1. CALL TO ORDER/ROLL CALL/WELCOME

President Lorenzen called the meeting of the State Board of Higher Education to order at 3:10 p.m.

Board members present included: Henry Lorenzen, Don Blair, Gerry Blakney (by telephone), Bridget Burns, Kirby Dyess, Adriana Mendoza, Dalton Miller-Jones, Tim Nesbitt, John von Schlegell (via telephone), Gretchen Schuette, Howard Sohn, and Tony Van Vliet.

Chancellor’s Office staff present: Chancellor George Pernsteiner, Ryan Hagemann, Jay Kenton, Ben Rawlins, Marcia Stuart, and Susan Weeks.

Others present included: Presidents Dan Bernstine (PSU), Martha Anne Dow (OIT), Khosrow Fatemi (EOU), Dave Frohnmayer (UO), John Minahan (WOU), Ed Ray (OSU), and Elisabeth Zinser (SOU). Provost Lesley Hallick (OHSU) was also present.

President Lorenzen welcomed new member, Dalton Miller-Jones, to the Board. He then asked Board member Howard Sohn to introduce the new president of Southern Oregon University, Mary Cullinan.

2. REPORTS

a. Chancellor’s Report

Chancellor Pernsteiner again thanked Mary Cullinan for agreeing to join the Oregon University System and also expressed his appreciation to former President Zinser for her exemplary service as president of Southern Oregon University, noting that she will be joining, on a part-time basis, the Chancellor’s staff working with Susan Weeks, starting late this year, to focus on learning outcomes initiatives and learning outcomes research. He then turned to Neil Bryant for the legislative report.

Mr. Bryant gave a very brief report on the initiatives that have been filed, concentrating on Initiative 14, which is statutory and allows income tax deduction equal to federal exemption reduction substituted for state exemption credit. He explained that if this were to pass, the loss of revenue to the state would, in the next biennium, be about $675 million and in the following biennium, 2009-2011, $885 million.
b. Presidents’ Reports

President Frohnmayer began by noting that the UO diversity plan was ultimately approved, quite overwhelmingly, by the University Senate. He continued by observing that the UO had a successful year in terms of Fulbright Scholars, Guggenheim Fellowships, and two alumni won the Pulitzer Prize. He highlighted the groundbreaking of the integrated science complex; an initial $5M pledge for an alumni center at the University; and a major new grant for our Center for Asian-Pacific Studies.

President Ray mentioned that OSU students have won three titles in recent weeks. Two of those are associated with students who designed the mini-Baja car, noting that Oregon State University won both competitions. The other is the baseball team winning the national championship.

Lesley Hallick reported that on June 2, OHSU graduated on 967 healthcare providers (engineers, biomedical researchers, and professionals of related fields). The graduation speaker was President Kohler, who was also the recipient of an honorary degree. On June 3, the dedication of the healthcare facility at the top of the tram, the new patient care tower now known as the “Peter O. Kohler Pavilion,” took place. In closing, she shared that Joe Robertson was named as the next president of OHSU.

President Minahan highlighted his recent three-week visit to China where eight agreements with Chinese universities were completed that will bring students to the United States on a two-plus-two arrangements.

President Zinser reported on a SOU student who has been given an extraordinary opportunity with the Jack Kent Cooke Foundation. This year, only 65 awards were granted nationally. She acknowledged the “Learn and Serve” grant of $140,000 that was just received. She closed by noting that she had had the opportunity to go to a summit of the Council of Europe in Strasburg, France.

c. Provosts’ Council

No report.

d. Interinstitutional Faculty Senate (IFS) President

IFS president, Scott Burns, began by welcoming Dalton Miller-Jones to the Board. He continued his report by stating that the IFS appreciated the very aggressive budget that had been put together and noting that they will be working on the campuses to inform the faculty members and students about the initiatives that could be detrimental to faculty.

e. Oregon Student Association (OSA) Chair
Outgoing Oregon Student Association chair, Erin Devaney, spoke about the two issues that the OSA Board has endorsed: the base budget put forth in the Board docket and the potential endorsement of the Access and Affordability Working Group’s shared responsibility model for the Oregon Opportunity Grant. She went on to note the opportunity to speak with most of the OUS Board members about strengthening the relationship between OSA and OUS.

3. **ACTION ITEM**

   a. **UO, Sale of Land and Improvements, Westmoreland Apartments – Approval (Pernsteiner)**

   **Summary:**
   The University of Oregon (UO) seeks Board approval to sell the Westmoreland Village Apartment Complex (Westmoreland). At its November 4, 2005, meeting, the Board authorized UO to undertake actions intended to result in the sale of Westmoreland on commercially reasonable terms with the understanding UO would seek Board approval of the sale once a buyer was identified and terms were negotiated.

   Since that time, UO has worked with current residents and others to help mitigate the negative effects the sale might have on student tenants. The UO offered Westmoreland residents the opportunity to move to the UO’s other family housing facilities, Spencer View, Agate, and Moon Court Apartments, and East Campus Houses. In addition, all residents who have moved since the potential sale was announced in October 2005 will receive $150 to assist with relocation expenses and those who moved to other UO housing were excused from payment of the standard $100 move-out fee. The prospective buyer will allow current Westmoreland residents to remain at least through June 2008. The UO will provide financial assistance on behalf of eligible current residents who wish to remain, paying on behalf of these tenants the amount of any rent increases through June 30, 2008. Additionally, UO has an adequate number of vacant units to provide housing to any current Westmoreland residents with children who prefer to rent from the University. The UO has increased its childcare capacity at other locations to ensure current tenants have adequate child care opportunities at no increased cost.

   The offered sale price is $18.45 million dollars. The UO intends to use the net proceeds to retire its share of the OUS Consolidated Housing Debt obligations (approximately $10.2 million), mitigate effects on residents through June 2008, purchase the Romania property from the UO Foundation, and use remaining funds toward the purchase of Oregon Department of Transportation property northeast of campus along Franklin Boulevard. Relief from debt obligations will save more than $1.1 million annually, which may be used to support debt on new and renovated housing facilities.

   The prospective buyer, Michael O’Connell, Sr., owns commercial and investment real estate. Bell Real Estate, an experienced property management company, will manage the property on his behalf. Mr. O’Connell expects to perform modest renovations that
will upgrade a large number of units and the common areas but not result in substantial rent increases.

The University has asserted that approval of the sale of Westmoreland by the Board would allow the institution to accomplish a number of key strategic initiatives, including offering housing in closer proximity to campus to better meet current student demand and providing opportunities to be responsive to future student housing needs.

**Background:**
Westmoreland is located between Arthur and Garfield Streets and 13th and 18th Avenues in Eugene, approximately three miles west of the main UO campus. It consists of approximately 20.57 acres and is composed of 404 apartments and duplexes designed for use as family housing. The units were constructed between 1960 and 1964. Westmoreland has no outstanding bonded indebtedness.

Westmoreland was intended to provide housing for families, with the highest priority given to students living with their dependent children. At the time the UO announced it would request permission to work toward a potential sale, the University estimates that about 12 percent of the residents had children living with them.

After the Board authorized UO to proceed in November, UO offered the property to other state agencies and local public entities, as required by ORS Chapter 270. No offer was received and the UO issued a Request for Proposals on February 6, 2006. No proposals were submitted prior to the May 8 deadline. On May 8, UO issued a public notice indicating its continued interest in selling the property and inviting offers. UO received three offers from which it selected Mr. O’Connell’s as the one that best met UO’s needs. UO accepted Mr. O’Connell’s offer subject to Board approval and fulfillment of standard contingencies; e.g., securing financing and an opportunity for inspection. During the due diligence period, Mr. O’Connell has discovered the need for additional renovation and the parties have negotiated an amendment to the original sale agreement. Mr. O’Connell has continued to work with UO to respond to requests regarding mitigation and thus far has fulfilled all of his obligations.

The UO has worked with the Oregon Department of Justice (DOJ) throughout the process. Assistant Attorney General Eric Iverson has approved the legal documents related to the sale. The UO hired consultants to assist it with the sale and is not paying a commission to them.

The Chancellor, at the direction of the Board president, held three hearings, two during the day on June 5th and one the evening of June 12th, providing approximately 10 hours for students, local leaders, and community members to express their opinions on the sale. Everyone who was present and wished to speak did so.

In addition to the hearings’ comments summarized in a separate report sent to Board members in late June and those written comments received at those times by those testifying, two written comments were received by the Chancellor’s Office by July 3,
2006. Both were from University employees. One asked that a decision be delayed for at least three years in order to allow current tenants time to adjust and also noted that the sale of Westmoreland would harm diversity. The other raised legal concerns with the sale, noted the potentially negative impact on students who were veterans, and proposed that the property remain in the Board’s custody but be provided to a foundation or to another public entity for use as housing for veterans. This proposal was received late on July 3, 2006, 56 days after the May 8th deadline the University had set for proposals and after the University’s acceptance of Mr. O’Connell’s proposal.

**Mitigation:**
The University of Oregon has stated its intentions regarding the mitigation of impacts of the proposed sale on student tenants of Westmoreland. It has said that no student residents of Westmoreland will be displaced by the sale. The University consulted with students to develop a mitigation plan for current student residents of the complex. UO estimates that it will spend about $500,000 for mitigation efforts related to the Westmoreland sale. The precise amount will depend on variables that are not known at this time, such as how many current residents will choose to remain at Westmoreland and how long they will remain as students.

As of June 19, 2006, 187 of 404 units at Westmoreland were occupied; 31 residents reported that they have minor children. All residents with children could be accommodated in other UO housing suitable for families with children, including Spencer View, Agate, Moon Court Apartments, or East Campus Houses. The University does not anticipate the sale of Westmoreland will result in rental increases at these other locations beyond what otherwise would be required for the operation, maintenance, management, and renovation of those facilities. (For example, the University will increase rent at Spencer View by 2.2 percent to 2.6 percent for 2006-07 in order to cover operating costs at that complex, regardless of whether Westmoreland is sold.)

University student-tenants residing at Westmoreland as of May 25, 2006, may continue to live in their leased units through June 30, 2008, provided they are not in default of their leases. UO will subsidize the rent paid by these student residents so they will continue to pay rent at the 2005-06 rates until June 30, 2008, as long as they remain eligible for UO housing. This is one year longer than originally had been anticipated, but the University extended the period in response to comments made at the June public hearings. UO estimates 100 to 150 UO student-tenants will remain at Westmoreland after August 31, 2006, the date the sale is scheduled to close.

University student-tenants who moved out of Westmoreland after the sale proposal was announced in October 2005 but before May 25, 2006, will receive $150 to cover relocation expenses. Approximately 100 UO students will be eligible for this benefit. Westmoreland residents who moved to another UO housing facility after October 2005, when the UO’s intent to sell was announced, already should have received a waiver of the $100 move-out fee. Student tenants can contact the vice president for finance and administration if they believe they qualify for any of the mitigation funds.
University officials have asserted that providing adequate financial aid to students with financial need is a better practice than "...providing low-rent/low-aid that is not part of a financial aid package, is not based on financial need, and retains units that are not filled. The University's current capital campaign, "Campaign Oregon: Transforming Lives," has a goal of raising $100 million for student scholarships. These funds, along with the achievement of the Governor's and the Board's goals of increasing financial aid, provide the best method for assuring that a University of Oregon education is affordable for all Oregonians."

University officials believe the sale of Westmoreland will provide the University of Oregon with the financial capacity to build and renovate units that will attract students, help keep them enrolled, and meet their needs. UO believes offering quality academic programs and providing adequate financial assistance are key factors in attracting and retaining students, especially graduate students. Because the prospective buyer expects to raise rents by 10 to 12 percent (approximately $50 per month), the property still will remain in the low cost rental inventory in the Eugene-Springfield market. In fact, because the units would become available to others in addition to UO students, the sale could have a positive effect on the availability of housing for the community.

Westmoreland also houses one of the University's three child care centers. As of fall 2005, seven of the 39 children enrolled at the Westmoreland Child Care Center were children of Westmoreland residents. The UO purchased and installed a modular child care unit that will be connected to the UO Vivian Olum child care facility by a covered walkway to guarantee child care services to Westmoreland residents.

UO students with one or more children at the Westmoreland child care facility as of June 2006 and who continue at a University-operated child care facility (Moss Street or the Olum Center) at the start of fall term 2006 or sooner are guaranteed a spot for each child for as long as the UO student remains eligible for student child care. The UO will place a cap on the child's tuition at the Moss Street student rate (historically equal to that charged at the Westmoreland facility) as determined each year for as long as the UO student is eligible for the student rate. The cap applies whether the child is placed at Moss Street or Olum (which does not offer a student rate).

The potential buyer is considering operating a child care facility at Westmoreland.

Terms of the Sale:
The sale price is $18.45 million dollars with a closing date of August 31, 2006. The buyer has until July 12, 2006, to complete due diligence review, but has fully funded the earnest money requirement. The buyer intends to increase rental rates by 10 to 12 percent. However, through June 2008, UO will fund the difference between those rates and the 2005-06 UO rates for UO student-tenants residing at Westmoreland as of May 25, 2006, and remaining in their units while continuing as students at the University.
The UO expects to net approximately $17.4 million. In addition to closing costs, the net amount assumes credits to the prospective buyer, including about $575,000 to reflect repairs that the prospective buyer determined were necessary after making due diligence inspections. If the Board approves the sale, the buyer will begin investing approximately $1 million to renovate units and common areas. If the UO defaults on the transaction after Board approval, it will pay costs to cover buyer-made repairs up to $500,000 (83 units at $6,000 per unit).

The Board is authorized to sell property under ORS 351.060. The UO has proceeded consistent with the Board’s guidance and seeks Board approval to complete the sale. Terms offered by the potential buyer are commercially reasonable and provide an opportunity for current residents to remain without rent increases until June 30, 2008. The UO is undertaking mitigation to subsidize relocation costs for eligible students, provide university housing for residents with minor children, and ensure adequate child care is available for current residents whose children attend the Westmoreland child care facility. The University believes that Board approval of the sale will allow it to accomplish key initiatives that will benefit UO students long into the future.

**Staff Analysis:**

a. **Process.** The University sought and received approval from the Board in November 2005 to begin efforts leading to a possible sale of the Westmoreland property. The University did so in accordance with appropriate state and OUS procedures and is now presenting a proposal to the Board for its approval.

b. **Current Occupancy.** More than half the units at Westmoreland are vacant. In addition, another 81 units of family housing owned and operated by the University are vacant. This suggests that demand for the kinds of units offered at Westmoreland is not overwhelming. Further, just 31 families at Westmoreland are said to have dependent children, the category of student for which preference at Westmoreland and most other non-residence hall housing at the University is provided. This suggests that all such students now at Westmoreland could be accommodated in other appropriate but now vacant University housing.

c. **Financial considerations.**

   1. **Purchase price.** The purchase price of $18,450,000 is above the targeted sale price and the prices the University said were offered by other potential purchasers of the property. Reductions in the price due to the condition of the facility (about $575,000) still keep the net amount well above the March 2005 as-is appraisal of $16,500,000.

   2. **Demand for family housing.** As noted previously, demand for this type of housing seems weak throughout the University’s housing system, as witnessed by the high vacancy rates at University of Oregon facilities other than Westmoreland. Therefore, the demand for such housing would not seem to warrant a large investment at this time. It should be noted, however, that most of the University’s other family housing is priced higher than is Westmoreland. However, Westmoreland currently
has 217 vacancies itself. Some of the vacancies probably are due to the uncertainty about future ownership of the property. About 10 percent of Westmoreland’s units were vacant before the University began efforts to sell the property.

3. **Use of Proceeds.**

   (a) **Mitigation.** The University is proposing to use about $500,000 of the proceeds over the next two years to mitigate the impact of the sale on the student residents of Westmoreland. This mitigation takes several forms, including rent subsidies to ensure that residents who remain at Westmoreland pay no more in rent per month over the next two years than they do today; a $150 cash payment to students who move from Westmoreland after October 2005 in order to help defray moving costs; waiver of the $100 fee for early termination of leases for those moving from Westmoreland to other University housing; and reduction of child care charges for current customers of the Westmoreland Child Care Center who choose to use other University child care centers.

   (b) **Retirement of Consolidated Residence Hall Pool Debt.** The University is proposing to pay off its share of the Systemwide Consolidated Residence Hall Pool bonds. The UO’s portion of these bonds totals about $10.2 million. Repaying those bonds, which were used to construct and renovate residence halls at all seven OUS campuses, will reduce the University Housing Office’s annual debt service payments by $1,100,000. This will relieve costs attributable to residence halls. The retirement of this debt would require shifting the proceeds of the sale from one category of housing (family housing) to another (residence halls); investigations will be undertaken into how such a transfer should be made. OAR 580-11-0030 suggests that the Chancellor might need to approve such a transfer.

   (c) **Acquisition of Romania property from the University of Oregon Foundation.** The University is expected to seek Board approval to acquire the former Romania automobile dealership site from the UO Foundation at a price of about $5 million. The University has not targeted any specific use for the property, which it now leases for about $400,000 per year and uses for parking and storage. The University believes ownership of this parcel is essential for the long-term development of the campus. The University has stated that it will provide the $400,000 per year it now pays for rent at Romania to the Housing Auxiliary.

   (d) **Acquisition of property from the Oregon Department of Transportation.** The University has suggested that it will use the balance of the sale proceeds to help pay for the acquisition of the
nearby ODOT property if that parcel becomes available. No
details of such a transaction have been provided. It should be
noted that the University, for many years, has discussed this
acquisition as part of its long range development. Until and unless
such a proposal is made, the portion of the Westmoreland
proceeds that might be used in this way will remain in Housing
Auxiliary accounts for the benefit of housing.

(e) The University has indicated that it will use the $1.1 million per
year freed up from the retirement of the Consolidated Residence
Hall Pool debt and the $400,000 per year it now pays to lease the
Romania property to pay debt service on bonds for new housing
or housing renovations, in accordance with its housing plans. The
University expects this will provide sufficient support for it to issue
$20 million of bonds without affecting housing rates.

4. Use of Reserve Fund Balances. About $540,000 remained in repair and
equipment reserve fund balances attributable to Westmoreland as of
June 30, 2005. The University has committed that funds in these
accounts at the time of sale will be used for similar purposes at its other
family housing facilities.

5. Effect on Spencer View Housing Complex. The other large family
housing complex owned and managed by the University is at Spencer
View, located on East 24th Avenue, about a half mile from the campus.
Spencer View was constructed about ten years ago and continues to
carry bonded debt. For 2006-07, the debt service is expected to be
about $472,000. In 2004-05, about $336,000 of the Spencer View debt
was paid via a transfer from Westmoreland. The University has assured
the Chancellor’s Office that Spencer View can stand on its own
financially with no more than a 2.6 percent increase in its rental rates for
next year. The main reason is that the University believes it can fill the
48 vacant units now available with rent-paying students.

6. Other Financial Considerations. Westmoreland contributed $578,000 in
net income to the Housing Auxiliary in 2004-05. As noted above, about
$336,000 of that amount was transferred in order to help pay debt
service on bonds issued to construct Spencer View. Another $41,000
was used to pay overhead and assessments and $201,000 was shown
as net income. This is a substantial contribution to the Housing
Auxiliary’s financial health. The entire Housing Auxiliary showed net
income of more than $2 million in 2004-05, so it had considerable net
income even without Westmoreland.

7. Westmoreland Renovation Costs. If the University were to retain
Westmoreland, its administration estimates that it would need to invest
a considerable sum over the next few years to replace and upgrade the
plumbing and sewer systems, connect the site to the University’s
network, and repair and upgrade the units. The cost of these efforts
undoubtedly would exceed the balances in the reserve funds, would utilize much of the net income currently earned at Westmoreland, and might require a rental rate increase there. However, it is likely that rents at Westmoreland still would be lower than those in other University family housing facilities.

8. Westmoreland is a community asset. Many students and community members and leaders have emphasized the important role Westmoreland plays in the life of the University and of the Eugene-Springfield community. The facility has had an undeniably positive impact on many current and former students. Many members of the local community have lived there over the years. It always has been known for providing an inexpensive home for students. It also is said to have had a positive effect on its neighborhood. The University notes that financial aid, not housing rates, is a more efficient and cost-effective way to provide financial assistance to students and that the complex will remain and be renovated by the potential purchaser.

9. Other alternatives. Some have suggested that the University has other means at its disposal to acquire the property it wants and to build the kinds of housing it needs. Many suggested donations as a source for such acquisitions. The reliability of being able to find donors willing to provide gifts to the University for property-acquisition at a time when the desired property is available is questionable. With respect to constructing and renovating housing, it is true that the University could issue bonded debt for such work and raise housing rental rates to pay the debt service. The University has sufficient capacity under Board debt policies to do so for the housing it is thinking about at this time. However, it should be noted that the sale of Westmoreland allows the University to issue up to $20 million of such debt without raising rental rates. Further, retaining Westmoreland might require the University to issue additional bonds to renovate that facility, sparking the need for a rate hike at Westmoreland. Finally, it should be noted that there does not appear to be strong demand for University-provided family housing at this time.

10. Role of management. The Board has delegated considerable authority and autonomy to the presidents of its universities. The president of the University of Oregon has made a proposal that, despite criticism from many on the campus and in the community, has merit. It might not be the same proposal that community leaders, the Chancellor, or members of the Board might make; however, it is a well-conceived proposal and one that fits with a long term vision of the University and its future.

11. Housing plan. The University has embarked on a housing plan. The Chancellor believes it highly desirable for the University to seek Board endorsement of that plan within the next few months, prior to legislative consideration of the University’s requested housing projects in the State’s 2007-2013 Capital Construction Program for the Oregon
University System. That plan should explicitly address the University’s intentions and processes for evaluating the need for and provision of each type of student housing, including housing for students with families, international students, graduate students, and students from diverse backgrounds. It also should detail the role and availability of financial aid in assisting students with need.

**Staff Recommendation to the Board:**
The staff recommends that the Board approve the request of the University of Oregon to sell the Westmoreland property to Michael O’Connell, Sr., as outlined in the amended purchase and sale agreement entered into by the University of Oregon and that the Board authorize the Board President and the Secretary of the Board to execute the necessary documents to effect the sale.

**Board Discussion and Action**

President Lorenzen called on Chancellor Pernsteiner to present the item. Chancellor Pernsteiner turned to President Frohnmayer to make the initial presentation.

University of Oregon President Dave Frohnmayer stated that the UO is seeking the Board’s approval for the sale to Michael McConnell, Sr., the owner of a commercial investment firm of real estate in the Eugene area. The sale of the Westmoreland housing unit would be for $18.45 million, which will net approximately $17.4 million after closing. He noted, “This proposal meets the needs, not only of present but of future tenants and students, not only of that unit but throughout the University. We have followed through, I think, generously on our commitment to students and to this Board to mitigate the effects of the sale on tenants who are in this project. This sale and its proceeds will allow the University to begin planning for the renovation, which is much needed, of current housing facilities, and for the construction of new residence halls, to address something that was identified by our University Senate in 2002 as a crisis affecting the University of Oregon.” He pointed out that without the proceeds of this sale, the UO couldn’t take advantage of opportunities that otherwise are in the interest of the institution’s future.

Turning to the mitigation plan, President Frohnmayer stated that no student will be displaced by this sale. “Students, families who are in these units, can remain there at least through June 2008 without a rent increase. Given the fact that they’ve had a rent level this year and they’re promised no rent increase for the next two years, that’s three years, successively, of stable rental rates. Had we not engaged in this sale, I think members of the Board know that we would have been required, in order to build the reserves for future rehabilitation, at least a 2 to 3 percent rental increase in order to conduct it prudently.” He observed that the buyer has expressed an interest in reopening the childcare facilities at the Westmoreland complex. “We’ve guaranteed childcare access to the students who have had students enrolled in the Westmoreland satellite daycare facility.” Continuing, he reminded the Board that the UO will provide financial grants of $150 moving expenses for student tenants who moved out of
Westmoreland since October 2005 and will waive a $100 move-in fee for those who wish to move to another facility owned or operated by the University of Oregon. In closing, President Frohnmayer affirmed that this was an important decision that will make a very real difference to the University and that mitigation needs have been answered.

Chancellor Pernsteiner briefly ran through the proposed sale and the analysis that was done. He noted that the Board had received a summary of the public hearings, the verbatim transcript of the public hearings, an analysis of the issues raised during the public hearings, and all of the correspondence that was been forwarded to Ryan Hagemann through July 13th. He shared that President Frohnmayer will bring to the Board for approval the proposal to acquire the former Romania Automobile dealership from the University of Oregon Foundation for a price that’s estimated to be approximately $5 million and also a proposal to purchase the ODOT property that is adjacent to the Romania property. “But there is no proposal before you at this time, so that any net proceeds remaining from the sale of the Westmoreland transaction, after the payment of mitigation costs, after the payment of consolidated debt pool, after the acquisition of Romania—should you agree to do so—those monies will remain in the housing reserve until such time as the University proposes their use.”

Chancellor Pernsteiner continued by relating the issues raised, which included affordability for students, diversity, the fact that Westmoreland is viewed as a “uniquely supported community,” the impact on community housing, zoning, inadequate mitigation proposed by the University, the sale was viewed as not being prudent financially, the process used was not viewed as being appropriate, there was inadequate opportunity for public input, and the use of the proceeds was improper due to the potential use for an arena or because of the University’s record in creating blight in these campus areas. “All of those were addressed in the issues that I forwarded to you a couple of weeks ago, but I will hit the high points on a few of those now for the record because some of those were considerations in the recommendation that I am making to you in terms of the decision which you will be asked to make.” He observed that the first includes the demand for family housing, the second includes affordability, the third will be the use of the proceeds, the fourth is the impact on other University of Oregon housing and housing rates, and the fifth is the University of Oregon’s housing plans.

Chancellor Pernsteiner highlighted the five issues:

Demand for family housing: There does not appear to be a huge demand from the current University of Oregon student body for the type of housing offered in its family housing program.

Affordability: President Frohnmayer has indicated in the mitigation plan that for the current residents of Westmoreland there will be no rate increase for a period of two more years, so essentially three years at frozen rates. The proposal emphasizes the importance of the use of financial aid for those students who have financial need as being the more appropriate way to deal with the affordability issue.
Use of proceeds: Holding the current tenants harmless in terms of rent through June 2008, $150 for moves, childcare subsidies, the repayment of the consolidated pool debt, and the Romania property, and the ODOT. The retirement of the debt will generate $1.1 million in savings back to the housing auxiliary.

Impact on other UO housing: The University looked at its rate structure for its family housing and provided its anticipated rates for the upcoming year. Spencer View, which is the largest other complex of family housing, is anticipated to have rate increases—depending on unit—from 2.2 to 2.6 percent for the next year.

Housing plan: Provost Linda Brady will be heading the housing plan effort and it will be integrated with the campus planning for its academic programs and its other programs. The University has said that if there are housing needs that arise, they will meet them. The president will now have available to the campus some of the resources needed to meet those needs.

Chancellor Pernsteiner closed by stating that he recommends that the Board approve the University’s proposal. “I’m asking, though, that you ask the University of Oregon for two things: The University of Oregon to report to you in 2007 and 2008 regarding the cost and effectiveness of the mitigation plan, and also that when the University brings forward the housing plan, it do so by early 2007. That that plan be developed, as the University intends to develop it, in consultation with faculty, with students, with staff, and with the community. That it be tied into the strategic planning efforts of both the University and the System. That it deals with both an analysis of demand for the housing, and an analysis of the supply, both the supply the University already has and the supply which it knows is available in the community. That it address all types of students who are expected to enroll in the University, including traditional aged students, students with families, international students, graduate students, and students of every type of diversity. That it examine more specifically the role it intends the financial aid play in providing support for students to attend the University in all of its costs, for housing as well as tuition and materials. And, finally, that in its plan, it notes specifically the impact that it expects that its housing will have on the community.”

Chair Lorenzen thanked Chancellor Pernsteiner George for the extraordinary amount of work that he has put forward on this, then turned to public comment.

NOTE: complete testimony of those who provided public input is on file in the Board’s Office.

State Representative Bob Ackerman spoke in opposition to the sale noting his concern with the statement that no students will be displaced and the use of the Romania property. He continued by observing that the business aspects of the proposal were “inconsistent, vague, and delusory.”
Jared Axelrod, president of the Associated Students of the University of Oregon expressed his opposition to the proposal. He indicated, “Of all of the housing offered by the University, Westmoreland is truly the only complex that represents the goal of access and affordability. It is something we should be proud to have in our University System, not something that we’re trying to get rid of. There are other ways, and we should try those before closing the door to an education on those who need the most help. Please preserve Westmoreland and vote against the proposed sale.”

David Zupan, teacher and a former resident of Westmoreland, shared his frustration with the absence of public participation in the process, noting that “all efforts on the part of the campus and community groups to provide the legally required input on proposal to sell Westmoreland have been virtually ignored, discouraged, or blocked—in clear violation of OARs which the UO actually helped create. Consequently, there’s much information missing about how Westmoreland revenue and housing for families, itself, would be replaced if the sale would be approved”

David Watson asked the Board to vote against the proposal.

Cynthia Kokis spoke of her concern that if 400 low-cost units are eliminated, “we’re signifying some kind of lack of commitment and involvement with community needs

Mike Fillippell, student member of the Westmoreland Transition Team, stated his nonsupport of the mitigation plan proposed by the UO administration, noting that the plan provides only $150 for moving costs, which falls short of actual costs.

Michael Smith spoke in opposition to the proposal.

President Frohnmayer summarized briefly Westmoreland’s occupancy rates and reiterated that the UO wants to draw down the consolidated debt pool from which it has never gained any benefit, so that $1.1 million a year and over $7 million over the life of this debt, will be saved and used for other University purposes, especially including housing. He continued, “We want to accomplish the objective of identifying and securing $20 million of new financing available to the state for the purpose of renovation of existing housing and the creation of new housing to address our crisis. Childcare will be addressed; there will be a rent freeze effectively, counting this year, for three years; relocation expenses will be defrayed, to some degree, for those who left early.”

Director Blair asked if there were any legal issues. Ben Rawlins replied that based on the issues that he had heard and that have been researched along the way, there are not pediments for the Board taking this action.

Director Miller-Jones asked about the lack of support of the proposal on the part of the faculty senate at the University. President Frohnmayer replied that he spoke extensively to this issue at the faculty senate, both with respect to the benefits to the University and beyond. “The second vote came up on a spontaneous motion after a very long debate on the diversity issue at the University. It was, in fact, a split vote, but one vote was not
counted. After three minutes of debate between the introduction of the resolution as an amended motion, and the final vote, exactly three minutes of dialogue ensued. I timed it because I was concerned that this had come at the end of a very long and strenuous debate on a different issue. And, in fact, the vote which would have been opposed to that motion was not counted because the chair did not see the vote so the chair cast the tie-breaking vote—it was something like 15 to 14. Bear in mind that I announced the exact terms of the agreement that we had reached and the beginning skeletal outlines of the mitigation plan only about an hour and a half before that debate occurred. I believe that, in view of the mitigation plan that's been developed and the even more generous attention to the concerns and occupancy of existing residents, that that vote would very likely be different today.”

Director Nesbitt stated his concern about providing a living environment that’s suitable for students that’s as cost effective as possible. He continued, “I am struck by a point in George’s write up, which is even if you have to increase rents to current costs at Westmoreland, the Chancellor concludes that it’s likely rents at Westmoreland would still be lower than those at other family housing facilities at the university so I’m not sure we have an unsustainable asset here.”

President Ray suggested that somebody should be able to give a very direct answer about whether this is sustainable.

Director Blair observed that the question is what’s the best way to use $18 million of capital. “What we do need to understand as well as the profit and loss statement on any given year is what happens to the capital and the confidence level we have that it actually goes back into housing stock as the students of the UO need.”

To a concern that Director Miller-Jones voiced regarding the sense of community at Westmoreland housing and the prospect of losing that, President Frohnmayer again explained that the developer has expressed his desire to continue this community in its very form. He went on, “There is no reason to expect that at least in the short or medium run, in the foreseeable future that the nature of that community is going to be disrupted at all because the incentive system is to maintain it and the new prospective owner has specifically said that he and his developers might even be interested in restarting the child care center there for the purpose of maintaining that community.”

4. **ADJOURNMENT**

President Lorenzen adjourned the meeting at 5:19 p.m.
President Lorenzen called the meeting to order at 9:10 a.m.

Board members present: Henry Lorenzen, Don Blair, Gerry Blakney (by telephone), Bridget Burns, Kirby Dyess, Adriana Mendoza, Dalton Miller-Jones, Tim Nesbitt, John von Schlegell (via telephone), Gretchen Schuette, Howard Sohn, and Tony Van Vliet.

Staff present: Chancellor George Pernsteiner, Ryan Hagemann, Jay Kenton, Glen Nelson, Ben Rawlins, Bob Simonton, Marcia Stuart, and Susan Weeks.

Others: Presidents Dan Bernstine (PSU), Martha Anne Dow (OIT), Khosrow Fatemi (EOU), Dave Frohnmayer (UO), John Minahan (WOU), Ed Ray (OSU), and Elisabeth Zinser (SOU). Provost Lesley Hallick (OHSU) was also present.

President Lorenzen asked President Frohnmayer to further explain the details of the proposed sale.

President Frohnmayer first addressed the issue of what happens after June 2008, the time at which the university’s mitigation of the rent increases will cease to be provided. He stated that the new landlord, in a letter to the Board, hopes and expects current tenants will remain and new and former student tenants will decide to live at Westmoreland and this will enable the student centered community described by so many residents to continue. Moving to his second point, he pointed out that this issue has “human faces attached to it. In that respect, I was moved yesterday and I think that we have had a chance to rethink the incentives by which we might invite tenants who moved out because of their anxieties to move back to Westmoreland and to be able to take advantage of the rent stabilization. We had proposed $150 in order to allow tenants to do that. I would submit to you that we are prepared to make that $300 just in the event that we have overlooked some of those relocation expenses that might be incident to this move that perhaps this wasn’t adequate to deal with. I hope that at least removes some of the sting of that issue and it certainly is our hope that as many tenants who were anxious but who wished to remain in Westmoreland would be able to do that.”

Regarding financial aid, President Frohnmayer pointed out that the present housing policy is designed not to provide financial aid and there is no means test for Westmoreland now. He continued, “What would happen to someone who decided to go to Spencer View rather than Westmoreland (even though we hope they stay in
Westmoreland), what would that entail? Actually, we have a standing offer to our tenants now through our office of financial aid if they have decided to move to the Spencer View apartments in which the rent levels are higher, to visit our financial aid officer, Elizabeth Bickford. We have had no takers on that offer but it remains an open, standing offer so that as the cost of housing does increase that is a matter that we can legitimately we can take into consideration in financial aid formulas.”

Director Schuette observed that she was looking forward to hearing about a housing plan for non-traditional as well as traditional students.

Director Blair expressed that access, affordability, and diversity are very important goals and that the housing plan needs to support the overall mission of the university as well as the goals of access, affordability, and diversity. He continued by noting that, “what I think we have to do is be very focused on the outcomes we are looking for, which are access for Oregonians, an affordable college education, and a diverse student body. We should be working with the university on setting our goals and targets for that for the UO and the housing plan should support those goals.”

Director Dyess moved, seconded by Director Blair, approval of the sale of the Westmoreland apartments. Those voting in favor: Directors Blair, Dyess, Lorenzen, Mendoza, Miller-Jones, Nesbitt, von Schlegell, Schuette, Sohn, and Van Vliet. Those opposed: Director Blakney. Motion carried.

3. RESOLUTIONS

President Lorenzen turned to Board Secretary Ryan Hagemann to present two resolutions for Board adoption.

Mr. Hagemann began by reading the first resolution: whereas Dr. Geri Richmond has shepherded and continues to flourish in a distinguished career as an educator, advisory, scientist, and mentor; and whereas Dr. Richmond has discharged her duties and responsibilities as a member of the Oregon State Board of Higher Education with deliberate care and acumen serving as an example to Board members that will follow her; and whereas Dr. Richmond has served and continues to serve students, the citizens of Oregon, and the education community as a tireless advocate for education, the advancement of knowledge, the betterment of individual students, and fair and just treatment of women within the academy; and whereas Dr. Richmond will undoubtedly continue to champion postsecondary education for Oregon and Oregonians; now, therefore, be it resolved that we, members of the State Board of Higher Education express without hesitation offer our sincere and deep gratitude and publicly recognize Dr. Richmond for her inestimable contributions to the lives of students, educators, and Oregonians; be it further resolved that the Board and each member thereof wish her and her family every happiness and success that the coming years will bring.
Board Discussion and Action:

Director Van Vliet moved approval of the resolution; seconded by Director Dyess; Motion was carried.

Mr. Hagemann then presented the second resolution: whereas Dr. Elisabeth Zinser has dedicated her professional life to the pursuit of knowledge and the success of students; and whereas Dr. Zinser has contributed mightily to the betterment of postsecondary education by her professional accomplishments, civic engagement, and advocacy for the liberal arts; and whereas Dr. Zinser has served Southern Oregon University, its regions, and the state of Oregon with her unwavering voice supporting educational attainment and access; and whereas Dr. Zinser, after her retirement as the president of Southern Oregon University, will assuredly continue her support of higher education, particularly for the benefit of students; now, therefore, be it resolved that we, members of the State Board of Higher Education, express without hesitation our sincere and deep gratitude and publicly recognize Dr. Zinser for her inestimable contributions to the lives of students, educators, and Oregonians; be it further resolved that the Board and each member thereof wish her and her family every happiness and success that the coming years will bring.

Director Schuette moved approval of the resolution; seconded by Director von Schlegell seconded; motion was carried.

4. Consent Items

a. OIT, Center for Health Professions, Phase I (Simonton)

Docket Item:

Summary:
The Oregon Institute of Technology (OIT) seeks Board approval to authorize the Chancellor, or designee, to seek state Legislative Emergency Board approval of an additional Other Funds limitation of $1.0 million for a revised total project cost of $12.2 million for construction of the Center for Health Professions, Phase I Project. The project was approved by the January 20, 2006, Legislative Emergency Board. The additional Other Funds limitation will be used to offset construction-related inflationary increases in the cost of the project and will consist entirely of gifts. There is no General Fund impact associated with this request.

Staff Report to the Board

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

The project will help OIT address the shortage of healthcare professionals in Oregon. This shortage is expected to worsen as the state’s population ages and many current health care workers retire. OIT has had to turn away approximately 200-300 qualified applicants from these programs each year because of its limited capacity to serve them.

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

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

*Fundraising completed to date:*  
The University has raised the additional $1 million of private gift funds.

*Staff Recommendation to the Board:*  
Staff recommends that the Board approve the request to increase the Other Funds limitation for the previously approved Center for Health Professions, Phase I Project and that the Chancellor, or designee, be asked to seek an authorization from the State Emergency Board for an additional Other Fund expenditure limitation of $1.0 million for a total project cost of $12.2 million. Staff requests the Board Finance and Administration Committee approve the staff recommendation and recommend it to the full Board for their approval.

b. PSU, Ph.D. in Technology Management

*Docket Item:*  
The proposed Ph.D. in Technology Management is a 99 credit hour program, including 20 credits of core required graduate courses, 20 credits of graduate electives in specialization area(s), chosen collaboratively by the student and advisor, 20 credits of methodological coursework, 12 credits of independent study, and 27 credits of dissertation research. The curriculum emphasizes research preparation through early research experiences prior to the comprehensive exam. The external evaluator report attests to the breadth and strength of the departmental faculty. Major research areas of
the department include decision analysis, project management, technology transfer, technology forecasting, and new product development.

The ETM department’s master’s programs are targeted for engineers and scientists moving into positions of greater managerial responsibility from the project manager level to the executive level. The Ph.D. program in Technology Management will provide further skills in these areas as graduates advance the state of knowledge in this developing field. Graduates of a current joint program offered through Systems Science have been gainfully employed in a mix of academia and industry both in Oregon and outside of Oregon. As such, future graduates of this more targeted program are expected to also be in strong demand.

It is expected that the program will draw new students to the University. The proposed program is for students who are interested in a Ph.D. in Technology Management with a strong identity in that field. The students attracted to the program will be those who are interested in pursuing their Ph.D. without the Systems Science component. They will be new students even though the course offerings by the ETM will remain the same. It will be a supplement, but not a substitute, for the existing Ph.D. in SySc/Engineering Management and will attract new students who otherwise would go to other institutions out of state.

A steady state enrollment of 30 students is expected in the department with approximately six graduates per year from this program.

All appropriate University committees and the OUS Provosts’ Council have positively reviewed the proposed program. The external review team report provided additional positive support.

Recommendation to the Board:
The OUS Provosts’ Council recommends that the Board authorize Portland State University to offer the Ph.D. in Technology Management, effective immediately.

c. SOU, Dr. Cullinan Contract Date Change (Rawlins)

Docket Item:

For the purposes of timely implementation of benefits, the Board is requested to amend Dr. Mary Cullinan’s contract to begin on August 31, 2006, instead of the original September 1, 2006, date.

Staff Recommendation to the Board:
Staff recommends Dr. Cullinan’s contract date to begin on August 31, 2006.
Board Discussion and Action:

Director Dyess moved approval of the consent items; Director Blair seconded. Those voting in favor: Directors Blair, Blakney, Dyess, Lorenzen, Mendoza, Miller-Jones, Nesbitt, von Schlegell, Schuette, Sohn, and Van Vliet. Motion carried.

5. REPORT ITEMS

a. Access and Affordability Working Group Update

Board Docket:

Oregon State Board of Higher Education  
Cover letter to Report  
Access & Affordability Working Group (AAWG)

June 29, 2006

To: Colleagues, State Board of Higher Education

From: Tim Nesbitt, Co-chair  
Nan Poppe, Co-chair  
Access and Affordability Working Group

Re: Fulfilling the Promise of Opportunity – A Shared Responsibility  
Model for Financial Aid That Can Make Higher Education Affordable for All Oregonians

Attachments: (A) Report and Recommendations of the Access and Affordability Working Group  
(B) Assuring Affordability in Oregon

We are proud to present the recommendations of our Access and Affordability Working Group for a new “shared responsibility model” for state-funded financial aid for Oregon’s college and university students. Our recommendations transform what appeared to be the vague and distant goal of affordability into an action plan that is both concrete and immediate. Most importantly, our shared responsibility model shows that the state of Oregon can make higher education affordable for all Oregonians by the time this year’s eighth graders graduate from high school.
These are not pie-in-the-sky recommendations. We do not assume that the cost of a higher education will decline, even when compared to the growth of family incomes in Oregon. There are too many new demands, unmet needs, and deferred costs in our public colleges and universities to allow that to happen. Further, we recognize that other demands for state expenditures will continue to outstrip available resources. We expect stiff competition for taxpayer dollars for years to come.

In short, we do not expect that a college education will ever again be cheap – neither in Oregon nor in the other 49 states with whom we are continually measured in our pursuit of a higher education system that can offer world-class learning to ever greater numbers of our citizens.

Still, we are convinced that we can make our public colleges and universities affordable for all Oregonians who have the interest and ability to pursue a postsecondary education. We can do so by reinstating the promise of opportunity that motivated prior generations of students: You can work your way through college.

Our recommendations, if adopted, would fulfill that promise, so that even students with no financial resources would be able to cover the cost of a higher education through their own efforts.

**The Shared Responsibility Model: A Four-Step Staircase to Affordability**

Our shared responsibility model is designed as a four-step staircase, at the top of which is the total cost of attendance, including the cost of tuition, fees, books, and a modest budget for room and board, whether living at home, on campus, or on one’s own.

Each step represents a significant contribution of resources from a different stakeholder, beginning with the student, then the student’s family or household, then the federal government. At this point, approximately 75 percent of all currently enrolled students in our public four-year universities would be able to cover the cost of attendance with what we estimate to be a reasonably affordable use of their own resources and available federal supports. But the other 25 percent would need at least some additional financial assistance to make their education affordable. And this is where the state would provide the final step up to affordability.

**We Begin With a Student’s Own Effort**

The first step in our model begins with the student’s own effort.

At the university level, the student’s expected contribution would include, at a minimum, what he or she could earn by working full-time during the summer and part-time during the school year at a minimum wage job. The student contribution would also include a reasonable amount of savings or borrowing that could easily be repaid within a short period of post-college employment.
At the community college level, the student contribution would be the same dollar equivalent of the work effort assumed for university students, without any additional borrowing. We assume a lesser student contribution at this level in recognition of the community colleges’ role as a lower-cost alternative for local and non-traditional students.

Unfortunately, student contributions of this magnitude would, for most students, fall far short of what’s required to cover the cost of tuition, fees, books, and a modest budget for room and board at any of our community colleges and public universities. So at this point, we look at ability to pay for the student and his/her family.

We Expect Family Support and Federal Assistance

The second step is reserved for a student’s family or household resources.

Following the federal Pell Grant methodology, we would expect that the student’s initial contribution would be supplemented by a portion of family resources – from the student’s parents if still a dependent or from the student’s household if independent.

The third step is reserved for federal assistance in the form of Pell Grants and tuition tax credits.

At this point, if there is still a gap to be filled to cover the cost of attendance, we would look to the state’s Oregon Opportunity Grant program.

We End With the State as the Final “Promise Keeper”

If students have no other resources of their own or their families and if federal grants and tax credits still leave them short of covering the cost of tuition, fees, books, and a modest budget for room and board, the state would step in and offer an Oregon Opportunity Grant to cover the rest.

In effect, the state would become the promise keeper or guarantor for students from low-income to middle-income families who are willing to make the effort to be the first payers for their college education – to ensure that the amount we ask them to pay is not beyond their means.

The logic of our shared responsibility model is this: If students and their families are willing to put in the first dollars, the state should be willing to match their efforts to put in the last dollars needed to make their college education, by all objective standards, truly affordable.

A Goal for This Year’s Eighth Graders
We are also confident that this model is fiscally feasible (see “Finding a Way to Make Affordability Affordable,” below). If the state were to increase funding for financial aid over the next two biennia at slightly more than half the rate of increase for financial aid approved in the current biennium, it would be able to implement our shared responsibility model in full.

**With strong revenue growth likely over the next two biennia, the state could, by adopting the shared responsibility model, achieve the promise of an affordable higher education system in Oregon by the time today’s eighth graders graduate from high school.**

**Continuing Partnerships with Private Colleges and Philanthropic Organizations**

There are other partners in the higher education enterprise in Oregon whose continuing efforts can enhance both the accessibility and affordability of our higher education options for Oregon students.

Private non-profit colleges and universities have traditionally played, and continue to play, an important role in providing high-quality higher education to Oregon residents. We are not recommending that the state attempt to guarantee absolute affordability for Oregon students to attend these institutions, both because their tuition rates are generally higher and their sources of private support for students are relatively greater than at our public institutions. But we are recommending that Oregon students who choose to enroll in these private colleges and universities continue to qualify for financial aid on the same need-based terms as those who enroll in our public universities. Helping eligible students take advantage of these available in-state higher education resources can be more cost effective in public dollars than would be creating and funding comparable new enrollment capacity at our public institutions.

We also recognize the role that private foundations and charitable organizations play in enhancing affordability for students with special needs and abilities and our model encourages their contributions by recognizing such assistance as a part of each student’s initial step one effort. For example, a first-generation college student from an underrepresented economic or demographic group might qualify for additional assistance from a private foundation focused on expanding access to underserved populations; in this case, the foundation’s assistance could be used to reduce the financial contribution and work effort required of that student, as is now the case with merit scholarships for high-achieving students.

Also, we expect that the state’s public universities would continue to provide supplemental financial aid, in the form of what we now call “fee remissions,” to assist especially needy and sought-after students.

In order to maintain incentives for additional aid from foundations and institutions, such aid would be applied to the student’s effort at the first step of our staircase; it would not
be used to reduce the state’s commitment to overall affordability as realized through the Oregon Opportunity Grant program.

**Mediating the Trade-offs Between Access and Quality**

Our recommendations recognize the OSBHE’s desire, expressed during recent strategy sessions, to address both quality and access in our long-range planning. The shared responsibility model, if properly structured and adequately funded, would help to mediate the trade-offs inherent in trying to improve the quality of our institutions, expand their capacity, and promote access for all without sacrificing any one of these goals to achieve another.

We are not recommending that the shared responsibility model be seen as a path to a high-tuition-high-aid system. That is a possible, but not a necessary, outcome of the shared responsibility approach – and one that deserves further scrutiny and debate by our respective boards. But one outcome is clearly impossible with a shared responsibility model: we will not end up where we are now with relatively high tuition and significantly lower aid than our counterparts in other states.

**Motivating Future Generations of Students**

Finally, we believe that the promise of opportunity inherent in our shared responsibility model – that all students with the interest and ability to pursue a higher education will be guaranteed the chance to do so through their own effort – will provide great motivational benefits for future students.

If we can tell this year’s eighth graders and their families that they will be able to work their way through college if they need to and that cost will not be a barrier for any student to pursue a higher education in Oregon’s community colleges and public universities, **we can help to stir the aspirations of future generations of students whose education will be critical to Oregon’s success in the 21st century.**

Also, our shared responsibility model can serve to highlight the “matching effort” the state will provide to adults already in the workforce. These non-traditional students in low-income and middle-income households will learn that the state is willing to reward their work efforts with financial assistance when they make the commitment to return to school.

**Recognizing Public Perceptions and Political Realities**

Our work in developing the shared responsibility model was guided by our earlier research findings on the views of Oregon voters about taxpayer support for higher education. Oregon voters recognize the benefits of higher education both to its students and to society, but they tend to place the first responsibility for paying for those benefits on the students themselves. They are wary of “free rides” and unearned entitlements,
but they are shocked when they learn that it is no longer possible to work one’s way through college.

This is why our shared responsibility model has become, in effect, an earned opportunity program. As described above, we begin with the individual student’s effort and equate that effort to what the student can earn by working on a schedule that allows adequate time for classes and study. We end by treating financial aid as a “matching effort” to help those who help themselves. These are values and principles that resonate with Oregonians.

Further, unlike the mantra of “more is better but never enough” that characterizes so many demands for additional public resources, our shared responsibility model tells us what is “affordable” in reasonable and definite terms. It defines an affordable higher education, now and over time, in terms of specific expectations measured by objective standards.

Last year, when the legislature approved a 77 percent increase in funding for the Oregon Opportunity Grant program, we were often asked by lawmakers: How much is enough? When will we be done? These questions were supportive, not critical. But they were informed by the knowledge that even that 77 percent increase was not going to move Oregon above most other states when it comes to the affordability of our higher education system. We can hope to move from a grade of ‘F’ to a grade of ‘D’ on the next “Measuring Up” report, but we will still be far from an affordable higher education system. So, even after last year’s increase, the questions remain: How much is enough and when will we be done?

Now, finally, our shared responsibility model provides the answers to those questions. It tells us how much will be enough and when we will be done reconstructing an affordable higher education system in Oregon.

**Finding a Way to Make Affordability Affordable**

The legislatively-approved budget for the Oregon Opportunity Grant program in the current biennium amounts to $78 million.

Our shared responsibility model, if fully funded, would require a total biennial allocation of $152 million.

We believe it is reasonable to seek to attain that level of funding over two biennia, at which time the inflation-adjusted biennial cost of the program would be approximately $160 million. This level of funding could be achieved with increases of 53 percent, or approximately $41 million, in each of the next two biennia.

Our Working Group recommends that we seek future budget allocations of this magnitude and develop a phased-in approach for implementing the shared responsibility model. One possible phase-in approach would be to expand the Oregon...
Opportunity Grant program to higher-income levels over time, with the greater funding increases and expansions applied to the second year of each successive biennium.

**Reaping the Benefits of an Affordable Higher Education System**

In today’s dollars, the near doubling of funding for the Oregon Opportunity Grant to implement our shared responsibility model would produce dramatic results.

Comparing data from the Oregon Student Assistance Commission for 2004-2005 to the projected outcomes for a fully-funded shared responsibility model, we would expect to see:

- More than a doubling in the number of grant recipients, from 19,101 to 42,047, of whom 2,769 would be new students who would otherwise not enroll in an Oregon college or university (this is taking into account an 80 percent projected participation rate from the modeled results in the report by David Longanecker); and,

- A 50 percent increase in average grants awarded, from $1,209 per student to $1,806 per student.

**Supplementing the Shared Responsibility Model**

Our shared responsibility model will provide the foundation for an affordable higher education system. But it will not be the be-all-and-end-all for affordability and access.

Our model encourages and provides incentives for the use of college savings plans and continued assistance from private foundations and philanthropic organizations.

Also, because the student’s first-step contribution is largely dependent on employment, we foresee a need to promote summer jobs and part-time job programs among Oregon’s employers and an added reason for the state to investigate the expansion of work study opportunities on our campuses. The federally-funded work study program is, by most reports, inadequate. And, unlike some states, Oregon does not currently provide a state-sponsored work study program.

**Report and Acknowledgements**

Presented herewith you will find the AAWG report to the OSHBE as well as the report “Assuring Affordability in Oregon,” and accompanying charts from the Oregon Shared Responsibility Simulation prepared by David Longanecker and Brian Prescott of the Western Interstate Commission for Higher Education (WICHE). These charts are part of a functioning model that will continue to allow Oregon to develop an improved financial aid policy that ensures affordability.
Dr. Longanecker’s research, economic modeling, and report for our Working Group were financed by contributions from the Oregon University System, the Oregon Department of Community Colleges and Workforce Development, the Oregon Department of Education, and the Oregon Independent Colleges Association.

Our Working Group met in six public sessions from December 2006 to date to develop these recommendations. In addition, AAWG leadership held four outreach meetings with stakeholders, including legislators and financial aid directors from public and private institutions.

The Working Group consisted of

**AAWG Members:**
- Co-chair, Tim Nesbitt, Oregon State Board of Higher Education
- Co-chair, Nan Poppe, Portland Community College
- Paul Bragdon, Reed College (President Emeritus)
- Sam Brooks, Oregon Association of Minority Entrepreneurs, Brooks Staffing
- Bridget Burns, Oregon State Board of Higher Education
- Randy Choy, Oregon Community Foundation
- Vanessa Gaston, Urban League of Portland, Oregon State Board of Education
- Roman Hernandez, Schwabe, Williamson, & Wyatt
- James Middleton, Central Oregon Community College
- Kate Peterson, Oregon State University
- Howard Sohn, Oregon State Board of Higher Education, Lone Rock Timber Company

**AAWG Resource Specialists:**
- Gary Andeen, Oregon Independent Colleges Association
- Morgan Cowling, Oregon Student Association
- Dennis Johnson, Oregon Student Assistance Commission
- Margie Lowe, Office of the Governor
- George Pernsteiner, Oregon University System
- Cam Preus-Braly, Oregon Department of Community Colleges and Workforce Development
- James Sager, Office of the Governor
- Julie Suchanek, Oregon Community College Association
- Melissa Unger, Oregon Student Association
- Dean Wendell, Oregon Student Assistance Commission

**AAWG Staff**
- Lead staff, Nancy Goldschmidt, Oregon Health & Science University
- Endi Hartigan, Oregon University System

We thank the members of the Working Group for their contributions to this effort.
Recommendations for a Shared Responsibility Model

As stated above, our shared responsibility model is built on four stair steps: student effort, family support, federal assistance, and the state’s commitment to cover the financial shortfall when the first three steps funds fall short of reaching the full cost of attendance at a community college or public university in Oregon.

Cost of attendance includes the cost of tuition, fees, books, and a modest budget for living expenses. These costs are calculated separately for community colleges, public universities, and private colleges and universities.

1. **Student Effort**

   First and foremost is the expectation that every student should be responsible for paying a significant portion of the costs of attending the college or university of his or her choice. This expectation is tempered by our commitment to the principle that the student’s share of these costs must be affordable even for a student with no savings and no family resources.

   To establish the baseline for student effort we looked at two measures. First, we estimated what it would cost to cover half the cost of actual tuition and fees and modest living expenses for students attending our public universities. Second, we looked at what a student could earn by working full-time during the summer and part-time during the school year at a minimum wage job. These two measures align almost perfectly. A student’s earnings in our second analysis are within a few dollars a month of the costs estimated in our first analysis.

   At the university level, the student’s expected contribution would include, at a minimum, what he or she could earn by working full-time during the summer and part-time during the school year at a minimum wage job. This amounts to $4,750 per year in today’s dollars. The student contribution would also include a reasonable amount of savings or borrowing that could easily be repaid within a short period of post-college employment. This is estimated at $2,750 per year in today’s dollars. Thus, the combined student contribution would be $7,500 per year, which could be covered by savings, earnings, gifts or borrowing. At this level, the student contribution would amount to approximately 50 percent of the cost of attendance.

   At the community college level, we assume that a contribution of $4,750 should suffice as the student’s first-step effort. In effect, at this level, we assume that work effort alone should suffice without added borrowing, although students could opt to use savings or to borrow in order to reduce their work effort. At this level, the combined student contribution would amount to approximately 40 percent of the cost of attendance. We use a lower student contribution as a percentage of total cost at this level because of the community colleges’ role as a
lower-cost alternative for local and non-traditional students and because they have lesser amounts of institutional aid available for their students.

Finally, our model assumes that Oregon students who choose to enroll in private colleges and universities that are currently eligible for the Oregon Opportunity Grant program continue to qualify for financial aid on the same terms as those who enroll in our public universities. However, we note that, until full implementation of the shared responsibility model, it will be necessary to continue our “maintenance of effort” provisions to avoid cutting support for these students.

(2) Family Support

Following the federal Pell Grant methodology, we would expect that the student’s initial contribution would be supplemented by a portion of family resources – from the student’s parents if still a dependent or from the student’s household if independent.

(3) Federal Assistance

Our model assumes that it is in the students’ and state’s interest to maximize all financial assistance from the federal government.

The major source of such assistance is from the federal Pell Grant program, whose grants average about $2,400 for each student recipient in Oregon.

Our model also captures the estimated average of federal income tax deductions and credits for tuition and fees.

(4) Oregon’s Commitment or “Matching Effort”

At this fourth and final step of our affordability staircase, the state becomes the promise keeper or guarantor for students who are willing to make the effort to be the first payers for their college education – to ensure that the amount we ask them to pay is not beyond their means.

If students have no other resources of their own or their families and if federal grants and tax credits still leave them short of covering the cost of attendance at an eligible Oregon college or university, the state would provide Oregon Opportunity Grants to cover the rest.

These grants would range from a low of $200 per year for students from families with annual incomes approaching $60,000 to a high of more than $5,000 per year for students from lower-income groups who are currently under-served by the Pell Grant program (e.g., full-time students with annual family incomes in the range of $15,000 to $20,000).
The state’s commitment on this all-important final step of the model is based on this premise: If students and their families are willing to put in the first dollars, the state should be willing to match their efforts to put in the last dollars needed to make their college education, by all objective standards, truly affordable.

**Staff Recommendation to the Board:**
Staff recommends that the Board accept the report of the Access and Affordability Working Group and endorse the principles, components, and framework of the Shared Responsibility Model. Staff recommends, further, that the Board endorse the Working Group’s request for an additional $41 million General Fund appropriation for the Oregon Opportunity Grant in the budget of the Oregon Student Assistance Commission to begin phasing in full funding for the Shared Responsibility Model.
Attachment A

Report and Recommendations of the Access and Affordability Working Group

Background:
In 2004, Governor Kulongoski called upon the Oregon State Board of Higher Education (OSBHE) to reconnect postsecondary education to a statewide mission – access – and better align higher education with state priorities. Since then, the postsecondary education community worked collaboratively to design a financial aid access program that would benefit Oregon students.

In the 2005 session, the legislature showed Oregonians what could be done with energy and determination and made college more affordable by increasing funding for the Oregon Opportunity Grant by 77 percent to $78 million. By almost doubling funding for the grant, an estimated 11,000+ more students were able to afford to attend college and, for the first-time, an estimated 4,000 part-time students will receive state grants beginning in fall 2006.

Although we were able to serve all eligible students who are among the lowest income in the state, there is growing concern that Oregon’s financial program does not assist moderate-income students and families struggling to afford a college education. At the end of the 2005 session, legislators articulated that a longer range plan was needed to more broadly support access to post-secondary education and address several issues: What is affordability? How much state funding is needed to implement and sustain a financial aid program that achieves affordability? What will the state get in return for this investment?

Phase II Process:
On December 12, 2005, the AAWG reconvened to develop recommendations for Phase II. The Working Group held ten meetings since that time, including six full public meetings, two outreach meetings with financial aid directors from OUS, community college, and private non-profit sectors, and two meetings with legislators. The AAWG members and resource specialists represent multi-sector post-secondary, community, philanthropy, student, and business perspectives.

In January 2006, the AAWG decided to retain a consultant qualified to develop an Oregon policy and financial model for state financial aid. The professional services of David Longanecker, Executive Director of the Western Interstate Commission for Higher Education (WICHE), were retained in February 2006 to develop such a model for Oregon; these services were funded by a partnership of OUS, the Oregon Department of Community Colleges and Workforce Development, the Oregon Department of Education, and the Oregon Independent Colleges Association.

The AAWG decided on recommendations for the Oregon Opportunity Grant based on shared responsibility on June 6, 2006. The Working Group leadership plans to present
the Phase II recommendations to public and private post-secondary sectors and other constituents in the immediate future.

**Phase II Results:**

On June 6, 2006, the AAWG completed its work in designing a new approach to providing state based financial aid in Oregon. The recommendations are detailed in the report “Assuring Affordability in Oregon,” by David Longanecker. This proposal, which is based upon Minnesota’s Shared Responsibility model, has been designed so that Oregon state policy assures that any citizen of the state who has unmet financial need and who wishes to attend college will be able to afford to do so. Through the combined efforts of the student, her or his family, the federal government, the state, and, in some cases, the institution s/he attends, Oregonians will have access to a fair, equitable financial aid program that will make college more affordable.

The Shared Responsibility model is intended to provide a more contemporary approach to providing state financial aid to students than what exists under current policy. This is not intended to denigrate past or current efforts, but simply to reflect shifts in funding, demographics, and attitudes that have occurred in Oregon and the U.S. over time; and to develop a policy framework that provides a stronger nexus between Oregon’s current institutional appropriations and tuition policies, its state financial aid policy and practice, and today’s federal financial aid policies.

What is Affordability? The AAWG considered the cost of enrolling and completing a college education against the financial situations of Oregon students and families and what was a reasonable expectation of student effort and family responsibility. The Working Group developed a set of principles to set the expectation for student effort and family contributions.

1. Lack of financial resources should not be a barrier to college participation and success for Oregonians.

2. Keeping college affordable requires the shared effort and partnership by the student, family, federal government, state government, and private philanthropy.

3. Every student and his/her family should plan on sharing in the responsibility for paying for college by contributing towards the cost of postsecondary education and training through a combination of work, borrowing, savings, and other family and individual resources.

4. There are cost differences between selecting one institution over another. In today’s dollars, the average student budget for 2005-06, which includes tuition and fees, books, and living expenses, is $11,992 at an Oregon community college, $15,666 at an OUS institution, and $33,212 at a non-profit, Oregon independent/private institution. The goal is to make Oregon’s public institutions affordable and to help eligible students attending Oregon’s independent/private institutions.
5. The student work effort is based on what one could reasonably earn in a minimum wage job either (a) working full time in the summer and part time during the academic year or (b) working part time year round.

6. Each student chooses, based on her or his circumstances, how to make their effort through a reasonable amount of work, borrowing, or savings, as well as earned external scholarships, work-study, and ROTC.

7. Student and family savings for college should be encouraged through incentives, not penalized through disincentives.

8. Parents/families should take advantage of all of the federal resources available to them to make college affordable. These federal resources include the Pell Grant for low-income students and educational tax credits available to middle-income families.

9. The state program should be designed to fill in the remaining gap following the effort of students, family, and the federal government.

10. The grant awards should be progressive, based on student need, and extended to middle-income families given the considerable investment a college education represents.

How much revenue is needed? To determine the level of investment needed to close the remaining gap between what students can afford to pay and what a college education costs, WICHE modeled projections based on 2002-04 Oregon Opportunity Grant expenditures and recipients and 2005-06 student budgets (weighted sector average). The AAWG assumes that 80 percent of the eligible students would participate in the grant program by enrolling in a postsecondary institution in Oregon (the current participation rates are 48 percent at community colleges, 80 percent at OUS, and 75 percent at independent non-profit colleges). Under this assumption, it is estimated that it will take $80 million a year ($160 million a biennium) to make college affordable for low and middle-income Oregonians. This compares to the 2004-05 annual investment in the Opportunity Grant of $23.1 million ($46.2 million a biennium) and the 2005 Legislative increase of $34 million ($78 million a biennium). In other words, Oregon needs to double its investment in student financial assistance provided by the state to make a difference in affordability.

What will eligible students get? By implementing the principles outlined above, eligibility is doubled from 2005-06. The model projects that more than 42,000 Oregonians would receive the Opportunity Grant, compared to 19,101 recipients in 2004-05 (2005-06 recipient numbers are not yet complete).

In addition to more recipients, the average grant size is projected to increase from $1,209 in 2004-05 to $1,806, a 49 percent increase in the all-sector average award. (See Table 1, Estimated Results, Expenditures, and Recipients, Oregon Shared Responsibility Simulation, in WICHE report). A student attending a non-profit Oregon independent or private college or university would receive the same maximum level of aid as a student attending a public university.
Projected grant size for eligible, full-time, dependent students attending OUS institutions would range from $3,309 for students with family net income of less than $5,000 with incrementally decreasing amounts to $710 for students with family net income of $60,000. (See Table 2, Grant Awards by Dependency, Income, and Attendance Status, Oregon Shared Responsibility Simulation, in WICHE report).

What will the state get in return? Oregon would be identified as having affordable higher education, which continues to be identified as a problem for attracting new business and industry to Oregon. Currently, the Opportunity Grant cut off for dependent student eligibility is a little more than $30,000 for a family of four with one in college. The elimination of the cliff effect of the Opportunity Grant, where a family earns just one more dollar of income and is suddenly ineligible, addresses the long standing concern about predictability and transparency of financial assistance provided by the state. In addition, it is projected that nearly 3,000 new students would enroll in college (assuming 80 percent of the eligible students would participate in the grant program).

Research shows that grant aid has a positive impact on the initial decision to attend college for those student groups most likely not to go—those whose parents and siblings did not have the opportunity. (Heller, D.E. and Becker, W.E, 2003, Review of Research on Financial Aid and College Participation, Report Prepared for the Advisory Committee on Student Financial Assistance). The proposed shared responsibility model for the Opportunity Grant would go a long way in addressing educational attainment disparities among different parts of the state and among certain race/ethnic groups. These disparities persist from generation to generation and are widening in Oregon’s population. If these educational disparities are not addressed, anticipated demographic shifts will have a major impact on the educational attainment of Oregon’s population and its ability to compete effectively in the global economy. Diversification of the Oregon population will have a compounding effect on total personal income in Oregon—a measure often associated with the wealth of a state. A promise by the state of Oregon to share in the responsibility with other partners for making college affordable will raise the educational attainment levels of Oregon residents while attracting highly-educated workers to compete nationally and internationally.
ATTACHMENT B

Assuring Affordability in Oregon
By David Longanecker, Ed. D.
Executive Director, Western Interstate Commission for Higher Education (WICHE)
Prepared for the Access and Affordability Working Group
of the State Board of Higher Education

On June 6, 2006, the Access and Affordability Working Group completed its work in designing a new approach to providing state based financial aid in Oregon. This proposal will make state policy in Oregon guarantee that any citizen of the state who wishes to attend college will be able to afford to do so. That does not mean that access to college will be barrier-free. But through the combined efforts of the student, her or his family, the federal government, and the state, Oregonians will have access to a more affordable college education in their state.

This new design, called the Shared Responsibility Model, is intended to provide a more contemporary approach to providing state financial aid to students than exists under current policy. This is intended to build on past and current efforts by reflecting shifts in funding, demographics, and attitudes that have occurred in Oregon and the U.S. over time and to develop a policy framework that provides a stronger nexus between Oregon’s current institutional appropriations and tuition policies, its state financial aid policy and practice, and today’s federal financial aid policies.

The Past.
Historically, particularly in the Western United States, it was generally perceived that the best way to assure affordable access to higher education was to keep tuition low. This strategy worked well for quite a while. In great part, this was because most people who attended college came from middle-class/middle-income families, which meant that they could afford to pay modest tuition and the other costs associated with attending college – room and board, transportation, books, etc. Although this approach to meeting college costs worked reasonably well for students attending low-priced public institutions, it clearly never worked for students attending higher priced private colleges and universities. It was within this private sector of higher education that the benevolent concept of need-based financial aid evolved. Students from families who could not afford the higher price of private education, but whom private institutions wished to enroll, were provided financial aid. To avoid capricious behavior between institutions, the private higher education community, through the College Board (then known as the College Entrance Examination Board), developed a standard way of assessing financial need.

Low-tuition, at least as the primary avenue to affordable access to public higher education, began to erode in the 1960s as more and more Americans, particularly students from low-income families, sought to attend college. It became clear that although low tuition made it appear as though college was affordable to most families,
the other real and substantial costs of attending college – room and board, etc. – often presented an absolute barrier to financial access for many prospective students from low- and moderate-income families. As the egalitarian spirit rose in America, so too arose the interest in providing need-based financial aid to ensure that all students who wished to attend college could do so. As a result, the philosophy that had guided the concept of assisting needy students in private higher education spread to public higher education at both the federal and state level. This spirit led to a major federal thrust in this direction with passage of the original Higher Education Act (HEA) in 1965. The Higher Education Act, through the State Student Incentive Grant (SSIG) program, also enticed many states, including Oregon, to begin providing state need-based grants to students.

The Present.

More recently, another factor in Oregon – the movement from low-tuition public institutions to average to higher-cost tuition institutions – has contributed to the erosion of financial access. Oregon moved away from low-tuition not for philosophical reasons, but rather because the diminution of state resources for all public services, including higher education, has been so great that institutions had to increase tuition just to generate ample funds to sustain educational programs of viable quality. The same fiscal constraints, however, lead to a coincident erosion of support for the state funded need-based financial aid. The confluence of these two effects – declining state grant aid and increasing tuition costs – combined with two other external factors – declining federal assistance and increasing demand for higher education – have substantially reduced the affordability of college in Oregon. Many current students and their families lack the resources to truly “afford” college, and thus are making monumental efforts, through loans and work, to attend college. Yet such efforts often impede these students' likelihood of persistence and ultimate success in college or their ability to attend college at all.

Another factor, however, has contributed to the erosion in support for financial aid, both within Oregon and throughout the country. That is, the philosophy under-girding support for financial aid since the 1960s has become stale; it simply does not fit the public policy environment or tax-payer interests in the 21st century.

The Future – A Philosophy of Shared Responsibility or Earned Opportunity.

The basic premise of the shared responsibility concept is that to assure affordable higher education, many partners either share responsibility or concern for assuring college affordability.

The Responsible Partners. Four partners legitimately share responsibility for financing the costs of attending college.

The Student Effort. While society at large benefits in myriad ways from higher levels of educational attainment, the first partner in this shared partnership is the student, who is the principle beneficiary of the education being received. With pecuniary returns on a college education now exceeding, on average, more than $1 million for
a baccalaureate degree and about one-third that amount for an associate’s degree (relative to a high school diploma), it is entirely appropriate to expect that the student will accept responsibility for a reasonable portion of her or his own education. Furthermore, the student’s responsibility comes in two forms. First, the student must put forth a serious effort to achieve the education. Second, the student must be willing to help pay for the costs of the education.

The AAWG has established that all Oregon students should be expected to contribute at least $4,750 (in 2006 dollars) annually toward the costs of their education. This amount will be increased annually by the Consumer Price Index (CPI) to reflect the annual increased earning capacity of these students. While this sounds like a hefty student expectation, it is both reasonable and defensible. At $4,750, a student attending the lowest cost option in Oregon, a community college, would be providing roughly 40 percent of the total costs of attending that institution, and would be able to pay her or his share by earnings from work, from savings, from borrowing, or a combination of these. To earn this amount, a student would have to work about 15 hours per week at minimum wage for the full year or 10 hours per week while in school and full-time during the summer. On the other hand, if the student chose to borrow this amount over two-years rather than work, the equivalent debt of $9,500 would result in a debt burden that would be quite manageable, given the average earnings of a student with a two-year degree or certificate.

A student attending an Oregon public university would be able to pay through the combination of work and borrowing. This reflects the philosophy that there should be a cost of choice, but that this cost of choice should still assure affordable higher education in Oregon. The AAWG has established that public university students should be expected to contribute the same $4,750 from earnings that are expected of community college students, but that they should also be expected to borrow $2,750 annually. This borrowing expectation would leave these students with a debt of between $11,000 over four years or $13,750 over five years, on average, which research has shown is a manageable debt load for baccalaureate holders, even those with relatively low wage/high value jobs like teaching and social work. Furthermore, it is a lower debt load expectation than the average student actually experiences today in Oregon. This combined student expectation of $7,500 would represent roughly 50 percent of a frugal budget within the Oregon University System.

The AAWG proposes that a student attending an Oregon independent or private college or university would receive the same level of aid as a student attending a public university; again, paying for the choice option.

Furthermore, students who have earned scholarships for the current or past academic performance would be able to use them toward their expected contribution. Recent changes in federal legislation will provide some needy students with a new federally funded “Academic Competitiveness” or “Science and Math” supplement to the federal Pell Grant, based on their achievement in high school or
college and these federal supplements to the Pell grant, just like privately funded scholarships, will be considered part of the students’ earned contribution, not part of the federal contribution. Treating scholarships and other financial awards as part of the students’ contribution, rather than as an offset of the State’s responsibility, has two positive effects. First, it rewards students appropriately for accepting their responsibility to prepare and perform well academically. Second, it provides a positive incentive for civic and philanthropic partners to provide student assistance, which they can be assured will benefit the individuals they seek to assist and not simply substitute for public support.

The Family’s Expectation. After the student, the parents of a dependent student, or the spouse if a student is married, should clearly accept responsibility, to the extent that they can, for educating their child or significant other before they expect others to do so from tax-supported public funds. Clearly, families differ greatly in wealth, so their capacity to help varies accordingly. But, to the extent possible, they should be expected to contribute. Recent changes in federal law increase the incentive for parents to save for their children’s college education through state savings and tuition prepayment plans, further reinforcing the ability of parents to meet this responsibility. Unfortunately, some parents who are determined eligible to contribute do not accept this responsibility. It would be neither prudent nor practical, however, for public policy to step in to replace the expected parental contribution in such cases. In a resource constrained environment, there simply are not sufficient public funds to fill in where it has been determined that parents can do so.

Maximizing the Federal Partnership. The third responsible partner is the federal government, which through the federal Pell Grant program assists virtually any student from a low-and moderate-income family, and through tax credits and deductions assists most students from middle-income backgrounds. While the state cannot count on the federal government to provide sustained predictable support, it would be imprudent not to take full account of whatever federal aid is available.

Oregon’s Share – Filling the Gap. The fourth shared responsibility partner is the State. If the student and her or his parents have contributed all they reasonably can contribute based on their financial situation and federal resources have been taken full advantage of, then the state must do whatever it can to fill the gap or accept the reality that college won’t be truly affordable and thus equitable access will be limited in the state.

The Concerned Partners. Two other types of partners – institutions of higher education and civic/philanthropic funders – while not responsible for assuring affordable higher education, have historically shared substantial concern with college affordability and, as a result, have provided substantial financial assistance to students, both to reward merit, further diversity goals, and enhance affordability.

Colleges and universities, including independent, private, and public institutions, provide substantial financial aid, but for three reasons should be considered a concerned party
rather than a responsible party. First, the foremost responsibility of the institution is and should be the delivery of quality educational services. As a result, the institutions’ first concern must be providing sufficient resources to quality assurance, resulting in limited institutional funds for financial aid. Second, the availability of institutional aid is not readily apparent to prospective students, thus contributes little to the public policy goal of transparency. Because institutions have limited funds for financial aid, they must withhold their decisions on who receives this aid until students indicate an interest in the institution, which means that young people thinking about whether college is in their future or not, have little information from institutions about the likelihood of receiving aid. Third, institutional financial aid officers are the only people who can logically put all the pieces together and thus are best used to fill the gaps that real life presents, with the limited resources available from the institution. Private institutions of higher education generally bear a larger amount of institutional aid, if they chose to provide broad access to financially needy students.

Civic and philanthropic organizations also often assist students and it is prudent for public policy to encourage such activities. If such funds simply replace public funds, however, there is little reason for these civic and philanthropic sources to provide such assistance. The shared responsibility model, however, provides a strong incentive for such partners because their assistance helps the student meet her/his share and does not replace public resources.

Through this shared combination of reasonable contributions from responsible partners—the student, her or his parents, the federal government, and the state government, combined with the partnership of institutions and other concerned partners—Oregon can restore affordability. In principle, shared responsibility or earned opportunity does not seem to be as benevolent as past policy. Recognizing the student as the principal beneficiary of the education being received, the concept expects much more from these students. It expects no less from parents. But it recognizes the substantial efforts and sacrifices being made by students and families to come up with the resources needed to pay for college expenses. And by being more intentional and relevant to the current picture, the shared responsibility concept takes full advantage of what is available from the federal government. And it encourages institutions and civic and philanthropic organizations to partner as well.

In the end, however, when all these other resources have been incorporated, this concept presumes that the state of Oregon will accept responsibility to fill the gap remaining after these other partners have been tapped out. Indeed, this will require a substantial increase in Oregon’s financial commitment for need-based financial aid. This is what it takes if Oregon truly wishes to assure affordable higher education.

Attachments from Oregon Shared Responsibility Simulation:
Table 1, Estimated Results, Expenditures, and Recipients
Table 2, Grant Award Levels by Dependency, Income, and Attendance Status.
### Table 1
#### Estimated Results and Expenditures

**State of Oregon**  
Access and Affordability Working Group  
June 6, 2006

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**Oregon Shared Responsibility Simulation**  
David A. Longanecker & Brian T. Prescott  
Western Interstate Commission for Higher Education

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#### Estimated Results

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#### 2004-05 OOG Expenditures & Recipients

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### Table 2
**Grant Awards by Dependency, Income, and Attendance**

**State of Oregon Access and Affordability Working Group**  
June 6, 2006

**Oregon Shared Responsibility Sim**  
Grant Awards by Dependency, Income, and Attendance  
David A. Longanecker & Brian T. Prescott,

#### Dependent Students

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### TABLE 2 (CONTINUED)

**GRANT AWARDS BY DEPENDENCY, INCOME, AND ATTENDANCE**

State of Oregon
Access and Affordability Working Group
June 6, 2006

Oregon Shared Responsibility Simplicity
Grant Awards by Dependency, Income, and Attendance
David A. Longanecker & Brian T. Prescott,

<table>
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Oregon Shared Responsibility Simplicity
Grant Awards by Dependency, Income, and Attendance
David A. Longanecker & Brian T. Prescott,
Table 2 (Continued)
Grant Awards by Dependency, Income, and Attendance

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Note: Award amounts for part-time students are not always equal to the prorated amount of the full-time award. This occurs because when the tuition charged is reduced, students are eligible for smaller federal tax credits than they were when they were enrolled full-time, and/or due to the prorated Pell Grant.

Board Discussion and Action:

President Lorenzen turned to Director Nesbitt for an update on the work of the Access and Affordability Working Group.

Director Nesbitt reminded the Board that in the last session of the legislature an increase of almost 77 percent in Oregon Opportunity Grant allocations was secured. Asked by members of the legislature when Oregon will have a really affordable higher education system, the Working Group proceeded to deconstruct and reconstruct the components of affordability. In doing that, the Working Group came up with a new model called the “Four Step Staircase to Affordability,” beginning with the student’s effort in how much should students be expected to pay. Director Nesbitt continued, “What we were able to do in looking back at this four step staircase approach beginning with student effort and asking ourselves what would be a reasonable student effort, back to the idea of working full time during the summer and part time during the school year, we got back again to the concept of being able to work your way through college. We tested all of these components of affordability - how much students should pay, how much it’s fair to expect the student to borrow. All the assumptions were tested based on the data we had and based on kind of a real world test of what’s affordable for students and their families. We arrived at a simple and inspiring proposition that even if you have no resources you should be able to work your way through college again.”

Nancy Goldschmidt continued the discussion by expanding on the affordability model that represents what a reasonable work effort and reasonable loan for a student might be depending on different circumstances, e.g., parent/family and student contribution.
Funds for attending college have to come from savings, borrowing, working more, etc. and what can be paid off in a reasonable period of time after graduation.

Director Burns stated that the bottom line is that students end up with more money in their pockets. “They end up with an easier chance to go to college if we implement this model than the status quo.”

Director Sohn asked if the model was a way of getting to what the state’s responsibility is. “What is the state going to do for students and for education in Oregon? Or is it also a way you want Oregonians to think about and conceive of education funding responsibilities? Ms. Goldschmidt responded that it is an educational tool to let people know what the pathway to college is. Director Nesbitt added that the model shows what it takes to have an affordable higher education system and also serves as a way to promote access and interest and motivation for students who might otherwise be thinking they can’t afford it.

Governor Kulongoski joined the meeting to comment on the opportunity grant program, stating that this was an integral part of what the Board and he want to do with the State System of Higher Education - trying to provide opportunity for young people. He added, “What I am most impressed about with this program is the four port process that you go through. That actually the student has to accept some of the responsibility. It is the fact that they have to participate in this process. Their families, if they are able to do so, have to be part of this. The federal government with the Pell Grant program is part of it and then the state. Your institutions end up becoming the guarantor of last resort to see that they have opportunity.”

Director Nesbitt moved to accept the report, endorse the preschool’s components in the framework in the shared responsibility model, and recommend an endorsement of a request for an additional $41 million General Fund for the Oregon Opportunity grant for the next biennium; seconded by Director Schuette. Motion carried.

6. **ACTION ITEMS**


**Docket Item:**

The entire docket item with supporting tables is available at: [http://www.ous.edu/stateboard/meeting/dockets/ddoc060714.doc](http://www.ous.edu/stateboard/meeting/dockets/ddoc060714.doc)

**Budget Request:**

The State Board of Higher Education takes its responsibilities seriously and is committed to the future welfare of Oregon and its citizens. This Board was personally selected by the Governor and was charged with changing the direction of OUS to better
serve the needs of Oregonians and the state. The Board has demonstrated its commitment to this charge and stands prepared to embrace the Executive and Legislative branches of government as full partners in making continuous improvements in this regard. This Board has high expectations and will work with its partners to accomplish its objectives for Oregon. It fully understands that Oregon higher education has been under-funded for many years and is in a fragile and precarious financial position that is not sustainable over the long term. This situation must change or Oregon’s future will be compromised.

OUS is seeking three basic items in its 2007-2009 operating budget request:

1. State funding adequate to fund the OUS base budget to rebuild quality levels, maintain affordable tuition, and place OUS on a more stable and sustainable funding base;
2. Policy package funding needed to engage the other educational sectors, business/industry, and other partners to create synergies around a common goal of a student-centered, efficient delivery and support system for postsecondary education, and to maintain Oregon’s quality of life and economic vitality; and
3. Legislative relief to manage OUS revenues and expenses in a more responsible manner and to create an environment needed to encourage knowledge creation and maximum creativity.

Board Discussion and Action:

Jay Kenton, Vice Chancellor for Finance and Administration, presented the recommended 2007-09 OUS operating budget request. He began by noting that higher education is a public good; an investment, not a cost. He continued, “our first priority is to get an adequate base budget to rebuild our quality levels, to maintain affordable tuition, to serve those growing enrollments, and to provide sustainable funding for our institutions, as well as maintenance funding for our facilities. We’re also asking for policy package funding, as well as seeking some statutory changes, changes that would allow us to manage our revenues or develop new revenue streams or manage our expenses in a more responsible manner.”

Dr. Kenton explained that the OUS is asking for a $988 million state General Fund request (an additional $188 million), which includes operating debt service and capital repair. For policy packages, the need is for $68 million of state funds for seven initiatives. Regarding statutory changes, Dr. Kenton noted that the costs of providing health care have been growing steadily and suggested the need to look at that in a different way; asking for retention of investment earnings on OUS funds; changes in DOJ oversight, particularly in areas that deal with intellectual property management and development; changes in capital budgeting and debt issuance structures that will make it easier to react to real estate opportunities on campuses; exemption from certain state assessments, in information resource management, in facilities, and in risk management areas; asking for a clarification of the optional retirement rates; asking for greater degrees of freedom in working with our community college and other educational partners.
Chancellor Pernsteiner commented on some of the strategies that were first captured in the policy packages and how to insure that the work is done by noting that it has been made clear with the provosts and presidents that the level of funding being sought in the basic budget carried with it some expectations and that those expectations are that the outcomes and approaches that were laid out in the packages that were subsumed then within the basic budget would, in fact, be carried out.

Directors Blair and Nesbitt asked for further clarification on state assessments. Chancellor Pernsteiner explained that there are three assessment that the System is seeking exemption from. “One of those assessments is a fairly small one for facilities in Salem and that gets to a question of what’s an appropriate relationship with regard to the users of those facilities versus those agencies that don’t use it. The second one is exemption from the information resource management division assessment. We are statutorily exempt from most of IRMD activities and yet we would be paying I think it might be the highest assessment of any agency. We think there is a logical disconnect there between the statutory exemptions, which we enjoy from those activities, and yet the payment we would have to make for those activities. The third is risk management and here it’s a simple question of taking a look at the risk pools, looking at what the rates would be.” Regarding the issue of the healthcare, Chancellor Pernsteiner noted that the first piece was to identify what the various cross-subsidies were vis-à-vis faculty and the rest of the state pool, which includes staff. Next would be to take a look at if there were reductions in some plan redesigns, what would be the impact on rates on those plan redesigns and what kind of savings might be achieved in those situations and then what does one do with those.

Board discussion followed concerning aspects of healthcare benefits.

Director VanVliet moved that the base budget of $988 million go forward; seconded by Director Dyess. Motion carried.

Chancellor Pernsteiner clarified that there were actually three parts of the agenda item. The baseline budget, which is the $920 million package; second is the $68 million of policy option packages that are in addition to that that are for very specific investments; third is the discussion about legislative concepts and the status of those concepts. The Chancellor pointed out that, “You approved us to go forward with those concepts in April and we are in the midst of the process with DAS and the Governor’s Office about them. We’ve reported the status of some of them. Some of these are very clear. The legislation has been written, for example, on the optional retirement programs. Others of them we are still waiting to have certain things unfold and those include the assessments, the healthcare insurance, and the community college partnership. All of these packages are moving forward in the regular process that leads up to the Governor deciding what he is going to put into his legislative agenda for the 2007 session.”

In light of this, Director Van Vliet withdrew his original motion; seconded by Director Schuette. Motion carried.
Director Van Vliet moved approval of the $920 million base budget; Director Dyess seconded. Motion carried.

Director Van Vliet: moved approval of the $68 million for strategic investments; Director Dyess seconded. Motion carried.

Director Nesbitt made a motion to continue to “explore the statutory changes outlined on page 29 but I would be more comfortable if we deleted three words from item 1. Manage employee health insurance and costs differently. Scratch “for our faculty.” I’m not sure we want to make a decision about treating our faculty differently than our classified employees. It will allow us to do that but it’s just we have one system here. We have faculty, we have classified employees and I just don’t want to be on a path that is a faculty only path as we examine this proposition.” Director Dyess seconded. Motion carried.

Chancellor Pernsteiner reminded the Board that subsumed within the budget request of OHSU and the community colleges, there are items that amount to either shared initiatives or shared goals. “The healthcare ones are very clear. There are pieces of each of the components of our healthcare package that also include the community colleges or OHSU and for the whole health care package to work, it needs to have all of the pieces. The difficulty is that we have been advised we can only put in our budget the portions that relate to our budget and, therefore, what we are doing is saying we recognize that for healthcare workforce, for retention of students that there are pieces of that in the community colleges and OHSU budgets that relate to those things. The data system is another good example. We’re actually managing the data system that crosses all three segments of education but the portion in our budget is our piece and there is a big piece in the community college budget and there is a big piece in the ODE budget. Now, in order to meet the requirements of the way the budget is put together at the state level, we are disaggregating them and saying we agree these are the right things to do. We put our piece in our budget. The whole package only works if you endorse the pieces that are in other people’s budgets. Finally, we are required under the state budget act that you adopt a mandatory 10 percent reduction plan.”

Director Dyess made a motion to recognize and endorse the efforts that are noted under number 2 in the docket item; Director Schuette seconded. Motion carried.

Director Lorenzen asked for a motion to adopt or approve the suggested mandatory 10 percent reduction plan. Director Blair made the motion; Director Van Vliet seconded; Motion carried.

Vice Chancellor Kenton pointed out that when the Board adopted the $920 million and the $68 million, it didn’t include the other funds limited and other funds nonlimited.

Director Dyess made the motion to adopt the other funds limited and other funds nonlimited; Director Mendoza seconded. Motion carried.
b. Capital Construction Budget Request, 2007-2013 (Kenton/Simonton)

Docket Item:

Staff Report to the Board:
Each biennium, prior to the legislative session, the State Board of Higher Education submits a capital program summary to the Governor covering the ensuing three biennia. For 2007-2009, a formal capital budget request is presented; for the outlying period 2009-2013, a forecast of needs is identified.

The 2007-2009 capital budget recommended to the Board for approval totals $957,382,066 for the seven OUS campuses and University Centers. Approximately 34 percent of the request pertains to projects related to capital repair, code needs, and renovation; 37 percent relates to Education and General projects that directly provide facilities for the instruction, research, and service missions of the System; and the remaining 29 percent is for projects carried out by auxiliaries, including student facilities funded by the student building fee.

A supplement to the recommendation has been prepared under separate cover and provides details of the requests by biennium, including information on the major issues, a summary of the outstanding and forecasted Article XI-F(1) and Article XI-G bonds, funding for deferred maintenance, and an enumeration of proposed Certificates of Participation. Lists of exhibits and tables provide further detail.

Staff Recommendation to the Board:
Staff recommends that the Board authorize the Chancellor, or designee, to prepare and submit to the Department of Administrative Services a proposed 2007-2013 Capital Construction Program in accordance with this docket item and the supplemental materials included herein. Further, it is recommended that staff be authorized by the Board to apply for the necessary grants and seek the necessary bonding authority and Certificates of Participation authorizations to effect the projects and purchase the equipment and systems described in this docket item for the 2007-09 biennium. In addition, staff recommends that the Chancellor, or designee, be authorized to make any technical adjustments required to the program during the ensuing period prior to the end of the 2007 Legislative session.

The full text of the capital construction budget request can be found at http://www.ous.edu/state_board/meeting/dockets/ddoc060714.doc

Board Discussion and Action:
Bob Simonton gave an overview of the budget request and ended by noting that, “We’ve made great strides in leveraging state dollars with gift bonds for new facilities,
but seek your continued support for the deferred maintenance and the seismic funding strategy that we began last session.”

Director Lorenzen asked about the light rail project and his concern regarding the timeline and ranking of the project. Mr. Simonton replied that it is difficult to rank projects and, in this case, it was unclear where the leveraged dollars were coming from.

Chancellor Pernsteiner reiterated that the proposal that is sent forward to DAS and the Governor’s office will include all of those projects, “so it’s not as if the Board is not endorsing a project. They’re being endorsed in the order in which they appear and in the scoring in which they appear so if you wish as the Board to change the priority order, you may do so.”

Vice Chancellor Kenton noted that the project list was sent to campuses for their review and that there were numerous conversations with campuses about the projects.

Director Miller-Jones suggested putting asterisks next to certain projects, noting that they might be time sensitive.

Director Nesbitt made the motion to approve the capital construction budget request for 2007-13. Director Sohn seconded. Motion carried.

Director Van Vliet explained his vote, “My no vote is basically until we know what our budget is we may need those capital dollars that were allocated here inside the budget area in the General Fund and I’m not satisfied we really answered the mission question yet. Whether these meet the obligations of each institution in their mission or whether we are pushing their missions outside of where they should be.”

c. Foundation Salary Supplements (Pernsteiner/Rawlins)

Board Discussion and Action:

Director Lorenzen called on Chancellor Pernsteiner to present foundation salary supplements.

Chancellor Pernsteiner explained that, “we allow an opportunity for the affiliated foundations of the university to provide support for presidents, as well as for faculty and others. Under the Board rules, those arrangements and that support, if provided to employees other than the presidents, can be approved by the president of the campus involved. With respect to supplements for pay or other amounts that are provided to the presidents, it is the prerogative of the Board to determine whether or not to accept and approve those supplements.” He noted that the OSU Foundation in March 2006 requested that the Board approve that the supplement for President Ray be raised from $90,000 per year to $118,908 per year, effective on January 1, 2006. The OSU Foundation would pay all associated benefits such as FICA and retirement and so forth.
on top of that amount so that would be the OSU Foundation proposal for the period beginning January 1, 2006. The UO Foundation has been providing supplements for the president of the UO for many years. They are proposing that in recognition of President Frohnmayer’s longevity and performance the presidential supplement for the president of the UO be raised from $90,000 a year to $156,000 a year, effective on January 1, 2006 and the UO Foundation will pay the associated benefits that go along with that amount. Chancellor Pernsteiner recommended approval of those supplements.

Director Tony Van Vliet made the motion; Director Kirby Dyess seconded the motion.

Director Nesbitt observed that, “We’re in an awkward not quite a partnership with the foundations about how to construct the compensation packages for the presidents, what would be the right framework in the future, and I’m not sure we settled on one to kind of balance our contribution with the contributions of the foundations to achieve what we are trying to do with our compensation packages. I’m not willing to vote yes today on this because we’ve talked about the need for a framework longer term to balance each of our efforts in terms of the total compensation package.”


d. Adoption of Permanent Administrative Rules OAR 580-043-0060 through 0095, University Venture Development Funds (Rawlins) (roll call vote)

Docket Item:

Staff Report to the Board:
Senate Bill 853 (Oregon Laws 2005, Chapter 592) directed the State Board of Higher Education to adopt policies implementing the bill. At the February 2006 meeting of the State Board of Higher Education, the Board approved a temporary administrative rule implementing the statute. On June 23, 2006, staff held a public comment hearing for the rules. No witnesses presented comments, nor was written comment submitted. The temporary rules expire August 22, 2006.

The permanent rules before you are the same as the temporary rules and will implement the procedures necessary for each institution to establish a venture development fund, allocate authority to raise funds and issue tax credits, authorize the Board to reallocate this authority after two years, set forth eligibility to receive grants, detail guidelines as to how and under what conditions a tax credit certificate may be issued, establish how gross royalty income received will be handled, and set forth recordkeeping requirements.

Staff Recommendation to the Board:
Staff recommends the Board approve the permanent rules.
(Board action required: roll call vote.)
OREGON UNIVERSITY SYSTEM

DIVISION 043

UNIVERSITY VENTURE DEVELOPMENT FUNDS

580-043-0060

Purpose; Definitions

(1) Purpose

Chapter 580, Division 043, authorizes each Institution to establish one Venture Development Fund for the purpose of facilitating the commercialization of research and development. The purpose of an Institution's Fund shall be to provide qualified grant applicants with moneys to facilitate the commercialization of the Institution's research and development. Within the scope of this purpose and subject to these administrative rules, an Institution may use moneys in its Fund to provide: (a) capital for university entrepreneurial programs; (b) opportunities for students to gain experience in applying research to commercial activities; (c) proof-of-concept funding for transforming research and development concepts into commercially viable products and services; and (d) entrepreneurial opportunities for persons interested in transforming research into viable commercial ventures that create jobs in this state. Contributors to an Institution's Fund are eligible for Oregon income tax credits to the extent set forth in the 2005 Act and these rules.

(2) Definitions

(b) Entity: any governmental body or agency, association, partnership, corporation, limited liability company, or other organization, however described or named and regardless of legal status, other than a Person.
(c) Person: A natural person or sole proprietorship.
(d) Venture Development Fund or Fund: A fund authorized by the 2005 Act.
(e) Venture Grant Program or Program: A grant program authorized by the 2005 Act.
(f) Institution: An institution of the Oregon University System.
(g) Department of Revenue: the Oregon Department of Revenue.
(h) General Fund: the general fund of the State of Oregon.
(i) Remain in Oregon: maintaining the Entity headquarters in Oregon; or employing a majority of employees (on a full-time equivalent, head-count, or payroll basis) in Oregon.
(j) State Board of Higher Education or Board: the Board created by ORS 351.010.
(k) Tax Credit Certificate: a certificate authorized by the 2005 Act and in a form designated by the Board that evidences a contribution to a Venture Development Fund.
(L) Donor: a person or entity that makes a contribution to a Fund authorized by the 2005 Act and these rules.
(m) Taxpayer: a person or entity that makes a contribution to a Fund authorized by the 2005 Act and these rules and that applies for a tax credit certificate authorized by the 2005 Act and these rules.

(n) Gross Royalty Income: income accruing to the Board on behalf of an Institution as a result of grants made under the Program, including royalty income from licensing and patent agreements, the sale, lease, or licensing of technologies, and cash actually realized from the sale of an equity interest in a corporation or company.

Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.
Hist:

580-043-0065
Establishment of a Venture Development Fund by an Institution
(1) An Institution may establish a Fund in accordance with the 2005 Act and these rules.

(2) Each Institution that establishes a Fund shall: (a) notify the Board and the Department of Revenue of the establishment of the Fund; (b) either directly or through its affiliated foundation solicit contributions to the Fund; (c) subject to the 2005 Act and these rules, issue tax credit certificates to contributors to the Fund; (d) establish a grant program that meets the requirements for a Venture Grant Program under these rules; (e) subject to available moneys from the Fund, provide qualified grant applicants with moneys to transform research and development concepts undertaken by the Institution into commercially viable products and services; and (f) report to the Department of Revenue the amounts of tax credit certificates issued by the Institution and maintain records of licensing and royalty revenue received by the Institution as the result of grants made from the Fund and records of amounts paid to the General Fund under the 2005 Act.

(3) An Institution may request that the State Treasurer establish a Fund within the State Treasury for the receipt, management, and disbursement of moneys contributed to the Fund. Interest earned by such moneys shall be credited to the Fund. The State Treasurer may assess a fee for the administration of the Fund as provided by law.

(4) The use of moneys donated under these rules may not be directed by a Donor. Rather, all moneys shall be available for the purposes set forth in the 2005 Act and these rules without regard to specific Donor instructions.

(5) At the election of an Institution, moneys in a Fund may be held in the form of an endowment. An Institution may discontinue endowment treatment at any time.

Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.
Hist:

580-043-0070
Allocation of Authority to Institutions to Raise Funds and Issue Tax Credits
(1) The Board will not allocate fund raising or tax credit certificate issuance authority to an Institution until the Institution has established a Venture Development Fund in accordance with the 2005 Act and these rules.
(2) Oregon State University, Portland State University, and University of Oregon: The Board allocates fund raising authority and commensurate authority to issue tax credit certificates among Oregon State University, Portland State University, and the University of Oregon as follows:

- Portland State University: $0.88 million
- Oregon State University: $5.35 million
- University of Oregon: $3.27 million

Such authority shall be contingent on the establishment of a Fund in accordance with the 2005 Act and these rules and subject to the rule on redistribution of authority to raise funds and issue tax credits.

(3) Eastern Oregon University, Oregon Institute of Technology, Southern Oregon University, and Western Oregon University: The Board by order or resolution shall allocate $500,000 in fund raising authority and commensurate authority to issue tax credit certificates among Eastern Oregon University, Oregon Institute of Technology, Southern Oregon University, and Western Oregon University. An allocation of authority shall be contingent on the establishment of a Fund in accordance with the 2005 Act and these rules and subject to the rule on redistribution of authority to raise funds and issue tax credits.

(4) All Universities, collectively, may issue tax credit certificates evidencing no more than $10 million in contributions to Institution Venture Development Funds.
disbursement of funds under the agreement or repay the grant plus compound interest at 8 percent per annum. Other criteria shall be as determined by the Institution except for the following:
(a) All grants must be used to facilitate the commercialization of an Institution's research and development;
(b) Priority should be given to applicants who can demonstrate with specificity that their efforts will result in technology with high commercial potential, that they are close to realizing economic development potential, and that proof-of-concept funding will assist them in transforming research and development concepts into commercially viable products or services.

(2) To at least some degree, a Program as a whole, but not each individual grant, must provide:
(a) Capital for university entrepreneurial programs;
(b) Opportunities for students to gain experience in applying research to commercial activities;
(c) Entrepreneurial opportunities for persons interested in transforming research into viable commercial ventures that create jobs in this state; and
(d) Proof-of-concept funding for transforming research and development concepts into commercially viable products and services.

(3) Each institution shall screen potential awards for conflicts of interest. No award shall be made if an identified conflict of interest cannot be eliminated or managed.

Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.
Hist:

580-043-0085
Issuance of Tax Credit Certificates
(1) Taxpayers making a contribution to an Institution's Fund and wishing to receive a tax credit certificate evidencing that contribution must submit the contribution, together with an application for tax credit certificate, in a form designated by the Institution, to the Institution.

(2) An Institution may begin accepting contributions and applications after it has established a Fund in accordance with the 2005 Act and these rules and received an allocation of fund raising and tax credit certificate issuance authority from the Board.

(3) An Institution shall consider applications for tax credit certificates in the chronological order in which the applications are received.

(4) An Institution shall act on an application for a tax credit certificate within 60 days of its receipt unless unanticipated or extraordinary circumstances reasonably prevent the Institution from acting within that timeframe, in which case the Institution shall act on the application as soon as reasonably possible thereafter.

(5) Subject to section 6 of this rule, an Institution shall approve an application for a tax credit certificate if the application is complete and the Institution has verified receipt of the contribution. Within 45 days of application approval, an Institution shall issue to the Taxpayer a tax credit certificate that specifies the amount of the contribution.
(6) An Institution shall deny an application for a tax credit certificate and may not issue a tax credit certificate to the Taxpayer if:

(a) The Taxpayer's contribution to the Fund, together with the amounts specified on all tax credit certificates previously issued by the Institution, exceeds the Institution's then-current tax credit certificate issuance authority allocated by the Board;

(b) The Taxpayer's application is incomplete; or

(c) The Institution cannot verify receipt of the Taxpayer's contribution.

(7) If an Institution denies a Taxpayer's application for a tax credit certificate, the Institution shall notify the Taxpayer in writing within 45 days of the denial.

(8) A Taxpayer who receives a notice of denial of an application for a tax credit certificate may request, in writing and within 90 days after the receipt of the notice of denial, a refund of its contribution to the extent the contribution was actually received. The Institution shall ensure that the refund is issued within 60 days after its receipt of the request for the refund.

(9) Eligibility for a tax credit (as distinguished from the receipt of a tax credit certificate from an Institution) shall be subject to Section 5 of the 2005 Act, the rules of the Department of Revenue, and other applicable law.

Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.
Hist:

580-043-0090
Tax Credit Certificate and Grant Record-Keeping and Reporting

(1) Each Institution shall retain copies of all tax credit certificates that it issues. Upon every issuance of a tax credit certificate by the Institution and promptly after Board adoption of an order or resolution establishing or modifying the Institution's allocation of tax credit certificate issuance authority, the Institution shall calculate and record in its records the amount, if any, of its fund raising and tax credit certificate issuance authority then remaining unused.

(2) As requested by the Board from time to time but no less often than annually, each Institution shall submit a written report to the Board summarizing its fund raising and issuance of tax credit certificates since its most recent prior report to the Board under this section and specifying its fund raising and tax credit certificate issuance authority and the amount of that authority remaining unused as of the date of the report. The report shall include the number of tax credit certificates issued and the amount of funds raised by the Institution since its most recent prior report to the Board under this section.

(3) As requested by the Board from time to time but no less often than annually, each Institution shall submit a written report to the Board summarizing the grants made by the Institution under its Program and how they serve the goals of the 2005 Act and these rules.

Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.
Hist:
580-043-0095
Recoupment of Tax Credits

An Institution that has established a Fund and has made grants under a Program shall monitor the use of such grants and identify sources of Gross Royalty Income received by the Institution as the result of the use of the grants. Gross Royalty Income results from the use of a grant when it is traceable to the grant. The Institution shall transfer 20 percent of such Gross Royalty Income to the General Fund until the amount transferred to the General Fund equals the amount of tax credits claimed due to contributions to the Fund. This does not preclude transfers from other sources. The Institution shall maintain records of all transfers to the General Fund.

Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.

Board Discussion and Action:

General Counsel Ben Rawlins presented the item, stating that it was a recommendation that the Board adopt in a permanent fashion the administrative rules to implement the University Venture Development Funds. The temporary rules were to implement the universities’ efforts to secure funding with the resulting tax credits. These rules would expire on August 22.

Director Kirby Dyess made the motion; Tony Van Vliet seconded; a roll call vote was taken with all in favor. Motion carried.

7. REPORT ITEMS (CONTINUED)

a. Long-Range Planning Update (Weeks)

Susan Weeks updated the Board on the Statewide Outreach plan for Higher Education, explaining the handouts and graphs that were in the Board packets. She noted that, primarily, the goals are in the areas of achieving financial sustainability, insuring student access and success, fostering better alignment, addressing workforce shortage needs, and gaining greater managerial flexibility. She concluded by stating several issues concerning the process: (1) the Board and campuses organize to sustain the long-range planning efforts, whether through committees, additional task forces, working groups, connections to joint boards, use of OUS counsels; (2) how the Board’s planning work connects to institution strategic planning; (3) the need to have a conversation around more clarity between institutions, the Chancellor, Chancellor’s staff, and the Board as to who does what and who has what accountability.

b. Statewide Outreach Plan for Higher Education (Saunders)

Di Saunders began the discussion of the Statewide Outreach Plan, a plan to help Oregonians understand the value of higher education and the need for reinvestment. She pointed out that one of the issues talked about in a values campaign was that Oregon benefits from higher educational attainment levels but the reality is that this is
not a universally held value in Oregon. Another issue is that state funding for higher education has declined from biennium to biennium so there is a disconnect between what Oregonians seem to value and what they are willing to support in terms of education, although they do understand that education increases the standard of living. She continued, “The proposal that Director von Schlegell has asked us to look at today is to create a values campaign in Oregon that helps Oregonians see the impact of educational attainment on them personally. We saw clearly in the focus groups if something did not individually impact that they did not have a strong support for it. It had to personally benefit them for them to be supportive. It also has to tie to their livelihood, the way they make a living, and to their community as well, the sustainability of the community and sustainability. It has to be localized, using real stories of real people to provide very powerful messages to Oregonians that they can relate to. We’ve also talked about using a television or radio campaign as a better way to reach out across the state than using print media. We’ll also try to work in other types of complementary communications efforts as well.”

She closed by noting the next steps in the campaign which would be a broader Board discussion on the focus and elements of the campaign and identifying budget and resources through fundraising and pro bono help to pay for an advertising campaign. Concerning the budget, Director Nesbitt noted opportunities with the College Savings Board because they have a budget for outreach to try to encourage more low income families to start saving even modest amounts. President Frohnmayer identified both the American Council on Education and the NCAA, who have public media campaigns developed that are devoted to advocacy of higher education.

8. COMMITTEE REPORTS

a. Standing Committee

Director Blair gave a brief summary of the morning’s Finance and Administration Committee meeting, noting two items: the cost increase for the OIT Center for Health Professions, which was approved by the full Board; and a report from the director of Internal Audit, Patti Snopkowski, on scheduled audits. He also reminded the Board that they had authorized five additional headcount for Internal Audit, going from nine to 14. “The good news is that we have 13 of those positions filled right now or about to be filled. We have a couple of people starting this month, which is quite an accomplishment in the current environment but that’s great news.” He also announced that the Internal Audit group is going through a quality assurance review, which has to be done by January 1.

b. Working Groups

Director Dyess noted that the work of the AEED will move into the research council, which will be the ongoing group.
c. Other Board Committees

Director Dyess noted that OHSU had selected a new president, Joe Robertson.

Director Nesbitt spoke briefly on the College Savings Plan, noting the approval of some new investment options that will be advertised in the coming months.

9. PUBLIC INPUT

See earlier comments regarding the sale of Westmoreland Housing.

10. BOARD COMMENTS

President Lorenzen closed by thanking Chancellor Pernsteiner for the extraordinary amount of work that he undertook at the hearings in Eugene on the Westmoreland transaction.

11. DELEGATION OF AUTHORITY TO BOARD’S EXECUTIVE COMMITTEE

President Lorenzen called for a motion to empower the Executive Committee in the interim. Director VanVliet made the motion; Director Dyess seconded. The motion passed.

12. ADJOURNMENT

With no further business proposed, President Lorenzen adjourned the meeting at 1:50 p.m.