MINUTES OF SPECIAL MEETING OF THE
STATE BOARD OF HIGHER EDUCATION HELD
ON JULY 12, 1983

Page

1983-84 Operating Budget 213

W. Neifert, Appointment as Dean of Administration, WOSC 228

ADJOURNMENT 228
STATE BOARD OF HIGHER EDUCATION
MINUTES OF SPECIAL MEETING HELD IN
ROOM 338, MICHAEL J. SMITH MEMORIAL CENTER,
PORTLAND STATE UNIVERSITY, PORTLAND, OREGON

July 12, 1983

ROLL CALL

The meeting was called to order at 10:30 a.m., July 12, 1983, by the President of the Board, Mr. Robert C. Ingalls, and on roll call the following answered present:

Mr. John W. Alltucker
Mr. Alvin R. Batiste
Mr. Randal D. Gill
Mr. Edward C. Harms, Jr.
Mr. Richard F. Hensley

Miss Linda L. Walling
Mr. Marion T. Weatherford
Mr. Loren L. Wyss
Mr. Robert C. Ingalls

Absent: Mrs. Flanagan was out of the country. Mr. Petersen was absent for health reasons. Mr. Perry was on vacation.

OTHERS PRESENT

Centralized Activities--Chancellor William E. Davis; Secretary Wilma L. Foster; J. I. Hunderup, Vice Chancellor for Facilities Planning; Clarethel Kahananui, Acting Vice Chancellor for Academic Affairs; W. T. Lemman, Vice Chancellor for Administration; Wil Post, Vice Chancellor for Public Affairs; Clifford Smith, Director of CASEERI; Davis Quenzer, Associate Vice Chancellor for Budget and Fiscal Policies; Melinda W. Grier, Compliance Officer; Jerry Casby, Assistant Attorney General; Thomas Berkey, Associate Budget Director; Loren L. Stubbert, Assistant Budget Director; James Morgan, Chairman, Interinstitutional Library Council; Tim Marsh, Information Director.

Oregon State University--President Robert MacVicar; T. D. Parsons, Vice President for Administration; Allan Mathany, Budget Director; D. S. Fullerton, President-Elect, Faculty Senate.

University of Oregon--President Paul Olum; Richard J. Hill, Provost; Robert M. Berdahl, Dean, College of Arts and Sciences; Ralph Sunderland, Budget Director.

Oregon Health Sciences University--President Leonard Laster; J. T. McGill, Vice President; M. A. Lockwood, Executive Assistant to the President; Pete Wollstein, Assistant Vice President for Budget and Finance; Linda Hinds, Budget Director.

Portland State University--President Joseph Blume; James E. Todd, Vice President for Finance and Administration; Margaret J. Dobson, Vice President for Academic Affairs; W. D. Williams, Assistant Vice President for Student Affairs; Phil Bogue, Assistant to the President for University Relations; J. K. Harris, Budget Director; Dawn Dressler, Interinstitutional Faculty Senate; Barry Anderson, Chief Negotiator, AAUP.

Eastern Oregon State College--President David Gilbert; James C. Lundy, Dean of Business Affairs.

Oregon Institute of Technology--President Larry J. Blake; John H. Smith, Dean of Administration.

Southern Oregon State College--President Natale A. Sicuro; Ronald Bolstad, Dean of Administration.

Western Oregon State College--President Richard Meyers; James Beaird, Provost; William Neifert, Dean of Administration.
Staff Report to the Board: 1983-1985 Legislatively-Approved Budget


The 1983-1985 legislatively-approved budget fully funds all salary increases granted during 1982-83 and provides for inflation adjustments of 4% in 1983-84 and 5% in 1984-85 for general services and supplies and equipment. For library books, the inflation adjustment is 10.6%; and for telephone communication, it is 16% each year of the 1983-1985 biennium. The energy budget has increased approximately 10% each year over the 1982-83 budget base.

In addition to financing the base budget, the single most significant item approved by the Legislature is the appropriation of $20,592,685 of General Fund dollars to make possible the freezing of all instruction fee rates for 1983-1985. Although this $20.6 million does not enhance the expenditure budget, it does make a significant statement concerning the high level of instruction fees in Oregon. There is some optimism that freezing instruction fee rates will cause the present decline in enrollments to stabilize or perhaps return to earlier levels. This halting or reversal of the enrollment decline would provide stability to the expenditure budgets and would create an atmosphere in which the institutions could begin to recover from the severe budget reductions of the past three years.

Other items approved by the Legislature which will assist the institutions in meeting the critical needs during 1983-1985 are:

1. Economic Development--$2,672,998 of General Fund dollars were provided to improve the engineering and computer science programs at Oregon State University and Portland State University and the computer science and cell biology program at the University of Oregon. Another $1,350,000 is expected to be available for these three programs from the High Technology Consortium.

2. Facilities Maintenance--$3,000,000. These funds will be distributed on a project basis to the institutions. The Board reviewed the project list at its June 1983 meeting.

3. Libraries--$1,000,000. The Board's request was for $3,826,000, of which $2,009,000 was to complete the first phase of a planned two-biennia improvement in book and serial acquisitions. The remaining $1,817,000 was to complete conversion of existing library holdings from catalog cards to machine readable records. Only $1,000,000 of the request has been funded. The original split between acquisitions and automation is still recommended. The proposed allocation of $1,000,000 among the institutions is designed to keep the larger libraries working on conversion of records and to give some disproportional help to the acquisition budgets of the smaller libraries. The proposed allocation is:

<table>
<thead>
<tr>
<th>Institution</th>
<th>Books</th>
<th>Automation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Oregon</td>
<td>91,375</td>
<td>130,499</td>
<td>221,874</td>
</tr>
<tr>
<td>Oregon State University</td>
<td>84,750</td>
<td>116,688</td>
<td>201,438</td>
</tr>
<tr>
<td>Portland State University</td>
<td>88,875</td>
<td>91,563</td>
<td>180,438</td>
</tr>
<tr>
<td>Western Oregon State College</td>
<td>55,000</td>
<td>26,314</td>
<td>81,314</td>
</tr>
<tr>
<td>Southern Oregon State College</td>
<td>55,000</td>
<td>26,312</td>
<td>81,312</td>
</tr>
<tr>
<td>Eastern Oregon State College</td>
<td>45,000</td>
<td>16,312</td>
<td>61,312</td>
</tr>
<tr>
<td>Oregon Institute of Technology</td>
<td>40,000</td>
<td>16,312</td>
<td>56,312</td>
</tr>
<tr>
<td>Oregon Health Sciences University</td>
<td>70,000</td>
<td>46,000</td>
<td>116,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>530,000</td>
<td>470,000</td>
<td>1,000,000</td>
</tr>
</tbody>
</table>

-213-
4. New Building Operation and Maintenance--$324,371. In addition to this amount, $172,192 was placed in a Special Emergency Fund reserve to cover the operating expenses of the Water Bureau Building leased by Portland State University so that Portland State University can acquire the building for occupancy after February 1, 1984.

5. Oregon Institute of Technology Library Staffing--$103,200. The Board's request was funded.

6. International Trade and Commerce Institute--$230,000. This institute is to be located at Portland State University where it will draw upon and coordinate efforts from the entire State System of Higher Education and the region.

7. Discretionary Salary Fund--$200,000. These funds are to be used for supplementary payments designed to attract or retain distinguished faculty of the highest quality and are to be administered by the Chancellor's Office.

8. Agricultural Research--$320,200:
   a. $70,000 to partially support a position working on environmental toxicology.
   b. $104,096 for research in new and alternative crops.
   c. $99,984 for expanded research in tree fruit and nursery crops.
   d. $46,200 for a cooperative viticulture research program.

9. Cooperative Extension--$110,202. This restores funding for two extension agent positions in Yamhill County which had been cut during recent budget reductions.

10. Forest Research--$37,128. This funding will permit the establishment of a new tree and wood quality cooperative research project to be partially supported by contributions from industry.

11. Oregon Poison Control and Drug Information Center/University Hospital--$82,846. This funding will permit the Center to expand its night coverage to include the period from 12:30 a.m. to 7:30 a.m.

Because of insufficient funds to meet budgetary needs, the Legislature reduced the Governor's Recommended Base Budget by $4,363,620. This reduction has been described by the Legislative Fiscal Office as the "partial elimination of a special restoration of temporary salary reductions." When the 1982 February Special Session reduced the Higher Education budget by over $13 million, a portion of the reduction ($3.1 million) was accommodated by postponing salary adjustments in 1982-83. The full funding of these postponed adjustments in 1983-1985 amounted to $6.7 million. The budget approved by the Legislature reduced the $6.7 million by $4,363,620. It is anticipated that most institutions will be able to accommodate a portion of this reduction through the budget mechanism of not filling some vacant positions as early as usual or as would be desirable. The $4,363,620 represents about 1.5% of the salary base which approximates the under-funding of salary increases in prior biennia.

Included in the Board's Budget Request and Governor's Recommended Budget was a net reduction of $6,384,448 attributed to projected enrollment declines in 1983-1985. In 1983-84, the reduction is $1,477,292 and in 1984-85, $4,907,166. The legislatively-approved budget includes this reduction.
At the request of the Chancellor, the Office of Administration has in the last several months studied alternative formulas and methods of allocating resources to institutions. As a result of this effort, a Budget Allocation System Model has been designed and is currently being refined. The model provides a method for allocating funds to the instruction function, for example, which takes into account variable productivity levels (or student-faculty ratios) by discipline cluster, level of course, marketplace factors influencing faculty salaries by discipline, etc. The use of such a model will permit the Board to allocate funds on a basis which recognizes differential costs of various fields of study rather than merely using State System average costs by lower division, upper division, and graduate levels of student populations. Although the model is neither fully complete nor fully refined, the Chancellor and the staff believe it is sufficiently developed to be used as a general guide in preparing our allocation recommendations to you.

As developed to this point, the new Budget Allocation System (BAS) Model clearly indicates that all institutions are underfunded when compared to external and normative data. The funds approved by the 1983 Legislature will finance 79.23% of the BAS Model in 1983-84 and 79.91% in 1984-85. However, some institutions are much closer to the Model's objectives than others, thus pointing to the need for reallocation of resources among the institutions. The budget reduction identified as an Enrollment Adjustment in the Board's Budget Request and approved by the Legislature is being redefined as an Adjustment Toward Model Objectives in the proposed budget allocations for 1983-84 and 1984-85. The reasons that institution budgets vary in relationship to their model objectives relate to insufficient weight having been given to the differential costs of various education programs in previous allocation methodology and the fact that recent directions and rates of change in enrollment and student mix has not been uniform among the institutions.

The BAS Model highlights the need for reallocation of funds among the institutions. The allocation recommendations for 1983-84 and 1984-85 represent only slight movement in that direction. However, it is important to take these initial steps to reallocate existing resources in 1983-84 in order to reduce the significant variations among the institutions between their existing budget and objectives of the Model. See Table I.

The following is a discussion of the institution allocations related to adjustments toward Model objectives:

1. University of Oregon--Reduction of $1,040,826 in 1983-84 and an additional reduction of $1,462,185 in 1984-84. These reductions represent approximately 1.8% of the budget in 1983-84 and 2.7% in 1984-85. The University of Oregon's budget compared to the BAS Model and the Systemwide average is:

<table>
<thead>
<tr>
<th>1983-84</th>
<th>1984-85</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before   After</td>
<td>Before   After</td>
</tr>
<tr>
<td>Adjustment Adjustment</td>
<td>Adjustment Adjustment</td>
</tr>
</tbody>
</table>

Percent of BAS Model

<table>
<thead>
<tr>
<th>1983-84</th>
<th>1984-85</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before   After</td>
<td>Before   After</td>
</tr>
<tr>
<td>Adjustment Adjustment</td>
<td>Adjustment Adjustment</td>
</tr>
</tbody>
</table>

Percent of Systemwide Average

<table>
<thead>
<tr>
<th>1983-84</th>
<th>1984-85</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before   After</td>
<td>Before   After</td>
</tr>
<tr>
<td>Adjustment Adjustment</td>
<td>Adjustment Adjustment</td>
</tr>
</tbody>
</table>

Between 1981-82 and 1984-85, the University of Oregon is projected to lose 14.3% of its enrollment. The budget will have been reduced about 9.5% during this time.
2. Oregon State University—An increase of $394,180 in 1983-84 and a decrease of $279,700 in 1984-85. The 1983-84 increase is approximately .7% of the budget and the 1984-85 decrease is .5%. The Oregon State University budget compared to the BAS Model and the Systemwide average is:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of BAS Model</td>
<td>73.14%</td>
<td>73.64%</td>
<td>74.46%</td>
<td>74.60%</td>
</tr>
<tr>
<td>Percent of Systemwide Average</td>
<td>91.84%</td>
<td>92.94%</td>
<td>91.18%</td>
<td>93.36%</td>
</tr>
</tbody>
</table>

Between 1981-82 and 1984-85, Oregon State University is projected to lose 2.5% of its enrollment. The budget will have been reduced by 5.2% during this time.

3. Portland State University—A reduction of $687,623 in 1983-84 and an additional $772,736 reduction in 1984-85. These reductions represent approximately 1.8% of the budget in 1983-84 and 2.1% in 1984-85. The Portland State University budget compared to the BAS Model and the Systemwide average is:

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of BAS Model</td>
<td>87.01%</td>
<td>85.44%</td>
<td>88.23%</td>
<td>84.88%</td>
</tr>
<tr>
<td>Percent of Systemwide Average</td>
<td>109.26%</td>
<td>107.83%</td>
<td>108.04%</td>
<td>106.23%</td>
</tr>
</tbody>
</table>

Between 1981-82 and 1984-85, Portland State University is projected to lose 15.5% of its enrollment. The budget will have been reduced about 9.0% during this time.

4. Western Oregon State College—A reduction of $646,065 in 1983-84 and an additional reduction of $250,470 in 1984-85. These reductions represent 6.5% of the budget in 1983-84 and 2.7% in 1984-85. The Western Oregon State College budget compared to the BAS Model and the Systemwide average is:

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of BAS Model</td>
<td>91.24%</td>
<td>85.32%</td>
<td>94.73%</td>
<td>86.30%</td>
</tr>
<tr>
<td>Percent of Systemwide Average</td>
<td>114.57%</td>
<td>107.68%</td>
<td>116.01%</td>
<td>107.99%</td>
</tr>
</tbody>
</table>

Between 1981-82 and 1984-85, Western Oregon State College is projected to lose 27.9% of its enrollment. The budget will have been reduced about 14.2% during this time.

5. Southern Oregon State College—A reduction of $98,163 in 1983-84 and an additional reduction of $322,484 in 1984-85. These reductions represent .8% of the budget in 1983-84 and 2.5% in 1984-85. The Southern Oregon State College budget compared to the BAS Model and Systemwide average is:

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of BAS Model</td>
<td>83.01%</td>
<td>82.37%</td>
<td>85.70%</td>
<td>82.90%</td>
</tr>
<tr>
<td>Percent of Systemwide Average</td>
<td>104.24%</td>
<td>103.96%</td>
<td>104.95%</td>
<td>103.74%</td>
</tr>
</tbody>
</table>
Between 1981-82 and 1984-85, Southern Oregon State College is projected to lose 11.1% of its enrollment. The budget will have been reduced about 8.3% during this time.

6. Eastern Oregon State College--An increase of $22,171 in 1983-84 which will be maintained in 1984-85. Eastern Oregon State College is considered to be at the minimum staffing level for the programs and functions assigned to the institution. Therefore, it is being exempted from any further budget reduction. The budget for Eastern Oregon State College compared to the BAS Model and Systemwide average is:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of BAS Model</td>
<td>81.38%</td>
<td>81.69%</td>
<td>82.74%</td>
<td>83.05%</td>
</tr>
<tr>
<td>Percent of Systemwide Average</td>
<td>102.20%</td>
<td>103.10%</td>
<td>101.32%</td>
<td>103.93%</td>
</tr>
</tbody>
</table>

Between 1981-82 and 1984-85, Eastern Oregon State College is projected to lose 2.3% of its enrollment.

7. Oregon Institute of Technology--An increase of $1,104,044 in 1983-84 and a reduction of $67,755 in 1984-85. The 1983-84 increase is 11.6% of the budget and the 1984-85 decrease is .6% of the budget. The budget for Oregon Institute of Technology compared to the BAS Model and Systemwide average is:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of BAS Model</td>
<td>70.17%</td>
<td>78.34%</td>
<td>71.00%</td>
<td>78.67%</td>
</tr>
<tr>
<td>Percent of Systemwide Average</td>
<td>88.12%</td>
<td>98.88%</td>
<td>86.94%</td>
<td>98.45%</td>
</tr>
</tbody>
</table>

Between 1981-82 and 1984-85, funded enrollments at Oregon Institute of Technology are expected to have increased 32.9%. This enrollment growth includes 100 FTE projected at the Oregon Institute of Technology Portland Center. The budget during this time will have increased about 6%.

8. Oregon Health Sciences University--A reduction of $412,500 in 1983-84 and continued into 1984-85. The Budget Allocation System (BAS) Model does not include the Oregon Health Sciences University; therefore, the proposed budget changes are not attributed to moving toward a model benchmark.

The Oregon Health Sciences University has been funded on a program basis for the past decade. It is not being proposed that we move off of that funding mechanism now or in the future. However, the Oregon Health Sciences University has substantially reduced its enrollments through reducing the entering class for medical, dental, and nursing students. Between 1981-82 and 1984-85, it will have reduced its enrollment by about 15%.

The budget reduction of $825,000 for the 1983-1985 biennium is recommended for the following reasons:

a. The loss of enrollment at the Oregon Health Sciences University reduces the total Other Funds income available to finance all institutions in the System. The liability for this loss is deemed to be most equitable if borne by the Oregon Health Sciences University in lieu of the fact that no General Fund budget reduction is made for this enrollment loss.
b. The $825,000 for the biennium represents about a 1.0% reduction in the base budget, a reduction considerably below that of most other institutions.

9. Centralized Activities--The budget for Centralized Activities has been reduced by $50,000 which represents its portion of the "$4.4 million" reduction. In addition, $250,000 has been transferred out of Centralized Activities to the institutions to assist in financing an international student exchange program and internal budget reallocation has occurred to finance CASEERI at a budget of $117,670.

The budget allocations described above are based on projected enrollments for 1983-84 and 1984-85 as made in January 1983. The latest data concerning admissions indicate a possible underrealization of 720 students from earlier projections. If these later reports reflect more accurately the Fall 1983 enrollments, instruction fee income will be underrealized by approximately $1.2 million in 1983-84. This underrealization of income will require further budget reductions beyond those described above. The 1984-85 instruction fee income could be underrealized by nearly $2.0 million if present enrollment trends continue.

See Table II for a summary of the 1983-1985 legislatively-approved budgets for the Department of Higher Education.

Staff Recommendation to the Board

It was recommended that the Board approve the Education and General Service budget allocations for 1983-84 for the eight institutions, Teaching Research Division, and Centralized Activities as presented in Table III of this agenda item.
Table I
A Comparison of the Budget Allocation System Model and the Present Budget

<table>
<thead>
<tr>
<th></th>
<th>UO</th>
<th>OSU</th>
<th>PSU</th>
<th>WOSC</th>
<th>SOSC</th>
<th>EOSC</th>
<th>OIT</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983-84 Before Model Adjustment</td>
<td>56,215,309</td>
<td>57,051,843</td>
<td>38,143,048</td>
<td>9,965,706</td>
<td>12,762,431</td>
<td>5,917,476</td>
<td>9,479,141</td>
<td>189,534,95</td>
</tr>
<tr>
<td>Budget/Model Pre-Adjustment</td>
<td>81.37%</td>
<td>73.14%</td>
<td>87.01%</td>
<td>91.24%</td>
<td>83.01%</td>
<td>81.38%</td>
<td>73.62%</td>
<td>79.85</td>
</tr>
<tr>
<td>Percent of Average</td>
<td>101.91%</td>
<td>91.60%</td>
<td>108.97%</td>
<td>114.27%</td>
<td>103.96%</td>
<td>101.92%</td>
<td>92.21%</td>
<td>100.00</td>
</tr>
<tr>
<td>Model Adjustment 1983-84</td>
<td>(1,040,826)</td>
<td>394,180</td>
<td>(687,623)</td>
<td>(646,065)</td>
<td>(98,163)</td>
<td>22,171</td>
<td>1,104,044</td>
<td>(952,28</td>
</tr>
<tr>
<td>1983-84 Revised Budget</td>
<td>55,174,483</td>
<td>57,446,023</td>
<td>37,555,425</td>
<td>9,319,641</td>
<td>12,664,268</td>
<td>5,939,647</td>
<td>10,583,185</td>
<td>188,582,67</td>
</tr>
<tr>
<td>Budget/Model Post-Adjustment</td>
<td>79.86%</td>
<td>73.64%</td>
<td>85.44%</td>
<td>85.32%</td>
<td>82.37%</td>
<td>81.69%</td>
<td>78.34%</td>
<td>79.23</td>
</tr>
<tr>
<td>Percent of Average</td>
<td>100.80%</td>
<td>92.94%</td>
<td>107.83%</td>
<td>107.68%</td>
<td>103.10%</td>
<td>103.10%</td>
<td>98.88%</td>
<td>100.06</td>
</tr>
<tr>
<td>1984-85 Before Model Adjustment</td>
<td>56,943,381</td>
<td>57,664,063</td>
<td>38,536,527</td>
<td>10,070,859</td>
<td>12,899,945</td>
<td>5,951,333</td>
<td>9,585,290</td>
<td>191,671,99</td>
</tr>
<tr>
<td>Budget/Model Pre-Adjustment</td>
<td>84.74%</td>
<td>74.46%</td>
<td>88.23%</td>
<td>94.73%</td>
<td>85.70%</td>
<td>82.74%</td>
<td>71.00%</td>
<td>81.66</td>
</tr>
<tr>
<td>Percent of Average</td>
<td>103.78%</td>
<td>91.18%</td>
<td>108.04%</td>
<td>116.01%</td>
<td>104.95%</td>
<td>101.32%</td>
<td>86.94%</td>
<td>100.00</td>
</tr>
<tr>
<td>Model Adjustment 1984-85</td>
<td>(2,503,011)</td>
<td>114,480</td>
<td>(1,460,359)</td>
<td>(896,535)</td>
<td>(420,647)</td>
<td>22,617</td>
<td>1,036,289</td>
<td>(4,107,16</td>
</tr>
<tr>
<td>1984-85 Revised Budget</td>
<td>54,440,370</td>
<td>57,778,543</td>
<td>37,076,168</td>
<td>9,174,324</td>
<td>12,469,298</td>
<td>6,004,550</td>
<td>10,621,579</td>
<td>187,564,83</td>
</tr>
<tr>
<td>Budget/Model Post-Adjustment</td>
<td>81.02%</td>
<td>74.60%</td>
<td>84.88%</td>
<td>86.30%</td>
<td>82.90%</td>
<td>83.05%</td>
<td>78.67%</td>
<td>79.91</td>
</tr>
<tr>
<td>Percent of Average</td>
<td>101.39%</td>
<td>93.36%</td>
<td>106.23%</td>
<td>107.99%</td>
<td>103.74%</td>
<td>103.93%</td>
<td>98.45%</td>
<td>100.00</td>
</tr>
</tbody>
</table>
### Table II

**Department of Higher Education**  
1983-1985 Legislative Appropriation  
Limited Operating Budget

<table>
<thead>
<tr>
<th>Category</th>
<th>Education &amp; General Services</th>
<th>Agri.Experiment Station</th>
<th>Coop. Extension Service</th>
<th>Forest Research Lab.</th>
<th>University Hospital</th>
<th>Crippled Children Division</th>
<th>Dental Clinics</th>
<th>Continuing Education</th>
<th>Student Loans</th>
<th>Total Operating Budget</th>
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<tr>
<td><strong>1981-1983 Leg. Approved Budget</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>General Fund</td>
<td>503,885,107</td>
<td>34,170,629</td>
<td>26,922,154</td>
<td>6,171,940</td>
<td>14,118,250</td>
<td>2,430,508</td>
<td>6,356,674</td>
<td>17,044,694</td>
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<td>Other Funds</td>
<td>301,932,931</td>
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<td>12,705,219</td>
<td>2,178,740</td>
<td>29,240,512</td>
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<td>164,564</td>
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<td></td>
<td>374,136,78</td>
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<tr>
<td><strong>1983-1985 Base Budget</strong></td>
<td>564,012,197</td>
<td>34,908,682</td>
<td>29,339,428</td>
<td>7,000,254</td>
<td>212,267,179</td>
<td>15,529,044</td>
<td>2,752,038</td>
<td>6,794,659</td>
<td></td>
<td>891,057,06</td>
</tr>
</tbody>
</table>

**Adjustments to the Base:**

- New Building-O&M*: 324,371  
- Library Staffing-OIT: 103,200  
- Economic Development: 2,672,998  
- Inter. Trade & Commerce: 230,000  
- Facilities Maintenance: 3,000,000  
- Libraries: 1,000,000  
- Salary Supplement: 200,000  
- Enroll. Adjustment: (6,384,448)  
- $4.4 Million Reduction: (4,000,000) (198,000) (137,000) (21,000) --- (7,400) (220)  
- Environmental Toxicology: 70,000  
- New & Alternative Crops: 104,096  
- Tree Fruits & Nursery Crops: 99,984  
- Viticulture Research: 46,200  
- 2 Exten. Agents-Yamhill: 110,202  
- Tree & Wood-Coop. Research: 37,128  
- Poison Control & Drug Info.: 82,846  

| **1983-1985 Leg. Approved Budget** |                              |                         |                         |                      |                     |                          |                |                      |               |                        |
| Other Funds                   | 351,242,102                  | 22,857,576              | 14,278,446              | 2,479,951            | 31,451,399          | 7,019,303                | 187,576        |                      |               | 429,793,36             |
| **1983-1985 Base Budget**     | 564,012,197                  | 34,908,682              | 29,339,428              | 7,000,254            | 212,267,179         | 15,529,044               | 2,752,038      | 6,794,659             |               | 891,057,06             |

*Does not include $172,192 appropriated to the Emergency Board for the Water Bureau Building if acquired by PSU in 1984-85.
# Table III

**Education and General Services**  
*Proposed Budget Allocations*  
1983-1985

<table>
<thead>
<tr>
<th>Description</th>
<th>UD</th>
<th>OSU</th>
<th>PSU</th>
<th>MOSC</th>
<th>BOSC</th>
<th>HOSC</th>
<th>OIT</th>
<th>ORSU</th>
<th>TR</th>
<th>CA</th>
<th>Board</th>
<th>Total</th>
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<td><strong>Adjustments to Base:</strong></td>
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<td>New Building-OSU</td>
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<td>62,669</td>
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<td>47,000</td>
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<td></td>
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<td></td>
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<td>115,000</td>
</tr>
<tr>
<td>$6.4 Million Reduction</td>
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<td></td>
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<td></td>
<td></td>
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<td>1,500,000</td>
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<td>Inter. Trade &amp; Commerce</td>
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<td>Facilities Maintenance</td>
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<tr>
<td>Libraries</td>
<td>110,937</td>
<td>100,719</td>
<td>90,219</td>
<td>40,657</td>
<td>40,656</td>
<td>30,656</td>
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<td>100,000</td>
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<td>Salary Supplement</td>
<td>(1,040,826)</td>
<td>394,180</td>
<td>(687,623)</td>
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<td>(98,163)</td>
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<td>1,104,044</td>
<td>(412,500)</td>
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<td><strong>1983-84 Proposed Allocation</strong></td>
<td>67,590,907</td>
<td>79,156,842</td>
<td>42,972,730</td>
<td>11,142,482</td>
<td>14,164,956</td>
<td>7,403,178</td>
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<td><strong>Adjustments to 1983-84 Proposed Allocation:</strong></td>
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<tr>
<td>New Building-OSU</td>
<td>1,676</td>
<td>(60,000)*</td>
<td>540</td>
<td>3,185</td>
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<td>(54,599)</td>
</tr>
<tr>
<td>International Program</td>
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<td>4,500</td>
<td>2,400</td>
<td>600</td>
<td>1,000</td>
<td>500</td>
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<td></td>
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<td>(12,500)</td>
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<tr>
<td>Enroll./Model Adjustment</td>
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<td>(279,700)</td>
<td>(772,736)</td>
<td>(250,470)</td>
<td>(222,484)</td>
<td>446</td>
<td>(67,755)</td>
<td>(275,000)</td>
<td>(3,429,884)</td>
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<td>Adjustments for inflation</td>
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<td>1,419,021</td>
<td>685,671</td>
<td>185,023</td>
<td>195,508</td>
<td>143,372</td>
<td>146,244</td>
<td>436,372</td>
<td>2,442</td>
<td>228,169</td>
<td>4,513,568</td>
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<tr>
<td><strong>1984-85 Proposed Allocation</strong></td>
<td>67,204,644</td>
<td>80,301,463</td>
<td>42,028,065</td>
<td>11,077,635</td>
<td>14,039,520</td>
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<td>11,482,331</td>
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<td>311,280</td>
<td>8,336,509</td>
<td>2,548,999</td>
<td>281,093,702</td>
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</tbody>
</table>

*1,173,192 has been reserved in the Emergency Board for the Water Bureau Building if PSU acquires it in 1984-85.*

DEQ: 11
7/11/83
Board Discussion and Action

The Chancellor indicated that a formula-type allocation based on the types of discipline clusters within the institutions had been developed during the past few months. It includes differentiations for lower-division, upper-division master's, and doctoral programs at the institutions and is sensitive to headcount for overall administrative processes, such as registration and admission costs. The formula takes into account the operation and maintenance of facilities but has the sharpest distinctions coming in the instructional programs. Models from other institutions have been studied to determine the prevailing trends and the differentiating costs. The formula, if funded at 100%, would be very satisfactory. However, it is probable funds will be available to allocate only 79-80% of what the funding should be according to the formula model. The allocation has been estimated and projected based on this type of distribution, taking into account both the General Fund revenues and also the revenue and income from tuition, and then reallocating it to the various institutions. The Chancellor mentioned several possible alternatives for allocating the reductions, but indicated that it was very important to get on some type of systematic allocation of funds as soon as possible so that projections could be made on the basis of this formula to the 1985 Legislature.

The Chancellor pointed out that Oregon Institute of Technology was recommended for an allocation of an additional $1.1 million to accommodate a significant increase in enrollment which would generate $800,000 to $900,000 of that increase. In order to realize that tuition income, it is necessary to make the $1.1 allocation or to instruct Oregon Institute of Technology to take the students and generate the income which could then be redistributed in the System without any increase in faculty or capabilities at Oregon Institute of Technology.

In response to a question from Mr. Ingalls, Mr. Quenzer stated that all of the Board members except Mr. Weatherford had participated in an informal session on the allocation model.

Mr. Lemman said the fact that the higher education budget had passed both houses of the Legislature did not mean necessarily that there was a firm figure for the next biennium because the Legislative Assembly still had to balance the General Fund budget and consider the tax relief package. Until the budget is balanced, the budgets of all state agencies are subject to change. Mr. Lemman then reviewed the Budget Notes and their effect on the budget requests. He also reviewed other items approved by the Legislature as shown in the staff report.

Mr. Wyss said the difference in the amounts included in the Board's budget request and the Governor's recommended budget was a net reduction of $6,384,448 attributed to projected enrollment declines. In 1983-84, the reduction was $1,447,000, and in 1984-85 it was $4,907,000. He said he was not clear why these amounts were not distributed more evenly.

Mr. Lemman explained that the reduction in enrollment was approximately 300 in 1983-84, with a decline of about 1,300 for 1984-85. There was additional discussion of the enrollment projections and the effect of removing the enrollment limitations at two institutions. Mr. Quenzer pointed out that the present projection would suggest that enrollments could be underrealized this fall by something over 700 students throughout the System. This would result in a revenue shortfall of $1.25 million. If this trend continues, an adjustment will be required in November to deal with the revenue shortfall. The budget allocations in the plan before the Board were based on projections made in January of 1983.
Mr. Quenzer indicated that addressing a budget allocation system for the very diverse institutions in the State System required a different approach than building a model for one institution. It requires addressing institutional missions and the consideration of the various functions within an institution. In addition, the instruction function must be considered in such a way that the disciplines or curricular allocations of the various institutions would be addressed. This led to a very complex model covering seven institutions, plus functions and 24 disciplines within the institution. Mr. Quenzer indicated that some issues, such as salaries, would be considered at the time the formula was used to request funds. He said it was not proposed that the model be the allocation for 1983-84 or 1984-85, but it could be used as a compass to point the direction the allocations should be going. All of the allocation recommendations have been made using the model to indicate the direction for reallocating resources within the State System. Mr. Quenzer then continued his review of the model and the data and surveys used in developing it.

Mr. Batiste emphasized the need to include equipment replacement in the model, and it was indicated this would be addressed within the next few months. Including a formula for equipment on a trial basis did not make a significant difference in the model. It would, however, make a significant difference if the model were fully funded. Mr. Batiste said he was concerned about the concept of a model that overlooked the very important ingredient of equipment. Mr. Quenzer assured Mr. Batiste that the structure of the model for allocation and acquisition would be the same and would include equipment.

Mr. Alltrucker congratulated the Chancellor and his staff because the model appeared to accomplish several different things. It provides a logical way for the presidents of the institutions to compare their activities with comparable institutions, not only in Oregon, but also in other parts of the country. It provides a way for the Board and the Chancellor's Office to compare the State System's funding with other states. It provides a rational way to explain the State System's needs to the Legislature. It will highlight those institutions and programs that have some unique instances needing to be funded differently from the model. After it has been used for a period of time, it may show that there are some outstanding programs that do not fit the model of the funding.

Mr. Quenzer explained that in the discussion of the institutional allocations related to adjustments toward the model objectives, the issue was to cut $1,477,000 from the new base which included funding of salary increases approved by the Board in 1982-83, library inflation dollars, and other funds added to the 1982-83 base. Mr. Lemman and Mr. Quenzer then explained the information and components in the calculations presented in Tables II and III.

Mr. Ingalls then invited the presidents of the institutions to comment on the material presented.

President Olum stated his strong objections to the distribution of funds in the library adjustment, noting that the University of Oregon library was a major research library for the state. He said the comparison of the funds assigned to the colleges and to the universities, particularly the University of Oregon, in the library adjustments did not properly recognize the missions of these institutions.

He said he had no confidence in the funding formula described. Enrollment plays a heavy role in the calculations, and the projections used were the enrollments predicted as of January 1983. No corrections have been made for the enrollment changes since that time, and the enrollment predictions are now higher.

President Olum said the model represents a massive funding formula with all kinds of parameters. He objected to the productivity ratios and cited other studies to refute the data presented in the model.
Mr. Wyss asked whether President Olum believed that starting from a theoretical base, it would be possible to develop a useful formula. He said the charge is going to be made that institutions that will be most harmed by readjustment would find enough faults that ultimately the process would not be put into effect.

President Olum said the University of Oregon would be likely to be helped by such a formula. However, any formula that attempts to make severe readjustments at a time of budgetary retrenchment is going to have opposition from everyone. Readjustments can be accomplished best when new money is available. He said his belief was that there should be a simpler formula.

President MacVicar said he had long urged the development of a more sophisticated formula in place of the simplistic ones that have been used for a number of years. While these numbers may be wrong, it is clear that Oregon State University is the least well funded, but not the least effective, institution. In terms of national studies and national standing, Oregon State University and the University of Oregon are remarkable institutions in what they have achieved with the resources provided.

The budget allocation system is clearly in the developmental stage, and President MacVicar urged that equipment be included. He said he did not believe it was necessary to do so immediately, but it should be a high priority to include the equipment factor in the formula.

President MacVicar pointed out that a substantial degree of legislative direction has occurred in the current budgetary process that has not been previously required by the Legislature. This will further limit the flexibility of the Board and the institutions in dealing with the adjustments that will be needed.

Mr. Wyss said the model assumes that allocations between the institutions should be the same in Oregon as the average of the other states. From the Chancellor's study about the way states have developed in their educational systems, there are apparently no two states in the nation that have developed in the same way. He asked whether President MacVicar believed there might be substantial danger in the process.

President MacVicar said the funding system which has been used was dangerous and the institutions have always been underfunded. The proposed model is complicated, but it is sophisticated and is in line with precisely the direction which modern industry is taking. The model can be placed before the Ways and Means Committee and the legislators can see what happens.

President Blumel said the Board was undertaking decisions that would not just affect the institutions in the System for the coming year and biennium but would affect them for a long time into the future. He said he was concerned about the impact of these decisions on Portland State University and higher education in the Portland metropolitan area. He quoted from a letter he had addressed to the Chancellor in which he commented that he understood the rationale for a large reduction was that the enrollment declines at Portland State University resulted in a cost-per-student higher than that for some of the other institutions and that the new budget model, in its present form, showed that Portland State University was relatively better funded than the other institutions. It is agreed that equity indicates that a process of reallocation within the System be begun. President Blumel said he could not disagree with the cost-per-student figures nor with the need to deal with the equity question, but he did have serious reservations about some aspects of the new budget model. President Blumel said his major concern was that an attempt to address the equity issue, at least in the magnitude that was being contemplated, was ill considered coming after three successive years of retrenchment which have seriously weakened all of the institutions and eliminated whatever elements of flexibility were available to them.
He pointed out that Portland State University had taken the ultimate step of declaring financial exigency and terminating tenured faculty, even in spite of considerable savings made by other means. He said he had reviewed very carefully the financial situation of the institution and had been unable to find ways to accomplish on-going reductions without a second declaration of financial exigency and further terminations of tenure track and tenured faculty. This would do irreparable damage to the University. At the same time, Portland State was involved in important and very promising efforts to develop programs in computer science, engineering, and business which are widely acknowledged to have very important implications for the economy of the metropolitan area and the state. He asked that the reallocation process be deferred.

Mr. Wyss asked whether President Blumel was objecting to the formula. President Blumel responded that he was objecting to the implementation of a reallocation process under the present circumstances.

President Meyers said Western Oregon State College had the highest percentage of cuts from the formula, probably because it had the highest percentage of enrollment reduction over the past few years. He said the problem was not with the formula because the formula is a positive move, and he applauded the State System for having a formula. The problem is with the timing. The enrollment declines at Western are beginning to turn around. Summer school enrollment is up as are the applications for fall. At a time when morale is high and expectations for the newly-approved programs are very positive, the institution will be facing devastating budget cuts. The enrollment estimates that were used are inaccurate as to the present status. They were correct when made, but because of the new programs and other factors, the present status of the College is that the enrollment projects are now higher, making it difficult to contemplate the cut. The institution would be looking at financial exigency in the necessity to cut people. At the same time the enrollment is increasing. He said Western Oregon State College would be facing a chaotic situation because of the compressed time period. In response to a question, he indicated he would defer implementation of the formula for two years.

Mr. Alltucker suggested that the formula be revised to reflect the current enrollment projections for the institutions. Mr. Ingalls commented that the projections used in the model were the ones used by the Legislature in making the allocations.

The Chancellor indicated that the State System was about 700 below the January enrollment projection, but there may be some internal shifts. He also noted that these were the figures used by the Legislature in making the allocations.

President Sicuro said dramatic strides in higher education had been made during the past twelve months and cited several of the important developments, including the new formula for funding. He said the credibility gap with the Legislature has been reduced substantially, and the formula will enhance credibility with the Legislature. He said the formula needs further development but it was needed and further refinements should be made as rapidly as possible. President Sicuro said Southern Oregon State College also had faced the possibility of financial exigency, but he believed it should be done on a system-wide basis, rather than by individual institutions. One of the reasons some of the institutions have faced this possibility is that the institutions have been underfunded. One factor in the underfunding is that the Legislature has not considered that it had accurate information. That credibility is now being achieved, and President Sicuro said that was one of the reasons he strongly supported the continuation of the development of the formula. He agreed that equipment should be included. Although some of the specifics may not be included, President Sicuro said it would be a terrible mistake to defer development and acceptance of the formula and allocation. Equity has been enhanced by the formula.
President Gilbert said the concept of a model was a step in the right direction. He said he did not believe the State System could continue its simplistic approach based purely on FTE. While the overall internal detail for Eastern Oregon State College is not precise with the model, the overall effect is reasonable. The model is understandable. He said he vigorously supported the continuation of work on the model. Adoption of the staff recommendation with respect to Eastern is critical. A significant reduction in Eastern's budget because of its base level staffing would result in more than personnel loss. It would lead clearly to program loss and consequent further enrollment reduction and resulting instability.

President Blake spoke in support of the formula. He said he had examined it in detail—the various parameters in it, the cost factors, the productivity—and found it to be probably the most sophisticated formula, and the most rational one he had seen with regard to the levels of those parameters and productivity figures. With respect to Oregon Institute of Technology, the institution is being constrained appropriately because of the seriousness of the situation for the entire State System. He noted that during the period 1981-1985, enrollment at the institution increased 33% while funding increased 6%.

Mr. Wyss asked President Blake if he had served in a place that had been forced to have reallocations of this type between institutions during the period of time when there had been pressure on the system itself. He said it was his impression the objections were not so much against the formula as a process, but with the timing in that it is coming at a very unfortunate period in which the momentum of institutions that have been under a great deal of difficulty is going to be increased, while those that have not had such difficulty will be further alleviated from difficulty.

President Blake said he had not been in a situation as serious as this one. It is not the formula that is causing the seriousness now, it is the enrollment drop which is leading to the budget cuts. The formula is exaggerating those problems only because of the previous lag of reacting to past enrollment decreases. In response to a question from the Chancellor, President Blake indicated that without the added funds, it would be necessary to close enrollments almost immediately.

President Laster said that while Oregon Health Sciences University was not part of the model now, it would work with the staff in developing such a model at the appropriate time. The share of the budget reduction assigned to the Health Sciences University is difficult. In the interests of fairness, President Laster indicated he would prefer to have the budget reduction allocated as the institution's share of a difficult situation rather than as an enrollment-driven issue, because the institution was not included in the previous enrollment-driven model during the good budgetary period.

The Chancellor said that without the students projected for Oregon Institute of Technology, the revenue would be from $800,000 to $1 million less in terms of projected revenue. One of the problems is that the funding is only 79-80% of the funding which should be available according to the model. The State System is roughly 20% below the national average. The real issue is how to divide an insufficient amount of money among the institutions as equitably as possible. Possible alternatives were mentioned. He said if the model were not used as an indicator in the reallocation, he would hope to have something similar for the next legislative session.

Mr. Lemman also pointed out that the issue was one of allocating the $1.47 million in reductions. He said the Board was not being asked to make allocations or reductions on the basis of the model. It would be possible also to make the reductions prorated in accordance with each institution's budget as it relates to the total budget of the Department of Higher Education. He distributed a chart showing the allocations on that basis. In that event, if Oregon Institute of Technology only takes 1,800 students, there would be an additional $800,000 shortfall in income to allocate among the other six institutions.
Mr. Batiste commented that the Board has discussed getting away from FTE-driven budget but that the proposed model still has an FTE-driven effect. He expressed concern that the institutions would be impacted heavily and proposed deferring action until there was an opportunity to examine other alternatives.

In response to a question from Mr. Wyss, Mr. Quenzer explained the development of the figures and the model. He indicated that the model was used as a compass to indicate the direction in which the allocations should move, but it was not used to make the actual allocations because questions still remain.

Mr. Alltucker said he would be concerned with deferring action on the allocations for two months because presidents would be facing the arrival of students without having a definite budget. It was suggested that a delay until the regular July Board meeting would be feasible.

The Chancellor said there were really two problems. One is that the money available is the amount that must be allocated. There is no additional money. At the same time, it is proposed that the State System move toward a formula type allocation. He said he would view the formula as a unit-cost-driven formula rather than as an FTE-driven formula because it takes into consideration a number of other factors in addition to credit hours produced. He said the staff needed some guidelines with respect to other alternatives to be developed if the Board chose to defer the decision until the regular July Board meeting.

Mr. Harms said that despite the fact that the process has been an open one, the present meeting was the first opportunity for an interchange between the presidents, the Chancellor's staff, and the Board. Perhaps some matter had been mentioned which required further consideration by everyone. He moved that the Board approve the concept of the model, that it defer allocation to the regular July Board meeting, and that the Board request the Chancellor to review late enrollment data or any other factors coming out of the discussion at the special meeting which might reflect on the adjustment of the formula, and that the Board accept additional comment from the presidents as to alternative proposals and how the deficit might be made up at the regular July meeting. Those proposals should be made to the Chancellor prior to the meeting.

Mr. Batiste seconded the motion, and Mr. Ingalls indicated his concurrence. Mr. Ingalls proposed a meeting of the Committee of the Whole on the Thursday preceding the July Board meeting and asked that the Chancellor's Office bring three or four alternatives to the Board for consideration.

Mr. Alltucker stated that he had listed five specific concerns expressed by the presidents and suggested that the staff consider these items: (1) A review of the parameters in the model with respect to other available data that was mentioned; (2) evaluation of the results of the model in terms of the intuitive answers of experienced observers; (3) incorporation of revised enrollment forecasts; (4) a retention of the option of the Board to allocate additional funds for Western Oregon State College if that judgment appeared to be necessary; and (5) a substitution of the Board's judgment on the allocations between some of these parameters rather than to shift all of the responsibility onto the staff.

The Chancellor and staff indicated they would consult with the presidents and others to consider further the adjustments and alternatives for presentation to the Board at the regular July Board meeting.

The Board approved the motion as presented and with the understandings discussed following the motion. Directors Alltucker, Batiste, Harms, Hensley, Wyss, and Ingalls voted in favor. Those opposed: None. Directors Gill and Weatherford were absent from the meeting at this time.

Mr. Ingalls announced that a Committee of the Whole would meet at 7:30 p.m. on July 21, 1983, to consider the matter further. He thanked the presidents for the honesty and sincerity of their presentations.
Upon the recommendation of President Meyers, the Chancellor recommended that Mr. William Neifert be appointed Dean of Administration, effective July 12, 1983, at an annual salary rate of $44,312.

The Board approved the recommendation as presented, with the following voting in favor: Directors Alltucker, Batiste, Harms, Hensley, Wyss, and Ingalls. Those voting no: None. Directors Gill and Weatherford were absent from the meeting at this time.

ADJOURNMENT

The Board meeting was adjourned at 3:40 p.m.

Robert C. Ingalls, President

Wilma L. Foster, Secretary