.

The application of City College for degree-granting authority will be reviewed in the broader context of the issue of out-of-state institutions offering coursework or degrees in Oregon. A policy paper on out-of-state institutions was adopted by the Commission in January and administrative rules will be adopted in March or April pursuant to those policies.

Authorization for City College to continue to conduct courses in Oregon after 1979-80 is dependent upon approval of City College's degree programs by the Commission. City College must advise each Oregon resident student of its status and requirements with respect to the course work being offered.

In response to a question, Dr. Olson stated that the financial support is primarily from tuition funds. Students would be potentially eligible for the Oregon subsidy for Oregon residents provided City College remains a fully accredited institution and receives degree-granting authorization. With respect to evaluation of non-traditional curricular experiences, the Commission is in the process of drafting rules for out-of-state institutions which also would be appropriate for in-state institutions.
Mrs. Green asked (1) what courses were proposed; (2) were such courses not available at the present time, or could an existing institution in the state not provide such courses; and (3) were the professors from City College or were they professors at one of the Oregon institutions.

Dr. Olson said degree status had been requested basically for three programs--a master's degree in business and public administration and an undergraduate degree in business administration. The request is consistent with the bulk of their course work at the various locations in which they offer programs in the State of Washington. Many institutions in Oregon offer those degrees and several of them are located in the Portland area. He explained that the Commission has a two-fold role. First, there is a responsibility to determine whether the institution should have legal status to offer degrees in Oregon as an institution. Secondly, the institution is subject to the same program review processes that are applied to requests from Oregon institutions. Institutions which have similar programs will have an opportunity to bring to the attention of the Commission the degree to which they think the proposed program would affect them. Three institutions have already indicated informally very strong views on this subject. City College has no full-time faculty. Instructors are employed full time in other institutions and teach the City College courses as an addition to the full-time load elsewhere, or they are part time at another institution and these courses supplement their part-time employment. Some may be academically qualified to teach but are employed in industry or government. It should be noted that City College is fully accredited. Its students would be eligible for all forms of student financial aid at the federal level. If it becomes a degree-granting institution in Oregon, the students would be eligible upon application to the State Scholarship Commission for the state need grant programs.

Mr. Anderson said he was reserving judgment at this point but viewed the request as the beginning of a trend which was somewhat alarming. When individual entrepreneurs offer all kinds of educational programs throughout the nation in areas where facilities and activities are already available, there will be a real dilution of educational quality.

Mr. Anderson said he would hope the Commission would make a periodic review of this matter. He asked about the procedure for review of the kinds of offerings in the ongoing programs of the school and what steps could be taken if it is found that they do not meet the standards which the Commission believes are appropriate.

Dr. Olson reviewed specific actions which the Commission took at its meeting concerning out-of-state institutions in terms of the policies to be followed. A planned approach is to be used in evaluating requests, placed in a context of the needs of the State of Oregon. A needs assessment should be undertaken to identify those which could be provided best through involvement of out-of-state institutions, joint programs, or reciprocities. Planning information should be available from various sources. An exchange of communications with appropriate groups will be undertaken for the purpose of identifying problems and working cooperatively toward solutions.

Dr. Olson commented that extensive investigations have been conducted in the State of Washington with respect to City College and the results have been favorable.

Mr. Wyss said one concern would be whether out-of-state institutions were being subsidized in some way with facilities, with the benefit then flowing to a profit-making institution.

Mr. Thorp noted that when the Board proposes a program, those programs are scrutinized rigidly by everyone for possible duplication. Dr. Olson said City College or other out-of-state institutions would be subject to the same procedures and guidelines for program review as those applied to Oregon institutions.
Mr. Harms expressed concern that these programs had the potential for developing into the department of upper-division and graduate studies at Portland Community College and Mt. Hood Community College.

Mr. Batiste said if the arrangement at Portland Community College is in violation of the Joint Agreement, they should be informed of this. He asked if the Board of Education was affirmatively supporting the request.

Dr. Olson said the future housing of City College has not been determined because there would be a new president at Portland Community College. If the courses are housed at a community college, there will be substantial discussion by a number of people because of housing upper-division and graduate work at a community college and many others could serve that purpose as well.

Mr. Harms said he appreciated the information provided by Dr. Olson and indicated that he was certain the Commission would review the City College request with the Board's concerns and those of Oregon higher education generally in mind.

Mrs. Green asked on what basis the Commission had decided there was a need for this new college. Dr. Olson replied that the need had not been determined but there was an application to be reviewed under the usual procedures. The courses were authorized because they were being offered and the Commission did not, at that time, have authority over courses. The Commission does not have authority over courses but over degrees granted by out-of-state institutions. Prior to 1979, the statutes did not allow the Commission to have authority over institutions accredited by the Northwest Association of Schools and Colleges.

Mr. Wyss said it should be recognised that an institution can come in from outside, without carrying the tenured faculty and heavy fixed expenses which are part of a State System. Institutions based on past needs are limited in current service. He said the Board will have to face this problem in the future as it makes decisions for an establishment that has all of the traditional background which is not efficient on a purely course offering basis today.

Mr. Perry said the board was sympathetic to the concerns of the Educational Coordinating Commission with respect to quality and other considerations that have been mentioned.

Dr. Olson said the other two institutions that are asking for out-of-state degree status in Oregon are the University of Washington and Washington State University. The programs requested are either programs that could be offered by the State System institutions or are very similar to programs offered by those institutions.

Dr. Olson said he also wanted to bring to the Board's attention a status report on the Commission's responsibilities in the general area of planning. The Commission has adopted the improvement of educational quality and effectiveness as a scheme for these planning efforts based on a period of three biennia. The Commission is developing a concern about a planning process before considering whether there is a totally comprehensive educational plan. A series of papers will be developed covering a variety of information. These papers will be distributed for public hearing or comment.

Mr. Perry said definitive long-range planning is highly important.

Dr. Olson concluded by reporting that recommendations concerning governance of programs such as Project Advance were being prepared.
The Chancellor recommended the appointment of Dr. James T. McGill, presently Associate Vice Chancellor for Resource Planning and Allocations of the University of Illinois at the Medical Center in Chicago, as Vice President for Finance and Administration at the University of Oregon Health Sciences Center. The appointment is an annual appointment, effective no later than July 1, 1980, at an annual salary of $50,000. Dr. McGill is a graduate of Oregon State University with a baccalaureate degree in mathematics. His Ph.D. degree is from Stanford University in operations research.

The Chancellor announced that Dr. Miles C. Romney, Vice Chancellor for Academic Affairs, had submitted his resignation, effective June 15, 1980, to accept a mission assignment with his church. The Chancellor expressed his deep regret at the loss to him personally and to the State System.

President Perry said it would be very difficult to find a person who will devote the many long hours in preparing the detailed reports that Dr. Romney had presented to the Board. Mr. Perry indicated the church would be the beneficiary and wished Dr. Romney well in his new endeavor.

The Chancellor said the recent public attention attracted to the widespread intercollegiate athletic scandal and its impact on the University of Oregon, and to a lesser extent at Oregon State University, had persuaded him of the necessity to express some concern about the issue. Accordingly, the Chancellor said he had prepared the following statement:

Statement on Intercollegiate Athletics
by
R. E. Lieuallen, Chancellor
Oregon State System of Higher Education
January 25, 1980

You have all read and heard much about what began as a bogus credit allegation which has affected the U of O, and, to a lesser extent, OSU, as well as several other universities across the nation.

President Boyd and President MacVicar have kept me informed and are taking steps designed to make it unlikely that these circumstances will be repeated in their institutions.

I have encouraged them vigorously to pursue these steps. The integrity of the universities demands that any ethical (and legal) lapses in the institutions be identified and appropriate sanctions applied.

Furthermore, I have urged all of the presidents with responsibilities for intercollegiate athletic programs to clarify with their athletic staffs their expectation concerning conformance to high academic standards and to ethical and legal behavior.

I am especially concerned about three features of this current unfortunate mess.

First, how can we prevent in the future the flagrant compromise of academic integrity represented by the accumulation of bogus credits?

Second, have any of our employees been involved in any illegal activities, such as gambling on the outcomes of games and/or use of public resources for personal benefit? And,

Third, to what extent, if any, have our employees violated the tradition of trust which is a sine qua non of an academic community?
The Board's Office is reviewing existing statements of Board policy related to intercollegiate athletics. We are also attempting to draft suggested additions to that policy.

I hope to have something for your consideration at your next meeting.

One last thing.

Our mail, conversations, and telephone calls about the current allegations reveal a sharp division of opinion on what we should be doing.

Some believe we are making a mountain out of a mole hill. Others are equally vehement that we are trying to push a large sized problem under a rug.

My view is that the problem is major and that a vigorous investigation should be pursued. Unless you direct us to the contrary, the vigorous pursuit will continue.

Mrs. Green moved that the Chancellor and others be instructed to pursue both the gambling allegations and the bogus credits in a very vigorous manner. It was understood that the motion also included the possibility of those illegal activities related to use of public resources.

Mr. Batiste said he would hope there would be an opportunity for the presidents of the institutions to review with key staff the rules and regulations and as a result of subsequent discussions suggest any appropriate changes. The Chancellor said he would anticipate reporting further to the Board after a review of any proposed policy changes or additions with the institutions.

Mr. Wyss asked whether bogus credits are accumulated for degrees in other areas outside of the athletic part of the institutions. He questioned whether people are so interested in filling athletic pages that the focus is in this area when there may be a broader problem. The Chancellor said the evidence he had accumulated suggested that the problem is not limited strictly to intercollegiate athletics. There are frequent reports on bogus degrees--degrees issued for a price. This has been going on periodically in various institutions at various times for many years. Accreditation is the principal protection because when an institution is accredited, it is presumed that a credit or degree issued by that institution is a valid credit or valid degree. However, the present problem is limited to intercollegiate athletics.

The Board approved the motion by Mrs. Green, with the following voting in favor: Directors Anderson, Batiste, Carpenter, Green, Harms, Ingalls, Thorp, Wyss, and Perry. Those voting no: None.

(Considered by Committee of the Whole, December 14, 1979; present--Anderson, Ater, Batiste, Carpenter, Harms, Ingalls, Thorp, Wyss.)

Summary

The December 14, 1979, meeting of the Board's Committee of the Whole is the third of a series of Board and Board Committee meetings which will lead, ultimately, to the adoption by the Board of a set of guidelines to guide Oregon College of Education's development--replacing OCE's current guidelines, adopted by the Board in 1973.

April 30 Meeting of the Board as Committee of the Whole

At the April 30, 1979, Board meeting, President Leinwand, his staff and faculty, and citizen-friends of OCE, presented to the Board--sitting as a Committee of the Whole--the OCE-developed mission statement setting forth Oregon College of Education's aspirations.
Staff Recommendation to the Board

The following materials relating to OCE's mission statement and proposed guidelines were presented:

- Board's Office recommendations.
- Proposed guidelines for OCE.

The guidelines are presented in two forms: (1) the guidelines in a "clean" form--making no reference to the extent or nature of the changes made in them since they were presented to the Board in December; (2) the same guidelines but in a form permitting the Board to identify the changes that have been made by the Board's Office and OCE cooperatively in the December version.

Recommendations

The Board's Office made the following recommendations relating to the major points included in the OCE-developed mission statement, dated June 22, 1979. A detailed discussion of the recommendations may be found in the June 22, 1979, report to the Committee cited above.

1. Change in name. The Board's Office recommended that the Board seek legislative authorization to change OCE's name to reflect more accurately (a) OCE's Board-assigned designation and the range of instructional programs offered by OCE, (b) OCE's characteristics as recognized and classified by the Carnegie Commission on Higher Education and the American Council on Education.

By Board designation OCE now is, and has been for a decade-and-a-half, a liberal arts college with a special emphasis on teacher education.

OCE is classified and categorized by the Carnegie Commission on Higher Education in a 1976 study under the rubric "Comprehensive Universities and Colleges I." The American Council on Education accepts and is perpetuating the Carnegie Commission's classification of American colleges and universities, including OCE's classification.

A variety of names have been suggested for consideration in the event the Board desires to change OCE's name. Among them are the following:

Western Oregon State College  Oregon College
Mid-Willamette State College  Oregon College at Monmouth
Salem State College  Monmouth State College

(See the June report to the Board's Committee, pp. 27-33.)

2. OCE's present liberal arts role and aspirations. The Board's Office recommended that, with respect to OCE's aspirations for authorization to offer additional instructional programs in the liberal arts areas, the Board reaffirm its long-standing policies expressive of the Board's willingness to consider such program proposals on their merits (i.e., when need therefor can be demonstrated, and when resources can be identified which permit the offering of the proposed programs without unnecessary duplication of programs).

(See the June 22 report to the Board's Committee, pp. 9-18.)

3. OCE's aspirations for expanding its professional programs in keeping with its present status as a comprehensive college, as defined by the Carnegie Commission on Higher Education. The Board's Office recommended that, with respect to OCE's aspirations to be authorized additional
professional programs (e.g., business administration, public administration, human services administration, additional programs in education/teacher education), the Board reaffirm its willingness to consider such proposals on their merits (i.e., on a showing of need, availability of resources).

(See the June 22 report to the Board's Committee, pp. 21-22.)

4. Service to the Salem area. The Board's Office recommended that the Board encourage OCE to explore the postsecondary educational needs of the Salem area with a view to meeting such of those needs as OCE's resources will permit, consistent with appropriate coordination with other two- and four-year colleges and universities serving the Salem area so as to avoid unnecessary duplication of programs and effort.

As the only four-year public institution in close proximity to Salem, and with an established reputation for effective collaboration with State governmental agencies over many years, OCE is admirably situated to serve the Salem area.

(See the June 22 report to the Board's Committee, pp. 23-25.)

5. OCE's commitment to high quality teacher education. The Board's Office recommended that the Board encourage OCE to continue a major commitment to high quality teacher education. OCE has gained a national reputation for its teacher education programs. The esteem in which OCE's teacher education programs are held is evidenced by the fact that OCE's upper-division enrollments in teacher education have held up well in the face of declining teacher education enrollments generally.

(See the June 22 report to the Board's Committee, pp. 37-39.)

6. OCE's research role. The Board's Office recommended that OCE's research role be couched in terms of (a) the importance of scholarship at all levels of instruction as a necessary means of faculties' keeping abreast of developments in their fields of instruction, and (b) recognition that, although research is not a primary function of OCE--as it is at the three universities and the Health Sciences Center--there are faculty at OCE who are vitally interested in carrying on research activities and that OCE will wish to, and should encourage such research activities (both sponsored and nonsponsored) as are consistent with the fact that OCE's primary mission is instruction.

(See the June 22 report to the Board's Committee, pp. 35-36.)

7. Guidelines. The Board's Office recommended that the Board's Committee consider the tentative guidelines for OCE presented below and provide the Board's Office guidance as to what changes, if any, the Committee would like to see made before referring them to the Board for consideration and adoption.

Proposed
Guidelines for Oregon College of Education

Oregon College of Education is a public coeducational liberal arts/multipurpose college serving the State generally, and the Mid-Willamette Valley in particular, through programs of instruction, research, and public service based upon curricula in the liberal arts and sciences, teacher education, the creative arts (theater, music, dance, visual arts), and in other selected career areas that meet the needs of the region and of the State.
Oregon College of Education will fulfill its Board-assigned mission through the pursuit of goals and objectives developed within the institution, consistent with the guidelines set forth hereafter.

1. Instructional role

a. Oregon College of Education's primary role and function is instruction. The goal of that instruction is to offer students, through curricular and extra-curricular activities, learning opportunities having the following objectives:

   (1) To provide them a sound general education that will:
       . Give them a substantive, in-depth acquaintance with the content, traditions and methods of the liberal arts--humanities, social sciences, natural sciences, creative and performing arts;
       . Familiarize them with the thinking of other cultures and other times;
       . Give them the opportunity to develop the skills enabling them to think clearly and to communicate effectively;
       . Offer them the opportunity to develop the ability to think cogently about moral and ethical issues and problems and to develop a system of values that will enable them to live stable and productive lives;
       . Foster the development of social skills important in the development of effective interpersonal relationships based upon an understanding of human needs and aspirations;
       . Enable them to integrate their knowledge of man and society so as to give them a sense of wholeness.

   (2) To give them a compelling awareness of their responsibilities as citizens in the broader community, making them sensitive to the interdependence of individuals and of nations, and encouraging them in the development of democratic ideals that will motivate them to work constructively in the social processes through which society deals with basic political, social, and cultural problems and issues.

   (3) To offer them the means to develop the knowledge, skills, and abilities that will permit them to become economically self-sufficient in employment reasonably related to their capabilities, interests, and preparation.

   (4) To enable them to develop the skills, abilities, and motivation for pursuing knowledge independently--on their own--so that they may continue their learning throughout a lifetime, knowing how to acquire knowledge pertinent to the problems they face and to alternative courses of action.

b. Undergraduate instruction is the most important instructional function at Oregon College of Education.

c. Graduate education will continue to be an important aspect of OCE's responsibilities through the offering of human service-type programs in such areas as education, teacher education, correctional administration.

d. Oregon College of Education is encouraged to serve the needs of nontraditional students through courses and programs offered at times, in formats, and in locations convenient to the needs of part-time students.
2. Curricula

Oregon College of Education offers a diversity of undergraduate programs leading to the baccalaureate degree, and a modest array of curricular programs leading to the master's degree. In looking to the future, it is anticipated that OCE will continue to seek ways in which it may make the most effective use of its resources in providing access to instructional programs serving the needs of its student clientele and of the state. As it does for all other State System institutions, the Board will consider, on the merits of the case, new program proposals emerging from such planning, as suggested below.

a. OCE will continue its major commitment to high quality teacher education. The esteem in which OCE's teacher education programs are held is evidenced by national recognition given its elementary teacher education program, by the placement record of its teacher education graduates, and by its ability to maintain constant upper-division enrollments in teacher education during times when such enrollments were declining generally. The maintenance of a leadership role in teacher education is one of OCE's most important continuing obligations.

b. OCE will continue to offer an array of strong undergraduate liberal arts programs leading to the baccalaureate degree. The Board will consider OCE proposals for additional baccalaureate liberal arts degree programs, with particular interest in those which appear to fall within the Board's dual use policy.

c. Interdisciplinary programs leading to baccalaureate and master's degrees will continue to be an integral part of OCE's curricula. They provide an avenue through which students may draw upon already available resources in a variety of disciplines in meeting their educational needs, particularly those needs which relate to complex social problems.

d. OCE will continue, as a significant aspect of its curricula, professional programs at both the baccalaureate and the master's levels. In addition to its programs in teacher education, OCE is authorized baccalaureate programs in law enforcement, corrections, and fire services administration (offered jointly with EOSC and SOSC); and master's programs in correctional administration and counseling (offered jointly with OSU). The Board will consider on their merits, the addition of new programs to OCE's professional offerings.

e. Preprofessional programs with continue to be offered, giving access to basic preprofessional education of from one to four years, leading to admission into professional programs at OCE or other institutions.

3. Research Role

Research and scholarship at OCE are viewed primarily as support for OCE's major function, namely, teaching, and will be encouraged because

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1. OCE currently offers baccalaureate degree programs in nine liberal arts fields. These are all fields in which strength was built by OCE in support of its teacher education programs. The Board reaffirms the "dual use" policy; namely, that if the courses offered by an institution in meeting the needs of one authorized program can be made to serve effectively a second degree program meeting the needs of an additional, and different, student clientele, with a resulting reduction in student credit hour costs, the Board will consider authorizing the second program.

2. True research is original investigation. Scholarship may signify the collation and synthesizing of materials which need not be original. Scholarship is central to the education of all students and is, hence, a desirable qualification for all teacher.
they enhance the learning atmosphere, offer to students valuable learning experiences, and enhance the faculty member's capacity for service.

OCE will continue its contributions to the advancement of knowledge with respect to the improvement of practice in the fields of education, teacher preparation, and special education. The Board encourages OCE to coordinate this research thrust more closely with the Teaching Research Division with a view toward the sharing of resources and personnel and toward including the fruits of these endeavors in its programs and services.

4. Public Services

Oregon College of Education's public service role is to provide leadership and professional assistance in the areas of its expertise and knowledge in service to the broader community. Limited only by the prior claims that formal instruction and related scholarship make upon OCE's resources, OCE will seek to give expression to its commitment to public service through a variety of activities.

In the immediately contiguous area served by OCE, the public service function will be reflected in the cultural, social, educational resources the College makes available to residents of the area (e.g., music, dramatics, lectures, courses for adults, athletics, consultative services to educational governmental, business, professional and similar public and private agencies). In the wider community, OCE's public service contributions are more likely to be reflected in the consultative services through which faculty expertise is made available to educational, professional, business, and governmental agencies.

The civic activities and professional services rendered by faculty members as individuals in their several roles as citizens of the broader community ought not to be overlooked as aspects of OCE's public service.

The public service function adds value to the education process itself. Through such service OCE will develop important relationships with various important enterprises, governmental agencies, institutions; teaching, learning, and research can be enhanced as questions and problems from these outside contacts are brought into the classroom, adding vitality and interest to classroom activities; and faculty are offered opportunity to enhance their standing and recognition as professional men and women.

5. Outreach

Oregon College of Education will maintain and strengthen its ties with the mid-Willamette region through the exploration of postsecondary educational needs of the area with a view to meeting such of those needs as OCE's resources will permit—consistent with appropriate coordination with other two- and four-year colleges and universities serving the area, so as to avoid unnecessary duplication of programs and institutional effort.

In meeting higher educational needs in the mid-Willamette region, the Board encourages OCE to develop, whenever feasible, joint programs with other institutions in the area.

As the only State System institution whose campus is within the greater Salem area, and with an established reputation for effective collaboration with governmental and educational agencies in the area over many years, OCE is admirably situated to continue and to expand these collaborative efforts.
6. Admission

In the three-tiered resident freshmen admissions requirements which characterize the institutions of the State System of Higher Education (SOSC, EOSC, OIT--2.0 high school GPA; PSU, OCE--2.25 high school GPA; UO, OSU--2.5 high school GPA), OCE occupies a middle position, having neither the most modest nor the most elevated admissions requirements in the State System.

In the future, OCE will continue to monitor the quality of the students it admits, and its student attrition rate, with a view to considering annually (a) whether the admissions requirements ought to be raised, and (b) what may be done to reduce student attrition through counseling, guidance, and, where necessary, special assistance, to give high-risk students a reasonable chance to succeed academically, without, however, sacrificing academic standards.

7. Institution Size

As the only small public four-year college in the Willamette Valley, OCE will continue to plan its programs within the context of an institution whose enrollment ceiling is fixed by the Board at 3,200 fall term FTE.

8. Faculty Development

OCE will maintain a faculty career support program consistent with the provisions of the Board's Internal Management Directive 4.001, entitled, "Staff Career Support Program."

Institutional renewal which, in periods of increasing enrollments and faculty mobility, was formerly achieved through faculty additions, must now be provided largely through faculty self-renewal on the job.

9. Student Services

The student services mission of OCE is to foster student self-development and expression through activities that will enable them to develop and to value self-responsibility. In the promotion of that mission, OCE will: (a) continue to encourage student participation in their own governmental, social, and recreational activities; (b) make available to students a variety of student personnel services, e.g., health, counseling, vocational planning and placement assistance; (c) continue to seek student contributions to the formulation and implementation of institutional policies and programs; and (d) establish other programs as shall be found to be appropriate to evolving student interests and needs.

Discussion and Recommendation by the Committee

Dr. Romney reviewed (1) discussion to date concerning Oregon College of Education guidelines, (2) two alternatives concerning the future of OCE presented in the December 14, 1979, report which had not been previously considered by the Board or its Committee, and (3) the Board's Office recommendations, including proposed OCE guidelines.

President Leinwand then summarized the discussions from the viewpoint of Oregon College of Education. He said the process by which the institution identified its mission, and the discussions which followed, have had a salutary effect on the College in terms of internal strength, improved morale, general sense of mission, and better understanding of how best to make use of the College's strengths and resources. He said he wished to assure the Committee that in preparing its mission statement, the College took into account not only the needs of the institution but the emerging needs of higher education in the State of Oregon as it saw them. Oregon
College of Education does not agree with every detail of wording in the draft guidelines drawn up by Dr. Romney for consideration by the Committee, Dr. Leinwand said, but the guidelines as drafted will give the College the room it needs to function effectively in the 1980's and he urged that the Board give them early consideration and adopt them.

Mrs. Carpenter suggested that the Committee might wish to discuss alternatives to the proposed guidelines presented in the Board's staff report of December 14 before it moved to consideration of the staff recommendations and proposed guidelines.

Alternative A--Closure of the Institution. Mr. Batiste inquired as to what rationale could possibly support the closure alternative. Mrs. Carpenter said she did not know that there was one, but since the issue had been raised from time to time by some members of the Legislature, whether idly or not she could not say, it appeared this was an alternative which should be discussed by the Board of Higher Education.

Mr. Harms said the only argument in favor of closure appeared to be the belief on the part of those making the proposal that the action would be an economy move, a belief, he said, that was open to serious question. Chancellor Lieuallen indicated that there was a second argument, related to economy, which was stated in terms of duplication of resources in the mid-Willamette Valley. This argument states that everything Oregon College of Education does or can do can be duplicated by Oregon State University, Willamette University, Chemeketa Community College, or Linfield College.

Mr. Ater observed that if the Board set out to design a new system of higher education without existing institutions, buildings, faculty, student bodies, or traditions, it might not design the system in its present form. However, he continued, the Board is not starting from scratch. The Board has very viable and educationally defensible programs at all of its institutions, including Oregon College of Education. The obligation of Board members is to be prudent stewards of the educational system as they find it, which could conceivably include closing or reducing programs or closing entire institutions. But the arguments being advanced for the closure of Oregon College of Education, he said, are not persuasive and do not appear to be educationally principled.

Alternative B--Maintenance of OCE as Specialized Institution of Teacher Education. Mr. Wyss said he agreed with Mr. Ater in respect to Alternative A. He suggested the Board turn to consideration of Alternative B, which, he said, he found quite persuasive. Throughout its history, he observed, Oregon College of Education has based its reason for being on excellent teacher education. He said he did not see how the institution could maintain the same commitment to high quality teacher education which has distinguished it in the past, and at the same time add programs in diverse other fields which, if not in conflict with teacher education, certainly would rival it in competition for institutional resources.

President Leinwand said diverse other programs would benefit the teacher education program by bringing a greater variety of students to the campus, some of whom would enter teacher education, and by providing greater opportunity for the staff to counsel out of teacher education those persons not suited to that occupation. He said he believed, also, that in the future, teachers would need much stronger education in the liberal arts than has been true in the past. By husbanding its resources, Dr. Leinwand continued, OCE can make some modest advances in adding new programs, particularly in fields such as the social sciences, for which resources are already in place.

Mr. Batiste asked in what ways the program in education at Oregon College of Education differed from other programs in the system, for example, the program at the University of Oregon.
President Leinwand replied that basically the program at Oregon College of Education is more competency-based. Students are sent out into the schools earlier, in greater depth, with greater supervision, and, he added, at greater cost than is usually true in programs of education.

Mrs. Carpenter observed that the Board recognizes that a nationally exemplary program in teacher education is likely to be costly, yet she said, there is not a graduate coming out of the OCE program who is not readily placeable. It is for these reasons, she said, that the Board is concerned about whether the quality of the teacher education program can be maintained in the face of what cannot help but be competing interests. She said the Board is very conscious that the resources of the institutions are limited and that addition of new programs requires rigorous budgetary planning. The Board does not have extra funds to divert to Oregon College of Education for addition of new programs, so any new programs are going to have to be funded by institutional funds as determined by the present funding formula. She asked President Leinwand if he really felt the state of Oregon could have the two excellences at Oregon College of Education.

President Leinwand said he was very sure it could. He said it was not in the institution's self-interest, nor was it his personal design, to dilute the program in teacher education.

Mr. Batiste said he appreciated Dr. Leinwand's comments, but he, too, found it very difficult to believe OCE would expand the mission of the College to the extent that had been indicated without either dilution of present programs or increase in funds. There is nothing wrong, he said, in saying something is going to require funds or that there are going to have to be budget changes. Dr. Leinwand responded that, of course, OCE would like additional funds, but that there are program changes which can be accomplished through better use and examination of resources in terms of faculty-student ratios, class size, alternative delivery systems. He said he thought a great many new programs today are really interdisciplinary, and this gives institutions opportunity to make alternative use of resources and to bring in personnel with a greater variety of talents.

Mr. Wyss said he was intrigued with the idea presented in the discussion of Alternative B that the Oregon State University elementary education program might be integrated with the elementary education program at Oregon College of Education. He said he did not see why such consolidation of programs ought not to be considered irrespective of Board action on Alternative B, that it appeared it would add 150-200 students in elementary education at Oregon College of Education and remove 300 students from Oregon State University, an institution already over its enrollment ceiling. He asked if there had been any precedent in the State System for such a consolidation.

Dr. Romney said the discussion referred to by Mr. Wyss had been presented in the context of Alternative B as an effort by the Board's staff to identify some of the steps that might be taken to shore up OCE's capacity to maintain itself as a specialized teacher education institution. The Board's staff does not see such consolidation as in the best interests of the state, especially in view of the nationwide recognition Dean Tucker is receiving for pioneering work going on at Oregon State University in investigation of the learning process. Dean Tucker is a member of a small group of educators from four or five other major institutions in the nation in teacher education, who are meeting together, with the support of a private foundation, to push this inquiry. The Board's staff feels this work has real promise for education, particularly at the elementary level, and believes Dean Tucker and her staff should be allowed to pursue it.

In response to Mr. Wyss's second question, Chancellor Lieuallen said transfers of programs had occurred between the time the System was established in 1932 and the establishment of the present curricular distribution, but there was no precedent for such a move that he could recall in recent years. He noted, however, that such a transfer is within the authority of the Board.
Mrs. Carpenter said she did not sense any feeling on the part of the Committee that either alternative presented a viable course of action at the present time. She suggested the Committee move to consideration of staff recommendations.

Presentation of Testimony of Independent Colleges and Chemeketa Community College. Mr. Donald E. Fouts, Executive Secretary of the Independent Colleges Association, said he did not think anyone would disagree with the basic educational rationale for an array of programs in the liberal arts in the state of Oregon. At the same time, he said, any proposal that would expand liberal arts education at a time of enrollment and fiscal uncertainty should be reviewed from the perspective of state policy toward higher education. In this context, he said, he would suggest two issues that the Board should address in review of specific program proposals from Oregon College of Education, namely, is there an unmet need for expanded liberal arts programs, and, if there is, what is the most cost-effective way for the state to address this need.

Mr. Arthur A. Binnie, President of Chemeketa Community College, said problems leading to recent strained relations between Chemeketa and Oregon College of Education are being worked out and the two institutions are looking forward to a future of working together in the Salem area. Chemeketa's broader concern, he said, is with the issue of who is responsible for serving nontraditional students.

Mr. Michael Holland, a member of the Chemeketa Board, a graduate of Oregon College of Education, and an employee of Willamette University, said he was pleased to note the provision in the proposed Oregon College of Education guidelines calling for appropriate cooperation with two-year and other four-year institutions serving the Salem area. He suggested that the guidelines might make reference to the Joint Board agreement. He also noted that the chief problem in coordination of off-campus instruction is Salem appeared to use of the 407 number to offer courses without clearly described upper-division content.

Mr. Batiste asked if it was Chemeketa's position that Oregon College of Education should not go out and identify real needs of the Salem area which it might serve? President Binnie said all educational institutions are charged with identifying educational needs of citizens. The problems arise when, after the need is identified, effort is not made to determine whether the need is already being met or could more appropriately be met by another institution.

Mrs. Carpenter observed that at the same time that Oregon College of Education was scheduling classes agreed upon in advance on the Chemeketa campus, which Chemeketa has since protested, Chemeketa was offering an equal number of classes on the Oregon College of Education campus. She asked if the Chemeketa board was aware of this cooperative arrangement which had gone on almost automatically for a number of years. President Binnie said the relations between the two institutions could be characterized as 90% cooperation and 10% problem, and the problem areas had been presented out of context in the public press.

Mrs. Carpenter further observed that service to the nontraditional student is a functional part of the public service mission of the State System and has been since the System's beginning.

Mr. Holland said he did not think anyone would contend that State System educational services should be restricted to the established campuses. Problems have arisen he said when, in discharging its public service obligation, a State System institution decides to meet an identified need by offering de facto lower-division instruction off campus. He said he did not believe competition in the academic market place was desirable for institutions supported by tax dollars.
Mr. Batiste observed that the State Board of Higher Education has agreed that its institutions will not offer lower-division courses off campus in areas in which there are community colleges, but this provision does not affect public service programs, which are usually non-credit.

Committee Recommendation. During an extended discussion of a possible change in name for Oregon College of Education, it was apparent that most Board members preferred a name having a geographical connotation appropriate to a regional college, although there was no final decision as to the name. President Leinwand asked and received permission of the Board to discuss alternative names with Oregon College of Education faculty and students before the Board makes a decision as to the name to be proposed to the Legislature.

The Committee approved the staff recommendations (with the deletion of Recommendation 7 calling for a reduction in the enrollment ceiling) and approved the proposed guidelines, with modification as discussed by the Committee, for presentation for Board consideration and approval at the January meeting of the Board.

Board Discussion and Action

In presenting the report and summarizing further the Committee discussion, Dr. Romney said the Committee, in giving the Board's Office direction concerning editorial changes, had identified the following matters for consideration:

1. That Oregon College of Education be offered an opportunity between the December and January meetings to make suggestions concerning the guidelines;

2. That language be added to the guidelines to (a) refer to the relationship between Oregon College of Education and the Teaching Research Division; (b) encourage the development of joint programs involving two or more institutions, somewhat after the manner of the joint OCE-OSU program in counseling; (c) modify language in paragraph 8 of the guidelines relating to faculty development to use more felicitous language in expressing the same thought; and (d) give a more positive cast to the document than was perceived by the Committee in the December draft.

Dr. Romney said the directions had been incorporated in the guidelines recommended to the Board. He also indicated that Oregon College of Education had had full opportunity to make suggestions concerning the draft itself. He said he believed the draft was quite acceptable to Oregon College of Education.

Dr. Romney pointed out that in the area of curriculum, Oregon College of Education would commit itself to continue a major commitment to high quality teacher education. The importance of teacher education is recognized, as is the important role played by Oregon College of Education in teacher education, both in Oregon and nationally. Given this commitment to teacher education, one of the matters to be examined in future curricular proposals to the Board will be whether the proposed program would be consistent with the commitment to teacher education.

Dr. Romney commented that there had been some question at the December meeting about the general configuration of the responsibilities of Oregon College of Education in terms of curriculum and whether adoption of the guidelines would indicate that Oregon College of Education was changing markedly its characteristics. He noted that in asking for authorization to change its name, Oregon College of Education was simply following a pattern that has been common nationally and in Oregon, as illustrated by Southern Oregon State College and Eastern Oregon State College. All three Oregon colleges began as normal schools, then were given the title colleges of education as their curriculums expanded. Then as their liberal arts offerings
were strengthened in support of teacher education, Eastern and Southern Oregon Colleges of Education sought authorization to change their names first to Eastern and Southern Oregon Colleges and finally to Eastern and Southern Oregon State Colleges, to signify they are state colleges rather than independent colleges or community colleges. Oregon College of Education has elected over the years to retain its college of education designation, but now desire, as had Eastern and Southern to take on a name indicative of its status as a liberal arts/comprehensive college.

Dr. Romney said the Board has indicated its willingness to accept and consider proposals with respect to the addition of liberal arts departmental programs where strength had been developed at the institution in support of the teacher education program. Likewise, the Board has indicated a willingness to consider on their merits proposals for selected professional programs related to the kinds of resources that were available and had developed at the institutions in support of their teacher education programs. In examining proposals presented to the Board, the Board will wish to review whether there is a need for the program; the resources available for mounting the suggested program; the impact on other programs in the institution; and the impact of the proposed program on other institutions which conceivably could serve the same need.

Mrs. Carpenter suggested that the language in the second paragraph might be modified for greater clarity. The paragraph has been revised to comply with that suggestion.

Mr. Thorp proposed that the paragraph on curricula be changed to place the needs of the student clientele before the needs of the state. There was no objection and the language has been changed.

There was extensive discussion concerning the references to Salem and the section on outreach. A broader designation, such as mid-Willamette region, was proposed. President Leinwand indicated a preference for Salem and mid-Willamette. It was stated that the independent colleges which had expressed concern about the possible expansion of Oregon College of Education into the Salem area would be alarmed by mention of Salem. Mrs. Carpenter spoke in support of making reference to the Salem area because a survey of governmental agencies has shown a strong need for upper division courses in Salem and Willamette University has no present plan to expand its offerings in public administration. She said it seems a very logical mission to include and should not be threatening to other institutions.

Upon motion by Mrs. Green, the Board voted to delete the reference to Salem in the paragraph on outreach. The following voted in favor: Directors Anderson, Green, Harms, Ingalls, Wyss, and Perry. Those voting no: Directors Batiste, Carpenter, and Thorp. The paragraph has been modified in accordance with the motion.

The Board then adopted the guidelines as recommended, including the suggested changes. The following voted in favor: Directors Anderson, Batiste, Carpenter, Green, Harms, Ingalls, Thorp, Wyss, and Perry. Those voting no: None.

Mr. Perry invited President Leinwand to present his recommendation for a change in the name of Oregon College of Education, noting that in the final analysis it is the Legislature which makes the final determination with respect to institutional names.

President Leinwand said there had been very wide-ranging discussion in the Faculty Senate, in each of the academic departments, and among the students and there is an overwhelming consensus that the name should be Oregon College. He said there was almost no support for a regional designation. He proposed Oregon College—the State College at Monmouth as a compromise that was consistent with the traditions of the institution and one that showed a direct relationship to the names the institution has had previously.
The Board discussed alternatives. Mrs. Carpenter moved that the Board vote in favor of seeking legislative approval of the proposed name. The motion failed. Directors Batiste, Carpenter, and Harms voted in favor. Directors Anderson, Green, Ingalls, Thorp, Wyss, and Perry were opposed.

Upon motion by Director Anderson, the Board voted to recommend to the Legislature the name Western Oregon State College. The following voted in favor: Directors Anderson, Green, Harms, Ingalls, Thorp, Wyss, and Perry. Those voting no: Directors Batiste and Carpenter.

President Leinwand stated that it would be very difficult for him to live with that action on the campus. He said it had created a very serious problem for him and it was very disappointing to him and, he thought, to the College.

Mr. Ingalls moved that the Board forward no recommendation to the Legislature relative to the name of the institution. The motion was subsequently withdrawn.

The Chancellor said there is a tradition that the renaming of institutions originates with the local legislators rather than from a recommendation of the Board of Higher Education. He cited the precedents at Southern Oregon State College and Eastern Oregon State College in which the names were changed by the Legislature, but not on the basis of a recommendation from the Board.

Mr. Wyss pointed out that neither of the examples cited could in any way be considered controversial because the names did not seem to stake out a certain exclusivity that might otherwise be coveted by another institution. The name "Oregon College" does in the minds of some.

Mr. Harms said it should be made clear to President Leinwand and to the institution that the Board would not regard them as being in opposition to the Board's wishes if they lobbied for something other than Western Oregon State College. It should be understood clearly that the Board's action was simply expressing a preference since the Legislature will make the final decision.

Mr. Perry asked Mr. Anderson about the intent of his motion, and Mr. Anderson replied that it was merely a poll of the Board.

Following further discussion, the Board agreed that the Board's recommendation of a name other than that proposed by President Leinwand on the basis of preferences indicated at the institution was placing the president in a difficult position. Further, the recommendation had little impact because the Legislature would make the decision.

Mr. Ingalls moved that the Board make no recommendation concerning the name but that any name change proposals be carried forward through the good offices of the institution and the local legislators. The following voted in favor: Directors Anderson, Batiste, Carpenter, Harms, Ingalls, Thorp, and Perry. Those voting no: Directors Green and Wyss.

(Considered by Committee on Instruction, Research, and Public Service Programs, December 14, 1979; present--Carpenter, Anderson, Harms, and Wyss.)

Summary

The University of Oregon requests approval of a new instructional unit, to be known as the American English Institute, which will provide intensive English instruction for international students seeking to improve their English proficiency prior to admission to a regular college or university program. The service will be entirely supported by student fees. University staff and advanced students have considerable expertise in the teaching of English as a second language, developed as a part of the instruction and research carried on in the departments of linguistics and English. The
University offers training in the teaching of English as a second language as an option in its master's degree program in linguistics, and is presently providing instruction for international students prior to enrollment in the institution on a fee for service basis. The proposed Institute would identify and formalize this program.

Staff Recommendation to the Committee

The Board's staff recommended approval of the proposed institute.

Discussion and Recommendation by the Committee

The Committee recommended that the Board approve the staff recommendation as presented.

Board Discussion and Action

Mrs. Green said there are federal funds available for teaching in a second language. She asked if programs for students whose native language is not English would qualify for these funds in view of the fact that English would be a secondary language for the students. Dr. Romney said he was unsure whether they would but would investigate the matter and report to the Board.

Mr. Wyss questioned the necessity for establishing an English Language Institute as opposed to the present English language program. Dr. Romney explained that the title was preferred as more expressive of the activities in the program and the change would not commit the Board to anything except the name change. The program is self-supporting and would cease to exist if it were no longer required. The authorization requested is brought to the Board because several years ago the Legislature asked that the Board review all proposed new institutes or new centers. Changing the title from program to institute requires Board action.

The Board approved the Committee recommendation as presented, with the following voting in favor: Directors Anderson, Batiste, Carpenter, Green, Harms, Ingalls, Thorp, Wyss, and Perry. Those voting no: None.

Staff Report to the Committee

PROPOSAL TO ESTABLISH A NEW INSTITUTE AT THE UNIVERSITY OF OREGON

Submitted by: University of Oregon
Presented to: State Board of Higher Education
Title: American English Institute
Institutional Locus: Administered by Division of Continuing Education
Objectives: To provide intensive English instruction for college bound students
Resources: The Institute would employ personnel resources from administrative services and academic departments.

(See below)

Clarence (Dale) Sloat, Program Director, has been a professor at the University of Oregon since 1965. Professor Sloat currently holds the rank of professor with the Department of Linguistics and the Department of English. His experience includes work in applied linguistics teaching English as a second language, as well as theoretical linguistics. He is responsible for the instructional aspect of the Institute.
Kenneth Thomas, Executive Director of the Institute, has held responsible administrative positions with different offices at the University of Oregon since 1963. Mr. Thomas currently is Director of Continuing Education. His primary responsibility to the Institute is to administer fiscal policy and coordinate the various University Services contributing to the Institute.

Sharon Taylor, Program Coordinator, first worked for the University of Oregon in 1974, as a Graduate Teaching Fellow. Since that date, she has held the position of Instructor of Linguistics. Her particular expertise is in English vocabulary instruction in which she has numerous publications.

Robert Merrigan, Foreign Student Advisor, has worked in the office of International Student Services since 1978. He assists students by providing direct counseling services. He also is responsible for U.S. Immigration visas.

Facilities: Division of Continuing Education office space; office space of other campus buildings; University classrooms; limited housing and general campus use.

Funding: Self-support through tuition and fees: $263,400 (1979-80)

Budget

PERSONNEL

Academic ........................................... 178,795

Administration ..................... 2.65 FTE
Instruction ................................. 9.0 FTE

Students ........................................... 16,870

Tutors and Associate Instructors

Clerical ........................................... 26,605

Clerical Assistant ...................... 1.0 FTE
Administrative Assistant ............ .5 FTE
Secretary ........................................... 1.0 FTE
Irregular ...........................................

OPE ........................................... 4,788

SERVICES AND SUPPLIES .................. 36,342

$263,400

REVENUE

75 students @ $878 per term, 4 terms $263,400

Relationship to Mission of University: Allows international students to improve English proficiency; provides entry tract to University degree programs; stimulates academic research and offers instructional opportunities for liberal arts discipline-linguistics; and advances the institutional mission by exporting knowledge to the international community, particularly to developing areas, i.e., Latin America, the Middle East, and the Far East.
Long-range Goals: Continued self-supporting funding; facilitate transfer of new students into University degree programs; assist current international students with English acquisition; formalize a graduate program in Linguistics for Instructors of English as a Second Language.

Financial Management of Auxiliary Enter-prise Facilities and Activities, Continued From September 14, 1979, Meeting of Committee on Finance, Administration, and Physical Plant, December 14, 1979, present—Ingalls, Ater, Batiste, and Thorp.)

Summary

At the September 14, 1979, meeting of the Committee on Finance, Administration and Physical Plant, it was recommended that the policies dealing with debt service for auxiliary enterprise facilities be repealed and amended to reflect:

1. Establishment of separate debt service pools for interest payments on each of five categories of auxiliary facilities—residence halls, family housing, parking, cooperatives, and building fee supported facilities.

2. Allocation of debt service for residence halls on the basis of the five-year average residence hall occupancy at each of six institutions as a percentage of total average occupancy for these institutions.

3. Specific conditions under which student building fees may be used for payment of residence hall debt service.

4. Existing policies and related accounting practices.

Discussions at and subsequent to that meeting, involving Committee members, institution representatives, and the Executive Committee of the Oregon Student Lobby have resulted in two major revisions of the staff recommendations:

1. The number of separate debt service pools for determining interest payments on outstanding bonds has been reduced from five to three (i.e., combined housing, parking, and building fee supported facilities).

2. The revised, proposed Internal Management Directives place controls on the use of excess Article XI-F(1) debt service funds and student building fee income for eliminating an institution's operating account overdrafts, and meeting debt service payments on self-supporting auxiliary enterprise activities and facilities. The Board would have to approve an institution's budget plan designed to eliminate overdrafts in debt service or operations on the books of these self-supporting activities.

Staff Recommendations to the Committee

It was recommended that the Internal Management Directive 7.120, as shown below, be repealed.

7.120 Capacity to Finance Auxiliary Enterprise Projects

(1) Buildings and structures constructed pursuant to bonding authorization granted by Article XI-F(1) of the Oregon Constitution shall be limited to those which conservatively appear to the Board to be wholly self-liquidating and self-supporting from revenues, gifts, grants or building fees.

(2) Bonding authorization is subject to establishing and maintaining a reserve equal to the two ensuing years of debt service on presently outstanding and proposed new bonds. The net income shall be conservatively estimated separately for each category of auxiliary enterprise.
(3) The annual net income shall be at least 150% of the annual debt service coverage for bonds issued prior to May 6, 1963, at least 125% for bonds issued between May 6, 1963, and February 18, 1969, and 100% for bonds issued after February 18, 1969, provided the composite annual net income equals 125% of the annual debt service coverage for bonds issued prior to January 24, 1973.

(4) Student building fees shall be applied primarily for debt service related to construction of health service facilities, student centers and recreational facilities. Revenue-producing auxiliary enterprises such as housing and parking are expected to be wholly self-supporting from user fees and charges. Such enterprises shall pay for all direct costs and apportioned physical plant costs. In exceptional or emergency circumstances, the Chancellor is authorized to transfer moneys from student building fee accounts to institutional accounts, if needed to meet the annual debt service requirements.

(5) In determining the annual net income to be expected from institutional residence halls to meet the required debt service, the basis shall be the ratio of the replacement value of the institution's residence halls to the replacement value of all residence halls at all institutions.

It was further recommended that Internal Management Directives 6.300, 6.305, 6.310, 6.315, 6.320, and 6.325, presented below, be adopted.

**Financial Management of Auxiliary Enterprise Facilities**

**IMD 6.300 Financing Auxiliary Enterprise Construction Projects**

(1) Auxiliary activities construction projects or portions of projects shall be assigned to one of three categories for financing purposes:

(a) Housing facilities, except the residence hall at the Health Sciences Center.

(b) Parking facilities.

(c) Other auxiliary activities projects, including the residence hall at the Health Sciences Center.

(2) Housing and parking facilities are expected to be fully self-supporting and self-liquidating, primarily from user fees, gifts, or grants.

(3) Other auxiliary activities projects (such as student health service, student center, recreational and similar facilities) are expected to be fully self-supporting and self-liquidating from revenues, gifts, grants, or building fees.

**IMD 6.305 Auxiliary Enterprise Facilities Bond Issues**

When authorized pursuant to ORS 351.350 or 351.353 and Article XI-F(1) of the Oregon Constitution, bonds may be issued to finance construction of auxiliary activities facilities, only if the Board:

(1) Establishes and maintains for bonds so issued a reserve equal to the debt service for the two ensuing years; and

(2) Otherwise conforms to statutory and constitutional requirements.
6.310 Financial Operating Resources for Auxiliary Enterprise Facilities

(1) Each institution shall maintain separately for housing and parking facilities an emergency debt service reserve equal to 25 percent of the current fiscal year debt service requirement.

(2) The building fee, established by the Board pursuant to ORS 351.170, is a Departmental resource, without regard to the institution at which it is collected, and shall be applied primarily for debt service on facilities other than those for housing or parking.

(3) Debt service for bonds issued for housing and parking facilities construction projects shall be provided primarily from fees charged to users of the facilities. Operating costs of housing and parking facilities shall be provided from user fees and other income.

(4) Income from investment of excess debt service reserves and building repair and equipment replacement reserves of housing, parking, and incidental fee supported facilities shall be credited to the institution and auxiliary activities having the reserves. Income from investment of required debt service reserves shall be distributed proportionately to those reserves.

(5) Income from investment of bond building funds shall be distributed to the debt service reserves in proportion to the allocation of the building funds to the respective auxiliary activities categories. Interest on unallocated building funds shall be placed in the building fee debt service fund.

6.315 Allocation of Debt Service Responsibility for Auxiliary Enterprise Facilities

Annual debt service on bonds issued for auxiliary activities facilities shall be apportioned on the following bases:

(1) Bond interest shall be calculated separately for each of the three categories of facilities.

(2) Responsibility for bond interest and principal payments shall be allocated in accord with the following principles:

(a) Interest and principal payments for debt service on parking facilities shall be the responsibility of the institution at which the facilities are located.

(b) Interest and principal payments for debt service on residence hall facilities at Portland State University shall be the responsibility of Portland State University.

(c) Interest and principal payments for debt service on residence hall facilities at all other institutions except the Health Sciences Center shall be allocated to each institution in proportion to the average academic year occupancy of its residence halls in the five preceding years to the corresponding average of the six institutions.

(d) Interest and principal payments for debt service on the residence hall at the Health Sciences Center in excess of amounts available from net operating income shall be provided from the building fee.
(e) Interest and principal payments for debt service on other housing facilities shall be the responsibility of the institution at which the other housing facilities are located.

(f) Interest and principal payments for debt service on all other facilities shall be provided by the building fee and other income as identified in the specific construction program.

6.320 Budgeting for Auxiliary Enterprise Activities

(1) Annually, at a time determined by the Vice Chancellor for Administration, each institution shall propose housing or parking activities budgets conservatively anticipating income from user fees and other sources to provide for all operating expenses and for the establishment and maintenance of required reserves, including the repayment of any outstanding obligations and the elimination of operating overdrafts. If income has been or appears likely to be insufficient for these purposes, the proposed budget shall identify the sources from which needed resources are required to eliminate such deficiencies. The resources shall include an institution's emergency debt service reserves, excess Article XI-F(1) debt service reserves, and unencumbered balances of other auxiliary activities.

Deficiencies in self-supporting auxiliary activities shall be carried as overdrafts. The institution must request Board approval of a revised budget plan for eliminating overdrafts either for debt service or for operations.

(2) Prior to the beginning of each fiscal year, the Controller, with the assistance of the Vice Chancellor for Facilities Planning, shall present for Board review and approval a budget plan for the utilization of building fee resources, including debt service on all other auxiliary activities facilities.

6.325 Other Uses of Auxiliary Enterprise Debt Service Funds

(1) Authority is delegated to the Vice Chancellor for Administration and the Vice Chancellor for Facilities Planning, following consultation with the officials of the institution, to transfer excess XI-F(1) debt service funds to other funds and accounts for the following purposes:

(a) To finance architectural and/or engineering planning of proposed capital construction projects for auxiliary enterprises.

(b) To fund auxiliary enterprise projects such as capital improvements or major repair of buildings, etc.

(c) To purchase new equipment or replace old equipment for auxiliary enterprises, if sufficient funds are not available in equipment replacement reserves.

(d) To establish or maintain reserves for auxiliary enterprises, such as building repair reserves and equipment replacement reserves, at required levels.

(e) To eliminate overdrafts in other auxiliary enterprise operating accounts of the institution which generate funds for the debt service accounts.
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(2) Plans for the usage during the following fiscal year of excess building fee debt service funds for purposes stated in Md 6.325(1) shall be submitted to the Vice Chancellor for Administration by June 1 so that priorities may be established and approval granted for the use of funds. Building repair and capital improvement projects costing over $5,000 must also be reviewed and approved in advance by the Vice Chancellor for Facilities Planning.

Discussion and Recommendation by the Committee

In response to an invitation for comments with respect to the proposed guidelines, Mr. John Sparks, Director of Business Affairs at Oregon College of Education, referred to the amortization of the debt service. He said Oregon College of Education was in a unique position in that it had used the building fee sinking fund to cover bond deficit on one or two occasions, but at the present time the institution does not owe anything to debt service. However, this fortunate circumstance is due to the location of the institution which has resulted in a contract for use of one of the dormitories to house students attending the police academy. He pointed out that dormitory occupancy may have nothing to do with the quality of the dormitory but may be related instead to enrollment problems of an institution. Mr. Sparks said when the debt service problems occurred at Oregon College of Education, the dormitory director, though an outstanding manager, had been unable to overcome the problems of decreasing enrollment.

President MacVicar said there had been a consistent disagreement between Oregon State University and the other institutions in the State System at the proposal to allocate the debt service on a five year average occupancy basis. It is the position of Oregon State University that the proposal would not have any significant impact on the cost of board and room charges at Oregon State University, or that there would be any significant impact on student choice. President MacVicar believes that the proposed plan for distributing debt service would not motivate good management. If complete occupancy with students is not possible, institutions should seek to fill residence halls with nonstudents who are compatible with the environment of a college or university campus. President MacVicar said that if circumstances external to management prevent complete occupancy, the Board had decided in the past that the burden should be shared by all students in the State System.

President MacVicar urged the Board to consider allocating costs not on the basis of the replacement costs, but on some other appropriate and uniform means, such as design capacity. When deficits are unavoidable and management is clearly not responsible for the deficits which occur, then they should be allocated as they are now against all institutions and all students in a fair and proportionate way.

Mr. Batiste asked President MacVicar whether he was advocating that students at Eastern Oregon State College should pay more for housing than at Oregon State University in the event the residence halls at Eastern Oregon State College could not be filled.

President MacVicar said that was not necessarily his position. If, however, it is impossible to achieve adequate occupancy at an institution because of excess capacity, and the institution has done all it can in terms of good management to improve the occupancy and is still unable to meet debt service requirements, then it becomes a System problem and should be dealt with by the Board and the deficit distributed among all students in a fair and equitable manner. President MacVicar asked the Board to maintain its current policy for eliminating deficits in debt service and that it reconsider the manner of allocating debt service by institutions. He said he did not favor having each institution be independent and responsible for its own program.
Dr. Ray Hawk, Vice President for Administration at the University of Oregon, said he would concur in many of the comments by President MacVicar. He agreed that all institutions must share these costs but, in his opinion, it was unfair that the students at two institutions should bear the burden of these deficits. Dr. Hawk said he would favor having the debt requirement spread across the student body as a whole, not just those students who live in housing.

Dr. James Todd, Vice President for Finance and Administration at Portland State University, said recognition that housing at Portland State University was actually part of the State System was an important consideration at that institution. He indicated contracts and commercial leases were involved in the housing, but Portland State University does exercise some control over the rates. The proposed action is an acceptable compromise, but it does not bring housing at Portland State University into the State System so that it is treated equitably with all other institutions. Parking would be affected at Portland State University resulting in an upward adjustment of approximately 75¢ per month in parking rates.

Mr. Donald Lewis, Dean of Administration at Southern Oregon State College, indicated support for the proposal and stated that every effort would be made to continue to meet debt service and operate efficiently.

Mr. Jack Douglass, Dean of Administration at Oregon Institute of Technology, said he fully endorsed the plan because the five-year average occupancy would remove many of the vacillations that have occurred. He said the small schools need the protection of the numbers in the entire State System, and he guaranteed this would not lead to mismanagement.

President Briggs said there is a historical rationale that supports comparable services being available throughout the State System in order to avoid disadvantaging students in one part of the state. He said every effort would be made to maintain Eastern Oregon State College as a very important and viable collegiate enterprise in eastern Oregon.

Mr. Batiste asked whether President Briggs was of the opinion that the institution should repay accumulated overdrafts in debt service. President Briggs responded that if the debt service obligation were forgiven, it would be possible to develop a budget plan to eliminate accrued operating deficits within a reasonable period. The enrollment developments will be a significant factor. The study of dormitory and food service operations resulted in recommendations and suggestions for food service alternatives that may be helpful in improving the situation. He indicated that a freshman live-in policy frequently results in an exodus of older students to community housing, which is plentiful at reasonable rates in La Grande.

Mr. James Bernau, Executive Director of the Oregon Student Lobby, expressed support for a change from the present system, but not at the expense of the University of Oregon and especially Oregon State University, where the burden would be much greater. He said the management audits were excellent and that as the results of the audit suggestions are implemented, much of the problem may be diffused. He noted that under the proposed policy, students at Eastern Oregon State College would still pay considerably more for housing than at Oregon State University.

Miss Cindy Wilhite, President of the Associated Students of Oregon State University, stated that information which she had received from the Director of Housing differed from the staff report with respect to the amount of increase required in housing rates at Oregon State University due to the policy change. Instead of the $12 projected in the report, it would be approximately $35 because the interest money can be used only for building repair and maintenance, not to relieve the impact of the increase due to a shortage in the debt service. Students support the present policy because it is viewed as a more equitable plan than the one proposed. She also mentioned the potential for manipulating occupancy through rate differentials. In response to other questions, Miss Wilhite stated that there were differences in the type and quality of services being provided in student housing.
Mr. James Lundy, Director of Business Affairs at Eastern Oregon State College, complimented the management operations study team which reviewed housing operations at that institution. He said the team was helpful and the recommendations are being reviewed. Some of the suggestions have been implemented, although others might be counter-productive and would need further consideration. Efforts will be made to improve occupancy. Design capacity was based on a larger enrollment than has actually occurred and this fact is contributing to the problem.

Mr. Ater said he was convinced the proposed policy was an appropriate policy to try, but not without being mindful that it was by no means a perfect policy. He said it may be that the Board ultimately should determine rates and set them in such a way that across the System the debt service and other expenses would be recovered. Mr. Ater said the proposed adjustment should be implemented and the Board should then examine whether the policy creates financial disincentives for management. He indicated that he did not believe this would be the case because debt service is not that large a factor in the budget. He also stated that State System employees are too well-intentioned to manipulate occupancy in order to affect their debt service charges. If anyone should do so, the practice should not be permitted because such behavior is not the objective of managing an academic enterprise.

In conclusion, Mr. Ater said the present system is demonstrably unfair and should be changed. He pointed out that the staff and many of the institutional representatives were of the opinion the proposed plan would work, and he said it should be tried.

Mr. Batiste raised the question of whether the institutions would be required to repay deficits in debt service or in operating costs. He indicated he had no problem with the latter but was concerned about requiring institutions to pay back debt service incurred under a previously-adopted Board policy. Mr. Batiste agreed with the proposal relating to average occupancy.

Mr. Ater said the large obligations were created from past deficiencies and under the present proposal they would continue to be carried. He asked if Mr. Batiste believed that the Board should examine relieving some of them and received an affirmative answer.

Mr. Ater said this could be done on a case-by-case basis, but he would prefer not to defer action on the proposed policy.

Mr. Batiste said he could support the average occupancy plan but could not support the other part of the policy which might be putting a burden on the student, possibly at the institutions less able to pay.

There was some discussion of the interpretation of the statutory requirements with respect to return of interest money to activities. Mr. Batiste emphasized that the Board must be concerned with providing equitable service throughout the state.

Dr. Richard Perry said it was within the Board's prerogative to waive the obligation to repay all past institution borrowings from the building fee to meet debt service. The proposed policy would permit this action until July 1, 1980. He said he saw no particular relationship between returning the interest earned on excess bond sinking funds and the building repair and equipment replacement reserves. If activities are managed efficiently, the interest earned on required reserves should be returned to the respective institutions. Dr. Perry disagreed with the interpretation that there would be an increase of $35 in housing charges at Oregon State University. Although there was no recommendation presented, Mr. Holmer and Dr. Perry again stated that the Board could waive past debt service obligations.

Mr. Batiste said he would like to amend the proposed policy to eliminate the debt service obligations because they create too much of a burden for the smaller colleges to pay in view of the impact on housing charges for students.
Mr. Ater and Mr. Ingalls expressed concern with that proposal in the absence of data on the effect of such action. Mr. Ater agreed to amend his motion to approve the staff recommendations to include a request that the staff submit an additional report to the Board on the subject of past debt service when the next board and room budgets are presented.

The Committee recommended that the Board approve the staff recommendations as presented, with a request that the debt service report be submitted as stated above. Mr. Ingalls was opposed.

Further Staff Recommendations to the Board (January 25, 1980)

The Board's staff supports the Committee's consensus belief that implementation on July 1, 1980, of the five-year average occupancy method of distributing residence hall debt service among the University of Oregon, Oregon State University, Eastern Oregon State College, Oregon College of Education, Oregon Institute of Technology, and Southern Oregon State College be accompanied by a one-time permanent transfer of advanced building fee sinking funds to the respective institution dormitory sinking funds. The effect of the transfers would be to eliminate the obligations of Eastern Oregon State College, Oregon Institute of Technology, and Southern Oregon State College to repay outstanding balances of building fee borrowings.

The staff recommendation in support of the Committee's consensus includes these qualifying procedural elements which apply to the staff recommendation:

1. The elimination of the institution obligation to repay advances from the building fee shall apply only to those advances made to institution residence halls to meet annual debt service deficits.

2. Before transferring any building fees to the institution residence hall sinking fund, the Controller's Office shall consider whether it should be its authority under IMD 6.320(1) to tap other institution auxiliary enterprise resources to repay advances made from the building fee sinking fund should be used.

3. Past institution residence hall repayments of such advances, including those to be made as of June 30, 1980, shall not be returned to the institution.

4. Excluded from eligibility for this one-time transfer are advances made to establish the required two-year debt service reserve at the time a self-supporting auxiliary enterprise facility was acquired or constructed.

5. All overdrafts in residence hall debt service and operations occurring after July 1, 1980, shall be treated in accordance with IMD 6.320(1) and (2).

The revised interest rates (IMD 6.315) will pertain to the earnings requirement effective July 1, 1980, but not to the required debt service for each of the three categories. To apply abruptly the changed rates for sinking fund purposes creates a condition wherein the institution is required to fund the reserve with no opportunity to earn the amount required. The Office of Administration is charged with the responsibility of carrying out the Administrative Rules and the Internal Management Directives pertaining to the financial management of auxiliary enterprises. The Office of Administration will exercise reasonableness and the philosophy of the prudent person will prevail in implementing the proposed new directives.

Staff Report to the Board (January 25, 1980)

The history of Eastern Oregon State College, Oregon Institute of Technology, and Southern Oregon State College annual borrowings from the building fee sinking fund for the purpose of meeting the respective institution's debt service obligation on residence halls through June 30, 1980, is displayed below. Oregon College of Education is not shown because it repaid all past advances on June 30, 1979.
The University of Oregon Health Sciences Center is not shown because it was never anticipated that the residence hall would generate sufficient net income to meet fully its annual debt service obligation. Building fee advances for the UOHiSC residence hall totaled $503,654 on June 30, 1979.

See chart on page 37.

Board Discussion and Action

Mr. Batiste said the extensive discussion reflected the Committee's great concern and its search for a plan that would be equitable and would set forth some definite guidelines for handling deficits in the future. He said he did not favor taking action on a one-time basis to absorb deficits in operating expenses. In the matter of debt service, Mr. Batiste said a one-time adjustment would be a fair way to resolve those deficits which have accumulated over a long period of time. He said the action proposed for Board approval set principles for the general policy, with minor details to be implemented in accordance with those principles.

In response to a question as to the possibility that the deficits could be eliminated, Dr. Perry stated that it would be very discouraging and was unlikely at Eastern Oregon State College but Southern Oregon State College and Oregon Institute of Technology might be able to do so. It was indicated also that the proposal is to shift from the current practice of allocating debt service in relation to the replacement value of the physical plants in the residence hall program to a basis which would allocate to debt service in relation to the average occupancy.

Mr. Ingalls commented that, in his opinion, the students at two institutions in particular were paying for the overbuilding of dormitories in the past.

Mr. Thorp requested information from all of the institutions on the feasibility of the freshman live-in requirement as a means of eliminating financial problems at some of the institutions.

Mr. James Bernau of the Oregon Student Lobby said that one proposal that might allow the policy to go into effect without damage to the intent and the principles proposed would be to have the interest on the required sinking fund reserves follow the principal. This would reduce the burden on institutions which have a large amount in the reserves. Mr. Ross Hall, Controller, indicated the proposal raised several questions as to how the content of the required sinking fund would be calculated.

In response to the freshman live-in question, Mr. James Lundy, Director of Business Affairs at Eastern Oregon State College said there was no longer a freshman live-in policy at the institution although there had been at one time. He said Oregon State University was the only State System institution which exceeded Eastern Oregon State College in the percentage of its student body living in the residence halls. He commented that to continue a live-in policy is substantially different from instituting one at this time. It is difficult to predict what would happen to the total enrollment if the residence halls were to become freshmen dormitories.

Mrs. Green asked if the new policy would make any difference relative to management practices. Dr. Perry said, in his opinion, it would increase the incentive by requesting a plan for improving occupancy. Mr. Lundy also pointed out that even under the proposed plan, the students at Eastern Oregon State College will still pay $86 more per student for debt service than the students at Oregon State University. Since the student costs will be higher, greater management skills will be necessary, particularly since economies of scale are not present at the smaller institutions.
Mr. Wyss said the cost of competitive housing on the private market is going up very rapidly so colleges that are pricing their units on the basis of original cost of construction are very competitive with units in the private sector. Consequently there is a rapid increase in occupancy of dormitory space. If this factor is kept in mind and the rates are not increased to the level of competitive private housing, the dormitories will be filled in a matter of time.

Mr. Anderson inquired about the marketing plan to be developed at Eastern Oregon State College. Dr. Perry said a study was initiated and completed which contained some marketing techniques recommended for implementation at Eastern Oregon State College. The techniques have been successful at other institutions and it is expected that they will be helpful for Eastern.

In response to an earlier question concerning the effect of a possible postponement of action on the proposals, Mr. Lemman said the Office of Administration would oppose delay of the vote on this matter for the reasons that the change would be nominal, and the housing directors need the information in order to construct housing and dormitory residence hall costs for presentation to the Finance Committee and the Board in February and March in order to have the rates available for student planning.

The Board approved the Committee recommendations as presented with the following voting in favor: Directors Anderson, Batiste, Carpenter, Harms, Thorp, Wyss, and Perry. Those voting no: Director Ingalls. Director Green abstained.
Oregon Department of Higher Education

Residence Hall Borrowings From and Repayment to Building Fee Sinking Fund to Meet Annual Debt Service Payments

<table>
<thead>
<tr>
<th>Institution</th>
<th>6/30/74</th>
<th>6/30/75</th>
<th>6/30/76</th>
<th>6/30/77</th>
<th>6/30/78</th>
<th>6/30/79</th>
<th>6/30/80 Est.</th>
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<tr>
<td>EOSC</td>
<td>$65,000</td>
<td>$147,802</td>
<td>$114,544</td>
<td>$52,906</td>
<td>$133,985</td>
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<td>$654,397</td>
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<tr>
<td>OIT</td>
<td>$20,000</td>
<td>219,199</td>
<td>(14,808)</td>
<td>(81,182)</td>
<td>0</td>
<td>24,248</td>
<td>139,623</td>
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<tr>
<td>SOSC</td>
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<td></td>
<td></td>
<td></td>
<td>116,076</td>
<td>(51,507)</td>
<td>(40,000)</td>
<td>24,569</td>
</tr>
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</table>

Meeting #461
January 25, 1980
Staff Report to the Committee

The issues raised by participants in the discussions surrounding the recommendations to revise policies pertaining to the financial management of auxiliary enterprise facilities, and the Board staff responses to those issues are presented below:

*Issue*

Existing IMD 7.120(4) permits use of building fee income to meet the debt service of self-supporting auxiliary enterprises. Such usage could result in non-residence hall occupants paying a portion of the debt service on residence halls at institutions unable to meet their debt service obligations.

**Response**

The building fee is not intended to be a source for financing the debt service or operating overdrafts of self-supporting auxiliary enterprises. IMD 7.120(4) authorizes the Chancellor to transfer money from student building fee accounts to institutional accounts, only if needed to meet the annual debt service requirements of an auxiliary activity. Staff proposed IMD 6.320 would prevent institution reliance on the building fee as a resource for meeting the debt service or operating deficits of self-supporting auxiliary activities. The new policy would clearly establish institutional budgetary responsibility for meeting the financial obligations of its auxiliary enterprise facilities debt service or operating overdrafts, and for reducing and eventually returning all money previously borrowed from the building fee fund. The proposed policy should alleviate concern that the building fee might become an unlimited source of funds for covering debt service and operating deficits. Institution management retains the full responsibility for meeting these obligations.

*Issue*

The charging of actual interest rates applicable to the initial bond proceeds allotted to each of five categories of auxiliary enterprises could have had adverse financial impact on interest payment rates for specific self-supporting auxiliary enterprise activities.

**Response**

The September 14, 1979, proposal to charge actual interest rates applicable to each of five categories of auxiliary enterprises, in lieu of the current composite rate for all auxiliary facilities, would have reduced slightly the interest rate on bonds for residence halls, family housing, and cooperatives, while increasing the interest rate for parking and building fee supported facilities (student unions, recreational facilities, and health service buildings). Separating family housing, residence halls, and cooperatives also would have reduced the anticipated revenue base for each activity to the point where it would not have been financially feasible to consider construction of new facilities of these types, at least while bond interest rates remain relatively high.

Proposed IMD 6.300 calls for three categories of facilities for financing purposes: (1) housing (except for the Health Sciences Center Residence Hall), (2) parking, and (3) all other auxiliary enterprise facilities (those primarily supported by the building fee). Proposed IMD 6.315 would result in the allocation of debt service (actual principal and interest) separately among these three categories. The Portland State University Ondine Residence Hall and other Portland State University housing facilities would share the advantage of the System composite interest rate charges on housing, while remaining solely responsible for the outstanding principal.
Reduction of the auxiliary enterprise categories from five to three would result in a reduction in the housing interest rate from the Systemwide current composite rate by .29773%. It would increase the interest rate for parking by .35782% and for all other auxiliaries (for which the debt services are paid primarily from building fee income) by .37804%. Table A provides a comparison of the existing composite interest rate for all auxiliary enterprises: rates for each type of housing, the combined housing rate, the parking facilities rate and the building fee supported facilities rate.

**Issue**

The proposed average occupancy plan for distributing residence hall debt service among six institutions appears to reward low occupancy in order to manipulate the debt service requirement.

**Response**

Distributing the debt service on residence halls by the average occupancy method is designed to spread the obligation equally among the student occupants of residence halls at all institutions. The plan leaves each institution with the responsibility of managing in ways which will maximize occupancy. The common goals of housing directors are: (1) to provide quality housing and food services at reasonable prices, and (2) to offer programs which broaden the student's educational experience. Unless revenue is maximized by increasing occupancy and by applying accepted principles of good management, fixed costs per occupant cannot be minimized and little discretionary revenue is made available to provide the desired level of service and programs.

The result can be deficit operations for which the institution assumes responsibility.

The proposed average occupancy plan also eases the impact of temporary reductions in occupancy. This is accomplished by basing the debt service obligation on the average occupancy for the five previous years. Table B shows, for each of six institutions, the effects of the proposed average occupancy plan for distributing required residence hall debt service. Although the University of Oregon and Oregon State University would appear to experience instant increases in annual residence hall charges of $11.01 and $34.16, respectively, the figures are incomplete for they do not take into account the effects of returning to each institution interest earned on building repair and equipment replacement reserves and excess bond sinking funds, as well as the effects of eliminating the composite interest rate and applying the new rates to each of the three categories. Those effects on residence halls at six institutions are illustrated in Table D.

According to Table D, Oregon State University, assuming all other things remain equal, would experience a three-term increase per average occupancy of only $12.27. A three-term decrease in room and board rates per average occupancy of $101.85 at Eastern Oregon State College is unrealistic to presume when the institution anticipates a deficit in 1979-80 operations, has insufficient required building repair and equipment replacement reserves, and owes $514,237 to the building fee fund.

**Issue**

The proposed average occupancy method of distributing debt service excludes the Portland State University Ondine Residence Hall while including the Oregon State University College Inn. Both appear to be managed and operated by private enterprise.
**Response**

The Portland State University Ondine has been excluded from the average occupancy plan because the facility's housing operations are not comparable with those at the other institutions. The Ondine is a multipurpose facility. Portland State University leases to Portland Student Services, Inc. approximately 57% of the space in the building for housing rentals to students. PSS, Inc. does not provide food services. PSS, Inc.'s primary goal is to provide low-cost housing. The Portland State University administration has minimal control over the management and operation of the Ondine. Housing rates are established by PSS, Inc.

The remaining 43% of the space in Ondine is leased to private enterprises or used as office space for instructional and student services. The financial provisions in the existing leases do not permit the Portland State University administration to implement managerial techniques necessary to cope with changes required by the average occupancy plan.

The Oregon State University College Inn is operated under a contract involving Oregon State University and Professional Food Management, Inc. The Oregon State University Director of Housing exercises significant control over the menu, the quality of housing services, and the education-related programs provided student occupants. The Oregon State University administration and the Board must approve annual rates of charge.

*Issue*

At the time of the September 14 Committee meeting, the Board's staff was unable to present financial data to support the recommendation to approve IMD 6.310(4) and (5). This IMD pertains to the proposal to credit to the institution auxiliary enterprises interest earned on invested building repair and equipment replacement reserves, excess debt service reserves, and bond building funds. Chapter 106, Oregon Laws 1979, requires the crediting of such interest to the respective institution building repair and equipment replacement reserve accounts. IMD 6.310(4) and (5) provide the authority to return the earned interest on excess debt service reserves and bond building funds to the respective auxiliary activities. Under the existing accounting system, the earned interest is deducted from the System gross housing debt service prior to distributing the remaining debt service obligation among the six institutions.

**Response**

Table C III shows the financial impact of these previously unavailable resources (except bond building funds) on each of the six residence hall operations. The net favorable effect of the proposed changes involving distribution of the earned interest for the University of Oregon and Oregon State University amounts to $18,964 and $29,172, respectively. These are net changes representing differences between the current method of allocating earned interest on the basis of replacement value and the new method of allocating interest on a source-of-funds basis.

Table D, II e. shows the net effect on each institution residence hall operation of proposed IMD 6.315 which would establish separate interest rates for debt service on each of the three categories of auxiliary facilities—housing, parking, and building fee supported. Conversion to the combined housing rate would favorably impact the University of Oregon and Oregon State University by $24,627 and $39,072, respectively.
*Issue

As of September 14, the Board's staff had not received the findings and recommendations of studies of management operations of housing and food services at the University of Oregon Health Sciences Center and Eastern Oregon State College; therefore, institution representatives and Committee members were not ready to accept a recommended change in the method of distributing debt service which might increase or decrease an institution's debt service obligation for its residence halls. In addition, representatives of institutions operating residence halls at near capacity wanted to know whether occupancy levels at institutions experiencing overdrafts in operations and debt service could be increased and costs per occupant reduced.

**Response

Following the May 25, 1979, request of the Board, studies were undertaken to assess the low occupancy rates and financial problems in the student housing operations at the University of Oregon Health Sciences Center and Eastern Oregon State College.

The review at the University of Oregon Health Sciences Center was conducted by institutional representatives and Board's staff. It focused on an update of residence hall occupancy and fiscal projections, recent management activities designed to improve student housing operations, and continuing areas of concern relative to student housing needs. Occupancy in the University of Oregon Health Sciences Center residence hall has increased from 125 residents in fall 1978 to 148 residents in fall 1979—an increase of 18.4%. The increase in occupancy was identified to be primarily among students in Nursing (up from 51 to 71) and in Medicine (up from 5 to 14). The projected three-term average occupancy for 1979-80 has been revised by University of Oregon Health Sciences Center representatives to 136 students.

Review of available financial information by the Board's staff indicated that the University of Oregon Health Sciences Center residence hall operations will meet all operating expenses in fiscal year 1979-80 and will generate a net operating income of $10,900 before debt service.

<table>
<thead>
<tr>
<th></th>
<th>Actual 1978-79</th>
<th>Budget May 1979</th>
<th>Projection November 1979</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average Occupancy</strong></td>
<td>105</td>
<td>105</td>
<td>136</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td>$115,258</td>
<td>$131,570</td>
<td>$150,950</td>
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<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Services</td>
<td>$55,821</td>
<td>$59,781</td>
<td>$61,950</td>
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<tr>
<td>Services &amp; Supplies</td>
<td>57,746</td>
<td>58,072</td>
<td>78,100</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$113,567</td>
<td>$117,853</td>
<td>$140,050</td>
</tr>
<tr>
<td><strong>Net Operating Income</strong></td>
<td>$1,691</td>
<td>$13,717</td>
<td>$10,900</td>
</tr>
<tr>
<td><strong>Debt Service</strong></td>
<td>62,010</td>
<td>62,969</td>
<td>63,000</td>
</tr>
<tr>
<td><strong>Net Deficit</strong></td>
<td>($60,319)</td>
<td>($49,252)</td>
<td>($52,100)</td>
</tr>
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</table>

Contributing to this more positive outlook are efforts to publicize better availability of on-campus housing, modification of parking regulations to accommodate residence hall students, review of delivery and security service assessments, limitation of linen service provided residents, and aggressive efforts to attract more guests and conferences. The residence hall operations will be adversely affected in 1979-80 by a surcharge for fuel oil cost overruns of $18,900.
With the assistance of University of Oregon Health Sciences Center staff, several areas of future and continuing concern were identified. Custodial staffing continues to be a source of high cost per occupant, but such cost may be justified due to the nature of the specific services involved. Identified as other areas of concern were the availability of food service, the utilization of the partially finished seventh floor, facility maintenance needs, and the impact of future enrollment trends. The following recommendations were developed as a result of the review.

1. The level of custodial staffing should be reviewed periodically to insure that existing services continue to be necessary and warrant the expense involved.

2. Efforts to publicize the availability of on-campus housing to students should be continued. Comparative information concerning the cost of off-campus housing gathered periodically by staff should be incorporated in the promotional information.

3. Investigation should be undertaken with ARA (a private food service which operates several food service units on campus) concerning the development of meal ticket plans for residence hall students.

4. If the seventh floor of the residence hall facility continues to be used as storage for Property Control, compensation should be provided to the residence hall operations for the space occupied and related costs incurred.

5. Analysis of future major facility maintenance needs should be undertaken with the Office of Facilities Planning, and a plan for the development of adequate Building Repair Reserve funds should be outlined.

6. Closer and more frequent communication should be nurtured with representatives of the various schools within the University of Oregon Health Sciences Center concerning future enrollment trends so that plans can be developed by housing staff to respond to any trends having impact on residence hall occupancy.

The review at Eastern Oregon State College was conducted by Harland D. Harris, Director of Housing and Food Services, Humboldt State University, in Arcata, California, with the assistance of representatives from Oregon Institute of Technology, Oregon State University, and Southern Oregon State College. The draft of the study report was also reviewed by the University of Oregon Director of Housing. The study involved a complete and thorough analysis of the student housing and food service operations. It included recommendations which could contribute to improvements in operational effectiveness and efficiency.

Occupancy in residence halls at Eastern Oregon State College has decreased from 409 residents in fall 1978 to 386 in fall 1979—a decrease of 5.6%. The projected three-term average occupancy for 1979-80 has been estimated by Eastern Oregon State College representatives to be 386 residents and by Board's staff to be 353. Review of available financial information by the Board's staff based on revised-occupancy figures revealed a projected operating deficit of $130,020 before debt service obligations and a total projected deficit of $258,029 after debt service.
January 25, 1980

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Occupancy</td>
<td>374</td>
<td>375</td>
<td>386</td>
<td>353</td>
</tr>
<tr>
<td>Income</td>
<td>$759,763</td>
<td>$748,775</td>
<td>$805,687</td>
<td>$751,567</td>
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<tr>
<td>Expenses</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Personal Services</td>
<td>$347,703</td>
<td>$377,005</td>
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<tr>
<td>Services &amp; Supplies</td>
<td>$217,945</td>
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<tr>
<td>Food</td>
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<td>$235,273</td>
<td>$257,568</td>
<td>$247,500</td>
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<td>Total Expenses</td>
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<td>$870,584</td>
<td>$881,587</td>
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<tr>
<td>Net Operating Deficit</td>
<td>($28,533)</td>
<td>($85,132)</td>
<td>($64,897)</td>
<td>($130,020)</td>
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<td>Debt Service</td>
<td>$113,181</td>
<td>$136,657</td>
<td>$128,009</td>
<td>$128,009</td>
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<tr>
<td>Net Deficit</td>
<td>($141,714)</td>
<td>($221,789)</td>
<td>($192,906)</td>
<td>($253,029)</td>
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</table>

The study at Eastern Oregon State College proposed the following recommendations to improve their deficit operations:

**Housing Operation**

1. Reduce the custodial staff 2.0 FTE and part-time residence assistant staff 2.3 FTE.

2. Seek advice of telephone consultant on ways to improve telephone service and reduce student labor cost, relying possibly on volunteer student labor.

**Student Government-Activities-Group Dynamics**

1. Identify student leadership in the residence halls, then nurture to a level of high involvement and visibility their responsibility for group activities programming.

2. Encourage student leadership to improve student interaction between Hunt and Dorion Halls.

3. Involve the campus activities office in providing resources for residence hall staff and student leadership in order to improve quality of residence hall life.

4. Stimulate faculty to respond to need for involvement in specialized activities of living groups.

**Utilization of Space and Assignments**

1. Market single rooms to the limit of available space by lowering the price to attract a greater proportion of the student body, and convert multiple occupancy rooms to single occupancy to maximize income and accommodate need.

2. Rent guest rooms and apartments on a continuing basis, especially in Dorion Hall.
3. Consider establishing designated areas for older students, nurses, or any other definable groups that could benefit from the group living experience.

Housing Occupancy

1. Maximize income by increasing ratio of residence hall room and board charges to 45% fall term, 30% winter term, and 25% spring term. Establish an equivalent daily rate based upon annual room and board rates for incoming residents winter and spring terms.

2. Employ aggressive marketing techniques to attract students to the residence hall to counter the common belief that "It's cheaper off campus." Utilize brochures, campus flyers, spot radio announcements, personal contact, and student newspaper articles. Promote the housing and food services program by establishing direct contact with inquiring and incoming students by means of brochures and letters from the Housing Director or Dean.

3. Conduct a comparative study of on- and off-campus living costs and publicize favorable findings.

4. Tighten the procedures permitting release from room and board contracts by utilizing a review board of peer students who make recommendations to the Housing Director, and stipulate termination procedures in the contract.

Food Service Operations

1. Revise the menu cycle from a two-week to a four- or five-week cycle, and provide a different menu cycle for fall, winter, and spring terms.

2. Offer two main entrees at each meal.

3. Offer a prepared salad plate or self-service salad bar at lunch and dinner.

4. Designate specific salad and dessert choices on the menu to enhance variety and choice and to allow lead time for ordering and preparation.

5. Assign the Food Services Director leadership responsibility for menu planning, including soliciting input from students and cooks. Base final menu offerings on cost, production restraints, popularity, and appropriate input.

6. Improve manual system of inventory control by recording on an index card or withdrawal form to assure inventory control, auditable usage records and daily cost controls. Direct involvement by the Food Service Director in taking end-of-month physical inventory is essential.

7. Improve bidding and purchasing practices and reduce costs by changing meat bidding cycle.

8. Consider eliminating the 15-meal, 5-day meal plan to reduce clerical and accounting workload and to discourage loaning of weekend meal passes.

9. Reassign baker from part-time serving line to full-time baker responsibilities, supporting both residence hall food service and à la carte service areas.
10. Assign one classified staff person to handle salad preparation full time, supporting both residence hall and a la carte operations.

11. Consider phasing out classified stores clerk and meat cutter positions.

12. Determine variable costs of providing food service in Hoke Center during summer and extended vacation periods with view toward reducing labor costs.

Portion Control and Food Merchandising

1. Initiate a food garnishing and merchandising display program.

2. Replace paper cups with water glasses to discourage practice of taking beverages from the food service area.

Food Preparation, Sanitation and Food Service Hours

1. Promote staff awareness of good sanitation standards. Obtain periodic inspections from management and local sanitarians.

2. Establish acceptable levels of cleanliness.

3. Extend food service hours Monday through Friday from 8:15 a.m. to 9:15 a.m. to accommodate late risers, even if only a continental breakfast can be provided.

Meal Plan Records and Dining Room Control

1. Initiate a system of permanently recording all daily and weekly attendance at meals to facilitate calculation of food service and labor cost per meal served.

2. Install an exit alarm on the outside patio areas and set up an I.D. checking station at the entrance to emphasize importance of determining eligibility for meal plan.

3. Record attendance by meal plan participation.

4. Use cash register to record guest meal sales.

5. Encourage commuter students to eat in the residence hall cafeteria area.

6. Establish meal prices which allow for differences in resident and commuter student eating habits.

Student Satisfaction

1. Conduct a campus-wide survey of food services and continue soliciting student input regarding menu preferences.

2. Conduct a food popularity survey to determine likes and dislikes in menu selection, service, meal plans, sanitation levels, etc.

3. Offer increased variety on the menu and in the snack bar area, garnish foods, and promote special holidays.

4. Encourage resident students to have picnics and special hall or floor dinners.

5. Involve food service in the programming aspects of residence living.
Financial Management

1. Shift responsibility and accountability for fiscal management of the operations to a level closer to the operating decisions.

2. Revise budget preparation to achieve greater coordination between housing and food service management and central business office management.

3. Develop more comprehensive and consistent practices for determining room and board charges and à la carte meal charges to assure that contract meal services are not subsidizing the à la carte and commuting student cafeteria services, and that pricing policies are competitive.

4. Establish accounting and reporting systems at the institution which enable management to monitor more frequently the income and expenses.

5. Review methods used to assess charges for physical plant and administrative support services.

Management Organization

1. Consider the advantages of reorganizing management of housing and food services by combining responsibilities for food services, residence life, residence hall custodial service, and campus-wide programming under a single, well qualified Director.

2. Consider the option of contracting with a professional food service firm to provide residence hall and à la carte food services.

The study also included an extensive presentation of findings supporting the recommendations and positive comments concerning the condition of the furnishings and facilities. The study team did not attempt to project specific increases in income which might result from implementing the recommendations. However, the proposed staff reductions were an identified estimated savings of $55,055.

Eastern Oregon State College executives have been requested to prepare a response to the study findings and recommendations and to present the Board with a revised budget which includes plans for eliminating overdrafts in operations, repaying borrowings from the building fee, and establishing required building repair and equipment replacement reserves.
<table>
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<th>Year</th>
<th>Combined Composite Rate</th>
<th>Combined Housing Facilities</th>
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<tbody>
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<td></td>
<td></td>
<td>Residence Halls</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%</td>
</tr>
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<td>3.82323%</td>
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<td>1981-82</td>
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<td>5.14683%</td>
<td>4.77957</td>
</tr>
<tr>
<td>1997-98</td>
<td>5.31341%</td>
<td>5.11507</td>
</tr>
<tr>
<td>1998-99</td>
<td>5.31708%</td>
<td>5.12702</td>
</tr>
<tr>
<td>1999-00</td>
<td>5.33509%</td>
<td>5.24683</td>
</tr>
<tr>
<td>2000-01</td>
<td>5.35081%</td>
<td>5.39426</td>
</tr>
<tr>
<td>2001-02</td>
<td>5.49630%</td>
<td>5.79583</td>
</tr>
<tr>
<td>2002-03</td>
<td>5.59916%</td>
<td>5.79808</td>
</tr>
<tr>
<td>2003-04</td>
<td>5.60194%</td>
<td>5.79533</td>
</tr>
<tr>
<td>2004-05</td>
<td>5.60828%</td>
<td>5.89794</td>
</tr>
<tr>
<td>2005-06</td>
<td>5.56381%</td>
<td>7.34444</td>
</tr>
<tr>
<td>2006-07</td>
<td>5.55396%</td>
<td>7.54167</td>
</tr>
<tr>
<td>2007-08</td>
<td>5.75000%</td>
<td>7.65000</td>
</tr>
</tbody>
</table>

(1) Includes PSU - PSS Res. Rehab
(2) Includes UOHSC Cafeteria & Dorm
### Table B

**Comparison of Four Methods of Distributing Residence Halls Gross Debt Service**  
(Excludes PSU Ondine)

#### 1979-80 Standard Institution Recom. Rates

<table>
<thead>
<tr>
<th>Method</th>
<th>UO</th>
<th>OSU</th>
<th>OCE</th>
<th>SOSC</th>
<th>EOSC</th>
<th>OIT</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple</td>
<td>$1,580</td>
<td>$1,565</td>
<td>$1,640</td>
<td>$1,630</td>
<td>$1,640</td>
<td>$1,630</td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>$2,054</td>
<td>$1,950</td>
<td>$1,995</td>
<td>$2,070</td>
<td>$2,150</td>
<td>$2,085</td>
<td></td>
</tr>
</tbody>
</table>

#### 5-Year Average Occupancy

<table>
<thead>
<tr>
<th>Institution</th>
<th>1974-75 through 1978-79</th>
<th>1975-76 through 1978-79</th>
</tr>
</thead>
<tbody>
<tr>
<td>UO</td>
<td>2,709</td>
<td>3,628</td>
</tr>
<tr>
<td>OSU</td>
<td>4,299</td>
<td>3,628</td>
</tr>
<tr>
<td>OCE</td>
<td>628</td>
<td>3,628</td>
</tr>
<tr>
<td>SOSC</td>
<td>1,114</td>
<td>3,628</td>
</tr>
<tr>
<td>EOSC</td>
<td>931</td>
<td>3,628</td>
</tr>
<tr>
<td>OIT</td>
<td>573</td>
<td>3,628</td>
</tr>
<tr>
<td>Total</td>
<td>9,584</td>
<td></td>
</tr>
</tbody>
</table>

#### Replacement Value

<table>
<thead>
<tr>
<th>Institution</th>
<th>$842,847</th>
<th>$1,238,029</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Debt Service</td>
<td>27.3%</td>
<td>40.1%</td>
</tr>
<tr>
<td>Cost per Average Occupant</td>
<td>$311.13</td>
<td>$287.98</td>
</tr>
</tbody>
</table>

#### Design Rated Capacity

<table>
<thead>
<tr>
<th>Institution</th>
<th>3,354</th>
<th>4,720</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Design Rated Capacity</td>
<td>28.8%</td>
<td>40.6%</td>
</tr>
<tr>
<td>Institution Share of Debt Service</td>
<td>$889,158</td>
<td>$1,253,465</td>
</tr>
<tr>
<td>Cost per Average Occupant</td>
<td>$328.22</td>
<td>$287.98</td>
</tr>
<tr>
<td>Average Inc. or (Decr.) per Avrg. Occup.</td>
<td>$17.09</td>
<td>$11.08</td>
</tr>
</tbody>
</table>

#### Average Occupancy

<table>
<thead>
<tr>
<th>Institution</th>
<th>28.3%</th>
<th>44.9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Debt Service</td>
<td>28.4%</td>
<td>42.5%</td>
</tr>
<tr>
<td>Institution Share of Debt Service</td>
<td>$872,667</td>
<td>$1,384,863</td>
</tr>
<tr>
<td>Cost per Average Occupant</td>
<td>$322.14</td>
<td>$305.22</td>
</tr>
<tr>
<td>Average Inc. or (Decr.) per Avrg. Occup.</td>
<td>$11.01</td>
<td>$12.53</td>
</tr>
</tbody>
</table>

#### Gross Square Feet by Institution

<table>
<thead>
<tr>
<th>Institution</th>
<th>803,221</th>
<th>1,200,358</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Debt Service</td>
<td>28.4%</td>
<td>42.5%</td>
</tr>
<tr>
<td>Institution Share of Debt Service</td>
<td>$876,808</td>
<td>$1,312,125</td>
</tr>
<tr>
<td>Cost per Average Occupant</td>
<td>$323.66</td>
<td>$322.14</td>
</tr>
<tr>
<td>Average Inc. or (Decr.) per Avrg. Occup.</td>
<td>$12.53</td>
<td>$12.53</td>
</tr>
</tbody>
</table>

---

1. UO University Inn $2,054 multiple; $2,670 single.
2. OSU College Inn $1,783 multiple; $2,178 single.
3. 5 years (1974-75 through 1978-79) except at UO and OSU where occupancy is averaged for 4 years (1975-76 through 1978-79) because of addition in 1975-76 of the Inns at UO and OSU.
4. 5-year average occupancy at OCE was increased by 95 to account for Police Academy occupants.
5. 5-year average occupancy at SOSC was increased by 100 to account for NYACC occupants.
6. Gross debt service. See Table D for net debt service.
<table>
<thead>
<tr>
<th></th>
<th>UO</th>
<th>OSU</th>
<th>OCE</th>
<th>SOSC</th>
<th>EOSC</th>
<th>OIT</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Interest on Excess Sinking Fund Reserves</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existing Policy (Replacement Value Basis)</td>
<td>$36,874</td>
<td>$54,164</td>
<td>$10,806</td>
<td>$17,559</td>
<td>$7,699</td>
<td>$7,969</td>
<td>$135,071</td>
</tr>
<tr>
<td>Proposed Policy (Institution Source)</td>
<td>36,930</td>
<td>88,321</td>
<td>9,820</td>
<td></td>
<td></td>
<td></td>
<td>135,071</td>
</tr>
<tr>
<td>Change from Existing Policy</td>
<td>$56</td>
<td>$34,157</td>
<td>($986)</td>
<td>($17,559)</td>
<td>($7,699)</td>
<td>($7,969)</td>
<td>$--</td>
</tr>
<tr>
<td><strong>II. Interest on Building Repair and Equipment Replacement Reserves</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existing Policy (Replacement Value Basis)</td>
<td>$45,917</td>
<td>$67,445</td>
<td>$13,455</td>
<td>$21,865</td>
<td>$9,587</td>
<td>$9,923</td>
<td>$168,192</td>
</tr>
<tr>
<td>New Policy (Institution Source)</td>
<td>64,825</td>
<td>62,460</td>
<td>12,593</td>
<td>18,062</td>
<td>1,284</td>
<td>8,968</td>
<td>168,192</td>
</tr>
<tr>
<td>[Amounts Available to Offset Current Operating Expenses]</td>
<td>[39,607]</td>
<td>[62,460]</td>
<td>[11,765]</td>
<td>[18,062]</td>
<td>[1,284]</td>
<td>[6,393]</td>
<td>[139,571]</td>
</tr>
<tr>
<td>Change from Existing Policy</td>
<td>$18,908</td>
<td>($4,985)</td>
<td>($862)</td>
<td>($3,803)</td>
<td>($8,303)</td>
<td>($955)</td>
<td>$--</td>
</tr>
<tr>
<td><strong>III. Total Interest Earnings Allocations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existing Policy (Replacement Value Basis)</td>
<td>$82,791</td>
<td>$121,609</td>
<td>$24,261</td>
<td>$39,424</td>
<td>$17,286</td>
<td>$17,892</td>
<td>$303,263</td>
</tr>
<tr>
<td>Proposed Policy (New Statute, and IMD Change)</td>
<td>101,755</td>
<td>150,781</td>
<td>22,413</td>
<td>18,062</td>
<td>1,284</td>
<td>8,968</td>
<td>303,263</td>
</tr>
<tr>
<td>Change from Existing Policy</td>
<td>$18,964</td>
<td>$29,172</td>
<td>($1,848)</td>
<td>($21,362)</td>
<td>($16,002)</td>
<td>($8,924)</td>
<td>$--</td>
</tr>
</tbody>
</table>

1. Institution source: Interest earnings allocated to each institution in proportion to its share of Systemwide reserves.
2. Chapter 106, Oregon Laws 1979, requires the crediting of these interest earnings to the respective institution's reserve account.
3. Memo entry. See Table D. Amounts which may be used in 1979-80 as offsets to reduce current operating expenses.

KRJ:jl
12/7/79
### Table 1

<table>
<thead>
<tr>
<th></th>
<th>DU</th>
<th>OSU</th>
<th>OCE</th>
<th>OSOC</th>
<th>EOSC</th>
<th>OIT</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-Year Average Occupancy</td>
<td>2,709</td>
<td>4,299</td>
<td>628</td>
<td>1,114</td>
<td>361</td>
<td>473</td>
<td>9,584</td>
</tr>
</tbody>
</table>

#### I. Existing Policy (Replacement Value Basis)

- **Institution Share of Debt Service**: 27.3%
- **Gross Amount of Debt Service**: $842,847

**Deductions**:
- a. Interest on Required and Excess Sinking Fund Reserves
- b. Interest on Building Repair and Equipment Replacement Reserves
- c. Other (Debt Service Grants, Maaske Hall, Real Property Rent)

**Total Deductions**:

**Net Debt Service**:

**Existing Debt Service per Average Occupancy**:

#### II. Proposed Policy, Including Statute Changes (Average Occupancy Basis)

- **Institution Share of Debt Service**: 28.3%
- **Gross Amount of Debt Service**: $872,667

**Deductions**:
- a. Interest on Required Sinking Fund Reserves
- b. Other (Debt Service Grants, Maaske Hall, Real Property Rent)
- c. Interest on Excess Sinking Fund Reserves
- d. Interest on Building Repair & Equipment Replacement Reserves
- e. Conversion to Combined Housing Interest Rate

**Total Deductions**:

**Net Debt Service**:

**Proposed Debt Service per Average Occupancy**:

**Average Cost Increase (or Decrease) per Average Occupancy**:

#### III. Excess Institutional Sinking Funds

**Excess Institutional Sinking Funds**

1. Distributed on replacement value basis.
2. All interest earnings estimated at 7.0%.
3. Distributed on average occupancy basis.
4. Distributed to institution of original source.
5. Estimated by measuring the 1981-82 interest rate change resulting from the proposed conversion from a combined composite rate to a combined housing rate. The rate falls from 4.23003 percent to 3.93230 percent, a decrease in rate of 7.03848 percent. The interest portion of total debt service is approximately 44 percent. Therefore, 44 percent of 7.03848 percent is 3.096 percent and this rate was applied to the debt service of each institution as an estimate of savings.

KRJ:JS
1/20/79—Revised 12/10/79
(Considered by Committee on Finance, Administration, and Physical Plant, December 14, 1979; present--Ingalls, Ater, Batiste, and Thorp.)

Staff Recommendation to the Committee

It was recommended that the Committee review the staff report and advise the staff concerning planning guidelines for 1981-1983 Biennial Budget preparation.

Discussion and Recommendation by the Committee

Mr. Holmer, in his introduction to the budget presentation, indicated that preliminary decisions affecting the construction of the budget request were being sought from the Committee and the Board. It has been determined in the Executive Department and the Legislative Fiscal Office that the Department of Higher Education will not be expected to use the Alternative Program Levels Support in preparing the 1981-1983 budget. However, it is anticipated that this will be required in 1983-1985.

Mr. Ingalls inquired whether it would be advisable to consider a new budget base for the coming biennium even though the Department is not yet under the construction of the new budget procedure. Mr. Holmer responded that the base budget represents some very good judgments and is constantly changing at each institution. It is not an unexamined base budget. The base budget does not include changes for enrollment, inflation, or other factors which might modify the base budget in the preparation stage. It is assumed that the Legislature, in determining a level of support for the State System, had judged the base budget to be an appropriate level of support. The only changes to be recommended in that level will be ones specifically identified in the budget request.

The validity of the Consumer Price Index as a basis for budget increases was questioned because the Index includes many things which do not affect higher education budgets. Mr. Holmer mentioned the Higher Education Price Index developed by the U. S. Office of Education as a possible alternative. The level of increase in that index has tended to be higher than that in the Consumer Price Index. It was mentioned also that items in the Consumer Price Index which are not related directly to higher education are of some significance in terms of salary adjustments.

Mr. Holmer said a primary decision presented for consideration by the Committee had to do with program improvements. It is proposed that System-wide program improvements be established for Education and General Services with an overall dollar limit of approximately 2% of the base budget. Specific proposals would be presented for the expenditure of those funds at a later time.

Mr. Ingalls then invited President Laster to comment on the 2% proposal.

President Laster said there has been an increase in morale at the institution and a rededication of all segments of the institution as a result of improvements of some magnitude achieved during the last Legislative Session. Although the institution is not presenting itself as a special situation, it has deep and profound problems in trying to move forward at the 2% incremental level when the deficiencies are so great. The institution, in most instances, is in the lowest quartile nationally. Some areas of training are not available, and the choices which must be made are significant in terms of educational quality. He cited examples of the disparity between the funds available under the 2% limitation and the cost for critical requirements in several departments. Some of the program improvement requests involve accreditation recommendations for equipment and staff.

President Laster cited data comparing staff and resources at the University of Oregon Health Sciences Center as compared with six western states. Advances in the health sciences have increased the need for personnel and