MINUTES OF THE REGULAR MEETING OF THE
STATE BOARD OF HIGHER EDUCATION (#797)
NORTH WILLAMETTE RESEARCH AND EXTENSION CENTER
AURORA, OREGON
NOVEMBER 2, 2007

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MINUTES

1. CALL TO ORDER/ROLL CALL/WELCOME

President Dyess called the meeting of the State Board of Higher Education to order at 9:25 a.m.

Board members present: President Kirby Dyess and Directors Jim Francesconi, Paul Kelly, Dalton Miller-Jones, Adriana Mendoza, Preston Pulliams, Howard Sohn, and Tony Van Vliet. Board members absent included: Don Blair and John von Schlegell (business conflicts) and Hannah Fisher (personal conflict).

Staff present included: Chancellor George Pernsteiner, Ryan Hagemann, Jay Kenton, Marcia Stuart, and Susan Weeks.

Others present included: Presidents Dave Frohnmayer (UO), Dixie Lund (EOU), John Minahan (WOU), Ed Ray (OSU), Michael Reardon (PSU), and Dave Woodall (OIT). Vice Provosts Ed Battistella (SOU) and Marilyn Lanier (OHSU) were also present.

President Dyess welcomed people to the Board meeting and thanked President Ray and his staff for hosting the Board at the North Willamette Research and Extension Center.

2. REPORTS

a. Chancellor’s Report

Chancellor Pernsteiner remarked that the discussions on the Board’s Strategic Initiatives and the subcommittees would frame the agenda for the December retreat session. He observed that this might possibly be the most important work in which the Board would be engaged this year. It will, he said, set the stage for the 2009 legislative agenda and for the next 20 years as well.

b. Interinstitutional Faculty Senate (IFS) President

Dr. Minahan Carson summarized a book, The Real All-Americans, about the Carlyle Indian Industrial School, an institution for American Indians, and its football team. “I don't argue that we haven't learned anything since the days of Indian boarding schools and forced assimilation,
coupled with shameless and shameful land grabs, but we teach on campus that other cultures are as sacred and worthy of autonomy and respect as the dominant strain of Euro-American culture. But, interestingly, our behavior, even the deracination of our students, the assimilation of youth of other cultures, including the cultures of poverty, at the expense of their ability to return home and resume former identities. Is this a bad thing? It's a painful thing,” she observed.

Thanks to the efforts of many professionals, OUS is beginning to recognize that there is much that isn't being done to fulfill our mission to carry higher education to the non-middle class populations, to minorities, and to immigrants. (A copy of Dr. Carson's full Interinstitutional Faculty Senate report is on file in the Board's Office.)

c. Oregon Student Association (OSA) Chair

Ms. Emily McLain, Chair of the OSA and the UO student body president, reported that statewide, students of OSA member campuses were in the process of conducting student surveys to help formulate the legislative agenda for the 2009 session. Approximately 5,000 students have already provided input on the issues that they feel are most pressing and deserve attention and lobbying efforts.

Ms. McLain thanked Vice Chancellor Kenton and staff of the universities for ensuring that students had significant input into the work of the Resource Fee Committee. She indicated that she believes that the policy that would be presented later to the Board would ensure transparency of fees while allowing students to factor the total cost of their education into financial aid packages.

OSA will be hosting the Northwest Student Leadership Conference at Portland State University. The Conference is the largest student-run, student-driven conference of its kind with approximately 450 students registered to attend. Students are expected to represent Canada, Alaska, Arizona as well as Washington, California, and Oregon.

Finally, Ms. McLain reported that the student recreation center at the UO and the administration have chosen not to have the department apply for student incidental fee funds for the budget season 2008-09. Her perception was that this was a drastic and historic change in reporting relationships. “I have reason to believe this is the opening salvo of a greater trend of centralization of funding and resources by the UO, the goal of which is to gain control of programs created by and for students. This is very disconcerting because moves such as these will continue to lessen student involvement in the determination of fees. At a time when we're working toward greater transparency of fees for the sake of students, the shareholders in our universities, removing student control of any fees is a move in the wrong direction,” she opined. (A copy of Ms. McLain's full OSA report is on file in the Board's Office.)
3. **CONSENT ITEMS**

a. **OSU, Change in Use of Certificates of Participation**

**DOCKET ITEM:**

Oregon State University sought Board approval for a proposed change in the use of previously authorized Certificates of Participation (COPs) approved by the 2005-2007 Legislative Assembly.

The Department of Administrative Services issued $2,192,500 in COPs to fund capital equipment for the veterinary medicine hospitals on the OSU campus and the Oregon Humane Society Clinic. The College of Veterinary Medicine now plans to purchase some of the equipment with gift funds and to defer or forego the other purchases.

OSU would like to use $792,500 in COPs proceeds to purchase equipment for the College of Engineering which was approved by the 2007 Legislature. The remaining $1.4 million will be used to purchase an electron microscope for the College of Science.

The Department of Administrative Services supports the transfer of these funds pending approval of the Board and the Legislative Ways and Means Committee.

Following is a list of the equipment to be purchased:

<table>
<thead>
<tr>
<th>Equipment Cost</th>
<th>Unit &amp; Equipment Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>$18,000</td>
<td>CBEE</td>
<td>Electron cryomicroscopy makes it possible to observe hydrated material, especially biological samples, in a close to native state, preserving the structural integrity down to atomic resolution.</td>
</tr>
<tr>
<td>$175,000</td>
<td>CCE</td>
<td>The portable 90 g.p.m. hydraulic power supply will operate at either 3,000 p.s.i. or 5,000 p.s.i. and will be used to power hydraulic actuators for structural and foundation testing. The pumps will run off of an electric motor, so that when not in the field, they can be used in the Structural Laboratory at the Hinsdale Wave Lab.</td>
</tr>
<tr>
<td>$189,500</td>
<td>COE</td>
<td>Storage in the college is approaching present capacity and increasing research demands necessitate the purchase of additional capacity.</td>
</tr>
<tr>
<td>$160,000</td>
<td>MIME</td>
<td>This purchase will provide basic instrumentation for the characterization of the hysteretic and piezoelectric...</td>
</tr>
<tr>
<td>Equipment Cost</td>
<td>Unit &amp; Equipment Name</td>
<td>Description</td>
</tr>
<tr>
<td>----------------</td>
<td>-----------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>$250,000</td>
<td>Piezoelectrics characterization system, And precision lapping and polishing instrument</td>
<td>Properties of ferroelectric materials critical to the design of new materials for advanced applications. The ferroelectric and piezoelectric testing systems would greatly enhance the research activities at OSU, including current work in ceramic thin film materials, polymer films, multifunctional composites, and bulk dielectrics. The system will be housed in the new Materials Characterization Laboratory in 201 Dearborn. It will complement the existing array of materials characterization equipment including the newly acquired x-ray diffraction instrument, the thermal analysis equipment, and the optical microscope. A lapping and polishing instrument is necessary for preparing samples with perfectly parallel surfaces with a uniform thickness and surface polish. This is critically important in experiments that require parallel surfaces (e.g., piezoelectric and dielectric measurements, mechanical testing, and preparation of thin film substrates). This instrument is also necessary in the production of multiple samples of identical geometry and surface finish thereby ensuring reproducible results. The instrument will be located in Dearborn 1D.</td>
</tr>
<tr>
<td>$1,400,000</td>
<td>Electron Microscope</td>
<td>Large scale electron microscope to support instruction and research with transmission and scanning electron microscopy.</td>
</tr>
</tbody>
</table>

**Staff Recommendation to the Board:**
Staff recommended that the Board approve OSU’s request and authorize the Chancellor or designee to seek Legislative approval for the change in use of COP proceeds.
b. PSU, Bachelor of Social Work

DOCKET ITEM:

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

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

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

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

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

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

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

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

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

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

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

All appropriate University committees and the OUS Provosts’ Council have positively reviewed the proposed program. Following discussion in the November Board meeting concerning this program, PSU provided the proposed Statement on Diversity (available in from the Board’s Office).

Recommendation to the Board:
The OUS Provosts’ Council recommended that the Board authorize Portland State University to establish an instructional program leading to a Baccalaureate in Social Work, effective Fall 2007.
c. PSU, B.A./B.S. in Arts Studies

DOCKET ITEM:

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

Portland State University’s mission, in part, is to enhance the intellectual and cultural life of its students. Degree programs in the School of Fine and Performing Arts provide access to the study of the arts as well as to performances, exhibitions, and art events that enrich any undergraduate degree and the urban life of the community. In addition, last year, PSU began a planning process to make its leadership position in engagement more visible and to set new academic priorities that align with that position. One of the four themes to emerge is engagement with the cultural vitality of the region. The Arts Studies degree increases opportunities for a greater range of students to study in the arts by creating an option for a more general arts degree as well as one for students with an interest in multiple art forms.

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

A second academic priority is to serve PSU’s growing student population by increasing retention and graduation rates. The School of Fine and Performing Arts is the fastest growing school or college at PSU. The enrollment has more than doubled in the past ten years, from 862 majors in 1996 to nearly 2,000 in 2006 (PSU Office of Institutional Research and Planning). Also, the Oregon University System reports that fine arts is one of the top ten majors chosen by graduating high school seniors as they enter two- or four-year state institutions (*Where Have Oregon’s Graduates Gone – Class of 2005*, p. 17). Even so, PSU has found too great a number of students do not complete their arts degrees because of the high number of credits necessary for professional degrees. With this new major, entering students will have a non-professional degree option and those who now do not complete their programs at all or who leave Fine and Performing Arts to graduate in other schools will be able to complete their degrees in the arts.

The Arts Studies degree also provides an undergraduate degree option for those students who plan to become elementary school teachers. At PSU, the School of Education is a graduate school. Students are required to have completed a B.A./B.S. degree prior to entering. The Portland Public Schools, where many of PSU’s students teach upon completion of their teaching degrees, has experienced severe cuts to arts education. Students who complete the Arts Studies degree will have the ability to infuse the arts into their classroom curriculum.

3. *Are there similar programs in the state? If so, how does the proposed program supplement, complement, or collaborate with those programs?*
Western Oregon University has a similar degree for much the same purpose. These degrees serve an internal constituency and do not intend to compete with each other. Western was sent the proposal, commented on it, and those comments were incorporated into the proposal as it now stands.

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

The majority of courses in the new degree are existing courses. PSU does not foresee a need for additional resources.

All appropriate University committees and the OUS Provosts’ Council have positively reviewed the proposed program.

Recommendation to the Board

The OUS Provosts’ Council recommended that the Board authorize Portland State University to establish an instructional program leading to a B.A./B.S. in Arts Studies, effective Winter 2007.

BOARD DISCUSSION AND ACTION:

Director Miller-Jones expressed his appreciation to PSU's provost and the School of Social Work for being very responsive to the questions and concerns he raised at the last meeting. He further indicated he was completely satisfied with the information provided.

It was moved by Director Van Vliet to approve the consent agenda items. Those voting in favor: Directors Dyess, Francesconi, Mendoza, Miller-Jones, Kelly, Pulliams, Sohn, and Van Vliet. Those voting no or abstaining: None. Motion carried.

4. Action Items

a. OUS, Board Bylaws

DOCKET ITEM:

At the October 2007 Board meeting, Director Don Blair, as a member of the Nominating Committee constituted by Board leadership, recommended a slate of candidates to serve as Board officers. During that discussion, he stated that the Nominating Committee was interested in including faculty and student representation on the Board’s Executive Committee. Under the current Board Bylaws, the Executive Committee consists of five members, which must include the Board’s president and vice president(s). Board Bylaws, Article II, Section 5, Executive Committee, states:
The Executive Committee shall consist of five members including the Board president, vice president, and other Committee members elected by the Board to serve as members of the Committee. In such matters as may be specifically referred to it by the Board, the Board president, or the Chancellor, the Executive Committee shall take final action with power to act for the Board. Between Board meetings, the Executive Committee shall act for the Board in minor matters and any matter where a timely response is required prior to the next Board meeting, subject to Board approval at its first subsequent meeting.

In order to permit a faculty and student member of the Board’s Executive Committee, it is proposed to add the phrase “at least” before “five members” in the first sentence of Article II, Section 5 of the Bylaws. As such, the amended Bylaw would read:

The Executive Committee shall consist of at least five members including the Board president, vice president, and other Committee members elected by the Board to serve as members of the Committee. In such matters as may be specifically referred to it by the Board, the Board president, or the Chancellor, the Executive Committee shall take final action with power to act for the Board. Between Board meetings, the Executive Committee shall act for the Board in minor matters and any matter where a timely response is required prior to the next Board meeting, subject to Board approval at its first subsequent meeting.

Bylaws require that the Board receive at least ten days notice if a Bylaw is to be adopted, amended, or repealed. See Board Bylaws, Article VII. During the October 2007 meeting, Director Blair noticed the Board that the proposed Bylaw amendments would be on the November 2007 docket, satisfying the Article VII obligation.

In addition to the amendment to the Board's Bylaw on its Executive Committee, Director Blair also noticed the Board that it would be advisable to obtain operational efficiency by amending Article III, Section 8. This Bylaw requires the Board to use Robert's Rules of Order in the conduct of its meetings. Other systems, including the California State University System, have turned to more flexible rules of procedure to conduct its meetings. Board Bylaws, Article III, Section 8, Parliamentary Rules states:

Parliamentary rules according to the current edition of Robert's Rules of Order shall be observed in conducting Board business unless modified by Board action, except that, during discussions of matters before the Board, Board members' comments shall be limited only by an action of the president or by the Board.

Staff recommended the following language for Article III, Section 8. While this language does not prohibit the use of Robert's Rules of Order, it does not require it during the conduct of a Board meeting:

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Board meetings will be conducted in accord with traditional procedural rules, as interpreted by the Board president or committee chair who is presiding. Any member of the Board who disagrees with a procedural decision made by the Board or Committee chair may introduce a motion to reverse or amend the decision.

**Staff Recommendation to the Board:**
Staff recommended the Board amend Article II, Section 5 and Article III, Section 8 of its Bylaws as outlined above.

**BOARD DISCUSSION AND ACTION:**

Board Secretary Hagemann reminded the Board that at the last meeting notice was given that two changes would be recommended to the Board's Bylaws. The first concerned the make-up of the Board's Executive Committee. The current Bylaws require that the Executive Committee have five members and these were enumerated. Specifically, it included the President and any Vice Presidents (and the Board is permitted to have more than one Vice President) and the remaining at-large members. In formulating a slate of candidates, the Nominating Committee was of the opinion that it was important to have a faculty member and a student on the Executive Committee as well. Director Blair suggested a change in the Bylaws to state that there should be at least five Board members on the Executive Committee. Mr. Hagemann pointed out that adding "at least" gives this Board and successive Boards the flexibility to populate the membership of the Executive Committee.

Director Miller moved, seconded by Director Mendoza, to adopt the changed language of the Board Bylaw regarding the makeup of the Executive Committee. Those voting in favor: Directors Dyess, Francesconi, Mendoza, Miller-Jones, Kelly, Pulliams, Sohn, and Van Vliet. Those voting no or abstaining: None. Motion carried.

The second part of the Bylaws change concerned the rules of procedure and process used to run Board meetings. The current Bylaws state that the Board must use the current edition of Robert's Rules of Order in the conduct of business. More commonly used by many institutions and systems are what are termed "traditional rules of procedures" that allow more flexibility for the chair of the conduct meetings. Robert's Rules of Order can still be used as a form or tradition rules of procedure, but the Board would not be required to strictly adhere to it.

It was moved by Director Mendoza and seconded by Director Sohn to approve the change of language to the Board's Bylaws pertaining to the rules for conduct of business meetings. Those voting in favor: Directors Dyess, Francesconi, Mendoza, Miller-Jones, Kelly, Pulliams, Sohn, and Van Vliet. Those voting no or abstaining: None. Motion carried.
b. Executive Committee, Election of Officers

At the previous Board meeting, the Nominating Committee recommended that Directors Miller-Jones and Mendoza be appointed to the Board’s Executive Committee. It was moved by Director Pulliams and seconded by Director Kelly to appoint Directors Miller-Jones and Mendoza to the State Board of Higher Education Executive Committee. Those voting in favor: Directors Dyess, Francesconi, Mendoza, Miller-Jones, Kelly, Pulliams, Sohn, and Van Vliet. Those voting no or abstaining: None. Motion carried.

c. UO, Arena Construction

DOCKET ITEM:

Summary:

The University of Oregon (UO) sought Board approval to authorize the Chancellor, or designee, to seek Legislative approval for an additional $200 million in Article XI-F(1) bond limitation for construction of a new arena. Upon legislative authorization, the project will return to the Board for approval to request the State Treasurer to issue bonds. As a result, this is the first of two approvals that will be required before this project can commence. Debt service on the bonds will be paid from general Athletic Department revenues, including arena revenues and current unrestricted gifts. The UO neither expects nor intends that revenues from the recently established Legacy Fund will be used to repay debt associated with the arena. The Legacy Fund will, instead, provide financial stability to the Athletic Department now and in future years, allowing it the flexibility to respond to changing needs while ensuring athletics remain fully self-supporting. Conservative UO pro formas support the Athletic Department’s capacity to absorb the debt while maintaining a positive budget position. The 2005 Legislature authorized expenditure of Article XI-F(1) bonds and Other Funds for acquisition of land and construction of an arena. The Board authorized the UO to seek Legislative Emergency Board approval to use $27.4 million Article XI-F(1) bonds to purchase properties adjacent to campus for that purpose. The UO purchased the United States Bakery and Kryl properties and continues working to acquire other necessary property.

Background:

Over the last few years, the UO has brought a number of items to the Board in preparation of construction of an arena to replace McArthur Court. In September, the UO provided a preview of the arena project and sought approval to acquire the remaining properties necessary for construction. The Board is familiar with the need to construct a new arena to replace a much-loved, but old, facility. The Board is also aware of President Frohmayer’s charge to Athletic Director Pat Kilkenny to make the Athletic Department not merely self-supporting but self-sustaining. The UO has now developed a structure and financial pro formas that demonstrate construction of a new arena is not only financially feasible but provides a means for the Athletic Department to be self-sustaining. Currently, the UO Athletic Department’s strong financial position depends on football revenues and the Department’s conservative fiscal management.
So long as men’s basketball is played in McArthur Court, revenue from that program can increase only incrementally due to capacity and other building-related restrictions. The new arena provides the UO with an opportunity to increase revenues from basketball and diversify its revenue base.

As you will recall, the UO undertook a similar project when it expended $91 million to expand Autzen Stadium. Revenues from the expansion exceeded the UO’s projections by 35 percent in the first year and have continued to increase annually. The UO has used a similar methodology and conservative assumptions to develop pro formas (high and low range revenue model) for the arena project. The UO reviewed its own financial performance for athletic events and also obtained information and conferred with other universities in similar markets. It hired an outside consulting firm, Convention Sports and Leisure International (CSL), to market test its projections with current and potential users. The results of the market testing will be completed in December, but the UO has every reason to believe the projected revenues will be within the targeted range presented to the Board. The University has provided Athletic Department revenue projections for a ten-year period under both a low revenue expectation and a high revenue expectation. (Exhibit A)

In these estimates, paid attendance at men’s basketball games used in projecting ticket revenues is based on 8,800 (low) and 9,500 (high) compared to the current approximately 6,000 that the UO has experienced consistently in each of the last five years. In these same estimates, the UO projected attendance or ticket prices for women’s basketball and women’s volleyball that are comparable to current attendance and prices. Similarly, the UO used current student ticket prices in projecting revenue from student ticket contribution. The UO consulted with Feld Entertainment, the largest producer of family entertainment, and Mike Duncan, Vice President of Arena Programming for Maloof Sports and Entertainment that manages Sacramento’s ARCO Arena, in developing estimates of the opportunity for other events. Based on knowledge and experience, the UO assumed in the low revenue pro forma only eight concerts (5,500 estimated attendance at each) and eight family shows (3,500 estimated attendance at each), five non-UO sporting events, and four high school tournaments. Individuals working with the local visitor and convention center organization on a smaller convention facility have provided input that supports these estimates and the ability of the local community to support both a larger facility (arena) and a smaller facility located elsewhere. Similarly, signage revenue is based on revenue at other similar venues confirmed by other universities, CSL, and others. Recent conversations with sports marketing agencies confirm these estimates. Duck Athletic Fund annual contributions not associated with men’s basketball have grown since 2004 from slightly under $9 million to over $10 million. For the last 12 years, the Duck Athletic Fund has increased seat donation levels every two to three years resulting in predictable growth. The UO has not projected significant growth in Duck Athletic Fund contributions except related to premium seating from the new arena.

These projections demonstrate the Athletic Department’s capacity to absorb the debt while remaining fully self-supporting. The UO has also conducted projections of its debt ratio to assure that the amount of debt it will incur for this project will not overburden its borrowing
capacity nor limit its ability to undertake other necessary projects, such as the housing upgrades described at the Board’s October 2007 meeting. In preparing its estimate, the UO assumed a modest growth (generally 4 percent annually) in the expenditure base plus known spendable amounts of new gifts (conservatively at roughly $2 million per year) computed against additional debt projected at average annual interest rates varying between 5.5 percent and 7 percent. (The UO has paid an average annual interest rate of 4.7 percent for the bonds, including both tax-exempt and taxable, sold on its behalf over the last five years, 4.85 percent over the last 10 years.1) The UO estimates include the addition of debt from the first phase of the new UO Strategic Housing Plan (the next 10 years) and optimistic expectations about commencement dates for other UO projects (including all approved and all it reasonably expects to develop). Using those numbers, the UO debt ratio will be approximately 5.5 percent in Fiscal Year 2008-09, rising to 6.8 percent in 2012-13, holding between 6.5 to 6.7 percent, until reaching a high mark at 7 percent in 2016-17 and moving down to 5.5 percent by 2020-21.

The UO will contract with a developer, National Championship Properties (NCP), a wholly-owned subsidiary of the University of Oregon Foundation (UOF), to construct the property. In turn, the UOF has contracted with JMI Sports, which oversaw the construction of the $400+ million PETCO Park, a public private partnership. Erik Judson, JMI’s principal, oversaw all aspects of the PETCO project, including design and development, public planning, engaging community support, developing transportation strategies, and managing construction. The contract between the UO and NCP will be for a not-to-exceed amount estimated at no greater than $200 million, but will be revised downward if the marketing studies of the UO’s pro formas do not support $200 million. NCP and JMI will be responsible to ensure that project costs to the University do not exceed the maximum contract price. The agreement will include the requirement that prevailing wage rates be paid for the project. The UO is working on details regarding applicable building standards. Current preliminary construction cost estimates are consistent with earlier estimates of approximately $155 million hard costs plus approximately $40 million soft costs.

NCP has previously contracted with two architectural firms: Ellerbe Becket, a nationally recognized firm, whose projects include the University of Maryland Comcast Center, University of Miami BankUnited center, University of California Walter A. Haas, Jr. Pavilion, and Gonzaga University McCarthey Athletic Center, as well as the Autzen Stadium expansion; and Portland-based TVA, whose projects include the downtown Fox Tower, multiple projects at the NIKE World Campus, Wilsonville High School, and Williams’ Bakery in Springfield, as well as the Hayward Field improvements. NCP has selected a long-time Portland firm, Hoffman Construction Company, to build the arena. Similar Hoffman projects include the Oregon Convention Center and expansion of the University of Washington Recreation Sports Facility. Other Hoffman Construction projects include Doernbecher Children’s Hospital, Hatfield Federal Courthouse, and the Seattle Justice Center.

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1 Assuming interest rates remain stable through the 4th quarter of 2007 and 1st quarter of 2008, the UO expects to sell the bonds for the project as soon as possible in order to take advantage of current favorable interest rates and to protect against potential volatility in the markets.
The UO is still in the process of acquiring the remaining properties necessary for the arena site. Once the properties are owned by the University, they become zoned as university lands. An indoor arena is a permitted use of university lands. The UO does not expect to confront land use issues related to this site. The UO will work with the City of Eugene to meet parking needs. Although the new arena will be a larger facility, the UO is confident that its ready access to public transportation and location on a major thoroughfare combined with the UO’s continued subsidy of special Lane Transit District buses will minimize the impact on the local neighborhoods. In docket items related to property acquisition, the UO previously described the environmental testing that has been conducted. The UO expects costs for environmental remediation to be minimal and largely to be completed as part of the demolition of the existing buildings and excavation of the site. Once this project is approved, the Athletic Department will assume costs for the land acquisition. Those costs are included in the pro forma for the arena. When the arena is completed, McArthur Court will revert to general University uses. President Frohnmayer has established a task force to recommend alternatives for the future of McArthur Court or its site.

As the Board heard at its October 2007 meeting, the UO Athletic Department once again ended the fiscal year with a positive working capital balance. Since 2003, the Athletic Department has received no institutional funds subsidy. President Frohnmayer assigned new Athletic Director Pat Kilkenny responsibility to take steps to ensure the Athletic Department could maintain that position and to replace McArthur Court. As one of his steps to achieve the first goal and with a generous contribution from Phil and Penny Knight, Kilkenny is establishing the Legacy Fund. The Athletic Department’s goal is for the Legacy Fund to grow to $150 million, which will provide revenue stability for the Athletic Department to undertake critical projects such as these. Below are the projections demonstrating the ability of the Legacy Fund to meet its goals even in the low revenue model. In the high-range revenue model, the UO does not withdraw funds from the Legacy Fund and the Legacy Fund reaches the goal of $150,000,000 in 2011 and would increase further to $181,136,388 in 2012 and $218,667,375 in 2014.

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimated Contributions</th>
<th>Estimated Withdrawals</th>
<th>Balance</th>
</tr>
</thead>
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<tr>
<td>2008</td>
<td>$49,000,000</td>
<td>$0</td>
<td>$50,081,618</td>
</tr>
<tr>
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</tr>
<tr>
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<tr>
<td>2013</td>
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<tr>
<td>2014</td>
<td>9,000,000</td>
<td>4,271,313</td>
<td>190,676,003</td>
</tr>
</tbody>
</table>

2 Withdrawals necessary in low revenue model.
3 Based on estimated 2 percent per-quarter earnings and withdrawals necessary to support operations in low revenue model.
The UO’s pro formas suggesting its expectation and intention not to use earnings from the Legacy Fund to support debt payment is reasonable. UO Athletic Department revenues, even using the low revenue model, can support the debt service that will result from issuing bonds for the arena’s construction.

**Staff Analysis and Recommendation to the Board:**
The following staff analysis is based on financial information provided by the University of Oregon included in the Background and on Exhibit A. In 2006-07, the UO Athletic Department’s total expenditures were $48.2 million and the Department ended the year with a positive cash position. This project will increase both the Department’s expenditures and revenues, including the increased expenses for debt service for construction and land acquisition costs and an estimated $2.4 million in incremental operating costs to operate McArthur Court. The UO Athletic Department increased expenditure base of $15.9 million each year must be offset by annual recurring increases in revenues. The UO estimates the new arena will generate incremental revenues estimated in the $7.8 (low) to $13.8 (high) million in the first year of operations. In Year 10, incremental revenues increase to $9.4 (low) to $16.6 (high) million. (The UO is currently verifying its pro formas through the work of an outside consultant experienced in this area. That analysis will not be completed before late this year.) The UO expects to generate the additional revenue necessary under the low revenue scenario to maintain the Athletic Department’s positive cash position from other gifts to the Department. In 2006-07, the University received in excess of $9.6 million from such gifts (typically made to the Duck Athletic Fund) that were used to fund expenses of the Athletic Department. In the future, the University of Oregon will be able to use the Legacy Fund, if necessary, to support some or all of these athletic operating expenses, allowing the Duck Athletic Fund annual gifts to help the Athletic Department achieve a positive cash position even after paying the operating and debt expenses of the arena.

Although the State Treasury usually issues 30-year bonds, they may have the authority to issue 40-year bonds as presented in the pro forma. The UO will consult with State Treasury officials, OUS financial consultants, and OUS staff regarding how best to structure this debt issuance to achieve the best financial terms and with conditions that will facilitate its planned uses.

The specific terms and conditions associated with the publicly announced gifts to the Athletic Legacy Fund are not complete. The UO will provide information to the staff as soon as it is complete, hopefully before the Legislative Session, and certainly prior to requesting Board approval for the bond sale. Further, detailed financial analyses are underway and should provide updated financial information about the project and its impact on the Athletic Department by the end of 2007. These analyses also will be the bases of presentations to the legislature and to the Board prior to the issuance of the bonds.

It is also assumed that McArthur Court will revert to general University purposes. Thus, the costs associated with the operations and maintenance of this facility will no longer be the responsibility of the UO Athletic Department. The University of Oregon understands this will
increase its Education and General expense base by the amount of the operating cost of the facility. A UO task force will make recommendations about academic uses for the facility or site.

Under the structure of this project, the UO will enter into a sole source procurement with National Championship Properties (NCP) to design and construct this arena to the UO’s specifications for an amount not to exceed $200 million. Current Board procurement rules do not specifically contemplate such an arrangement but new rules are being prepared for Board consideration early next year. NCP is an entity that is affiliated with the UO Foundation and has pre-selected a project manager, architects, and a construction company to build this arena. All of them have considerable successful experience either in designing and managing large athletic facilities or in the construction of major and very complex projects.

As noted above, using $200 million in bond proceeds for this procurement will increase the institution’s debt burden. Current Board policy limits an institution’s debt burden to no more than 7 percent, meaning that in no case will the annual principal and interest payments on debt divided by the institution’s total expenditures exceed 7 percent. The UO projects the debt service for this project, combined with other plans to upgrade student housing, etc., will be within the 7 percent threshold. However, the UO could approach the limit in 2016-17, but expects to be back to 5.5 percent by 2020-21. The UO has assured OUS it will comply with the Board’s debt service limit.

Staff notes, in accordance with the Board’s normal practice, the UO will return to obtain specific Board approval for sale of the bonds after authorization by the legislature and prior to sale. At that time, staff will have conducted further analysis of the UO’s pro forma, including gift agreements and the consultant’s report.

Staff Recommendation to the Board:
Due to timing issues associated with this project and the need to move this project forward for consideration in the February 2008 Legislative Session, staff recommended that the Board approve the following:

Authorize the Chancellor, or designee, to seek Legislative approval during the December 2007 or January 2008 Interim Ways and Means hearings and the February 2008 Legislative Session for an additional $200 million in Article XI-F(1) bond limitation.

BOARD DISCUSSION AND ACTION:

The University of Oregon, at the September 2007 Board meeting, discussed its intention to construct a multi-sport intercollegiate athletics arena on land that they own, or are in the process of acquiring, east of the main campus in Eugene. Chancellor Pernsteiner indicated that the UO is now in a position to propose to the Board a slightly different approach than the one previously presented. However, the scope of work, the cost, and the schedule remain the same as previously presented.
UO President Frohnmayer said that the project would continue to be vetted by the Legislative Fiscal Office, the Department of Administrative Services, the legislative Ways and Means Committee, and by the Oregon Legislative Assembly at the scheduled February meeting. After that, the UO would still be required, under Board procedures, to return to the Board for its approval to sell bonds. The president also indicated that the UO would continue to provide the Board, at the December meeting or any time after that, additional information that comes out of the planning effort. More specifically, the CSL study that is currently underway will validate or bring more certainty to a range of numbers to be presented at the present meeting.

It was reiterated that McArthur Court must be replaced—either now or later. The president pointed out that the costs to the institution continue to go higher and, if construction of the new arena is delayed, those could be astronomical, some estimate as high as $20 million in one year. The UO wants to make the most effective and efficient use of the resources that are presently available to them for the project. Finally, delays will also affect the UO's ability to enhance the Legacy Fund and the kind of financial stability that the Board expects. The UO and the Athletic Department have balanced budgets and receive no General Fund revenues from the academic side and the arena revenues and other Athletic Department funds will retire the debt on the arena. The UO assured the Board that the price of the facility would not exceed $200 million, would be a prevailing wage project, and would not implicate labor relations in ways that would be adverse or delaying or not appropriate to the Board in its relationships to colleagues in organized labor.

Athletic Director Kilkenny underscored that the calculations regarding the project were conservative. The worst-case scenario of the pro formas have been considered and, and to their satisfaction, there is no plausible scenario where there would be a need to draw on the academic budget or any state monies. Several redundancies have been built into the approach to the project. First, there will be sufficient Athletic Department revenue to cover the debt. Secondly, the Legacy Fund provides the Department an extraordinary amount of flexibility in the event of unforeseen events. And finally, the Legacy Fund is a quasi-endowment, which allows the UO to access the principal so that in the event that there are no operating revenues to pay for the debt, there will still be a $150 million endowment, the principal of which can be accessed and used.

President Frohnmayer closed by highlighting what the arena will mean to students: McArthur Court real estate will return for, broadly speaking, academic and student uses in the heart of the campus near the center of gravity; it will provide a better game experience; and there will be more student tickets available and they will be on the floor, preserving the feel of the pit and the storied feeling that has had for Oregonians for many generations.

Director Miller-Jones indicated that Board members had received a letter from a small group of UO faculty that raised a number of questions concerning the project and he questioned if there had been an attempt to engage this particular set of questions with the group. President Frohnmayer replied that he had seen the letter for the first time the morning of the meeting.
and had not, therefore, had an opportunity to visit with this particular group of faculty. From his quick reading of the letter, he observed that every question raised had previously been considered. The intention to move forward with the arena was first actively explored with the Faculty Advisory Council and that is ongoing. Additionally, Director Kilkenny has worked with the Intercollegiate Athletic Committee of the UO on a regular basis and there is a formal process with the University Senate, through the Senate Budget Committee.

Director Francesconi asked if the UO had the gift instrument from the Legacy Fund. The response was that the gift instruments are in the final stages of preparation and would be reflected in the agreements. Continuing, Director Francesconi asked if the results of the independent marketing study by CSL, confirming the assumptions, would be available before the Board makes a final recommendation.

Chancellor Pernsteiner indicated that in December there would be one more time for the Board to discuss the project. Assuming that the legislature approves the project and the bonding, but before the bonds are sold, the Board will receive a request to sell them and that will include certification that they meet the self-liquidating and self-supporting requirements of Article 11F(1) of the state constitution. Responding to Director Francesconi's inquiry regarding the gift instruments, the Chancellor indicated there were two dimensions that will be of interest prior to issuance of the bonds. First, there will be the gift instrument as it relates between the donor and the Foundation and, second, the agreement between the Foundation and the University that allows the University to reach in and use either the proceeds from that endowment or the corpus of the endowment, as necessary, to ensure the viability of the Athletic Department.

Director Kelly underscored the importance of marketing to the success of the project. He asked for further clarification of the relationship with National Championship Properties (NCP) and a reference to creating a sole source procurement agreement with it. He referenced a note that current Board rules don't permit that particular procurement approach. He indicated he needed, “clarification of what NCP is and what the relationship is and clarification of how these rules get corrected to permit it.”

NCP, according to President Frohnmayer, is a wholly-owned and controlled subsidiary of the University of Oregon Foundation. It was created for the purpose of helping to envision and then to construct an arena. In essence, it would be the designer-contractor and the entity with which the University of Oregon would have an ultimate relationship for the payment of an amount not to exceed $200 million that would result in delivery of the completed arena project.

Chancellor Pernsteiner noted an item on the agenda where the Board would be examining some of the procurement principles that would guide a revision of the current rules that date back to 1995. The intent is to bring the final draft of the rules to the Board in January or February and the timing would allow the Board to make decisions in a way that would give the UO notice as to the method by which it could proceed on the project.
In framing a motion for Board action, the Chancellor said that the most important question the Board has is one that does not need to be asked at the present meeting, but rather at the time the Board is asked to authorize the actual sale of the bonds. That question is: will the UO be able to use the gifts and the earnings from the gifts to ensure the Athletic Department can operate successfully and with sustainability even with an arena? “If the answer to that question is ‘yes’ at the time that the Board has the gift instruments and the agreement between the Foundation and the UO and, in fact, those gifts are raised, the risk associated with this project is de minimis. At this point in time, what are we asking you to do? We are asking you to give us the authority to go to the legislature to establish an Other Funds Limitation and to authorize bonds.

"President Dyess, I would request that the Board authorize the Chancellor or his designee, to seek legislative approval, either from the interim Ways and Means Committee hearings or in the February 2008 legislative session, to establish a $200 million Other Funds Limitation for the construction of the UO arena and to authorize an additional $200 million in Article XI-F(1) bond limitation,” the Chancellor concluded.

Director Sohn said that his feeling was that it is better to surface and make decisions based on reservations early in a multi-step decision process than to assume that at the end you can reverse yourself easily. “You can't reverse yourself easily at the late stage, when so much has been invested and there have been such a series of approvals that have been granted. So, I'd just caution the Board generally, and myself, that the early-stage consideration of issues is the point at which to raise the serious reservations and not wait—not make ourselves comfortable that we have another shot,” he advised.

It was moved by Director Sohn, seconded by Director Pulliams, to approve Chancellor Pernsteiner's motion that the Board authorize the Chancellor or his designee to seek legislative approval, either from the interim Ways and Means Committee hearings or in the February 2008 legislative session, to establish a $200 million Other Funds Limitation for the construction of the UO arena and to authorize an additional $200 million in Article XI-F(1) bond limitation. Those voting in favor of the motion: Directors Dyess, Francesconi, Mendoza, Miller-Jones, Kelly, Pulliams, Sohn, and Van Vliet. Those voting no or abstaining: None. Motion carried.

5. **Discussion Items**

   a. **Strategic Initiatives Committee Update**

President Dyess set the stage for the discussion on the Strategic Initiatives update and stated that the purpose of the day’s session was to have the co-chairs of the various groups frame the questions that will be the centerpiece for the December retreat. The idea is that Board members can take the questions as homework in preparation for the retreat. Once the questions are posed, Board members can ask clarifying questions to be sure they understand them; however, there was to be no discussion concerning possible answers to the questions.
Director Sohn began the process with questions raised by the Portfolio Group. The organizing question that framed the mission of the Portfolio Group was: where are the opportunities for the universities, as a System, to accomplish more collectively than separately? What can we do better collectively than we are doing separately? Two main areas were identified around these questions: environmental sustainability; and the focuses on pre-K-12 education.

Under environmental sustainability the primary questions were:

1) What is the potential for developing some System identity around this theme?
2) What would be entailed in identifying a System "spire of excellence" for OUS around sustainability-related work within the System, in the facilities, research capabilities, and so on?
3) Can we apply the stamp across a range of university activities in research, instructional programs, special events, surrounding environment, interactions with and services to the communities, relationships with the business environment, government services, and so forth?

Questions within the second broad category focused on pre-K-12 and the synergistic potential of a System endeavor:

1) Given the huge challenges facing the pre-college system and its professionals, how can OUS Colleges of Education be a better resource to those facing these challenges?
2) Can the Colleges of Education faculties bring their various capacities—knowledge, expertise, research tools—to a collective mission to assist with the upgrade of pre-K-12 education in Oregon?

Relating to the regional universities, the group looked closely at how to better assess their current and potential contributions to the OUS portfolio. Against the background of their challenging financial health and enrollment trends, the following questions were raised:

1) Are there additional components needed for their missions and program offerings?
2) Are they sustainable? Are they optimal?
3) Is there an opportunity, with the very plight of these smaller institutions, to more sharply specify their roles in the System individually and collectively?
4) Are there collective components to the way that might optimize their roles in the System as a whole?

The group is continuing to collect a lot of relevant data and bringing the right people together in various forums for discussion and exploration.

Director Van Vliet questioned why the group had concentrated on pre-K-12 not pre-K-20, since that is the focus of other work in the state. Director Sohn opined that, to the group, it felt like it made the topic too large and the issues that much more complex. There is much work to be done to prepare students for the pipeline—and that was the area of concentration.
Mr. Hagemann reported that the Governance Subcommittee struggled with development of a model of governance that would help achieve System and statewide goals. Three sub-questions arose out of their work:

1) What are the relationships between and among the different entities in the System? There are a lot of rules and internal management directives that attempt to memorialize the relationships. How do you clarify and make some coherence between those relationships underneath the umbrella of a new, revised, or tweaked governance model? How do you sharpen the relationships in a governance model that help achieve System, institutional, and statewide goals?

2) When progress is made toward recommending a model or recommending a couple of models from which to choose to achieve the goals, how can the regional institutions and rural education be specifically addressed to better serve the institutions, students, and the state?

3) Is there a way to prioritize the flexibility initiatives? What are the types of things the Board and Chancellor’s Office need in order to achieve the System-wide/statewide goals? What types of flexibility initiatives would allow OUS to better serve the students and the state?

Director Miller-Jones reported the subcommittee was looking at Student Participation and Completion, especially for underrepresented communities with the higher education system. It was the charge of the subcommittee to examine carefully rural access to higher education and the distinct role the System has to play in the economic well-being and development of the state and the various regions. Four primary questions arose from the overarching question of: What are the barriers?

1) What are the financial and economic factors that dramatically impact and affect participation and completion? Are the Shared Responsibility Model and the Oregon Opportunity Grants enough? What will the impact be? How do people gain access to them?

2) How does academic preparation influence participation and completion? How can Schools of Education be enhanced to ensure that all teachers are culturally competent to deal, not just with the Latino, African American, or Native American students, but first-generation students who represent a huge resource and opportunity for OUS?

3) Does campus climate have a role to play in both attracting and retaining students? How can more mentoring programs be implemented? How do you diminish the threat to identity that going to college sometimes engenders?

4) What family dynamics or contingent events impact students from the outside and how and in what ways does it affect a student’s decision about higher education or their success once they get there?

Director Francesconi reported on the subgroup on Portland Higher Education. The four questions the group is attempting to address are:

1) What are the economic needs of the region, in terms of research and workforce? How does higher education meet those needs going forward over the next 20-30 years?
2) What are the access needs, or what are the educational needs, of the citizens and how does a combination of community colleges in the region and Portland State and the other higher education institutions meet and increase those that can benefit from higher education?

3) What is the role of the institutions—PSU and others in the region—and how can they meet the educational and economic needs of the region?

4) How are relationships and alliances built? How are resources garnered from other government agencies and from the business community to make it more of a regional effort, not just a Higher Education Board agenda?

Director Prolliams addressed the access side of the Portland issues:

1) What is the connection between access to higher education and how it enhances economic development and relationships to workforce?

2) How do we take a bigger look at the financial issues that raise huge barriers to participation for many students of color or poor families?

3) How can we capture people psychologically who might not have considered higher education as an option?

4) How can we really develop those partnerships with business and industry to give us relevance in terms of those connections?

5) How can we make a college education more relevant to high school students? How can we better use businesses to partner with higher education in this endeavor?

Discussion ensued about how to organize the range of questions that had been raised by the four groups. Many Board members expressed the thought that there was too much ground to cover in the time allotted for the retreat. Others suggested that each Board member prioritize the questions and begin to narrow the field. Yet another suggestion was to look over the questions for areas of overlap and congruence.

Chancellor Pernsteiner suggested that it might be helpful to step back and focus on a few things. First, this exercise was seen as the next step in a strategic planning process that last year identified four overarching goals and about 15 strategies. “If you view these questions within that framework, it provides a starting point with some commonality and a common frame for viewing them. We deliberately set up these subcommittees to take specific views at things, knowing that the job at the retreat was to find the common strands and knit them together. Finally, if you superimpose the goals that the Board set last year and the questions that you have going back and forth, there are a very small number of unifying themes that come out. Probably the most common of those is success for students or potential students everywhere in Oregon,” he observed.

President Froehmayer offered that “collaboration is difficult to achieve because the collaborative objectives are seriously removed from the individual reward structures. Until there is alignment of the reward structure with the results you want to achieve, it's always going to be 'pushing rocks up hill.' People will be doing this as an overload rather than as a central part of their mission,” he observed.
“What I mean by reward structures,” the president continued, “is individual promotion and tenure based on what you do or what you do in close proximity with another principal investigator. What you do in terms of success in your department or a discipline and beyond that perhaps at the college. So even to try to cross those lines is significant unless there are incentives and rewards that are perceived and real to do that.” It is important to find communities of interest that then gives rise to a whole new field of intellectual inquiry that takes on a power of its own.

In closing the discussion, President Dyess announced that Director Kelly was joining her as co-chair of the Strategic Initiatives Committee and he would eventually assume the chair position. Director Hannah Fisher is joining the Governance Committee and will continue her participation in Director Miller-Jones' subcommittee, as well.

b. Resource Fees and Differential Tuition

DOCKET ITEM:

Background:
In March 2007, an ad hoc subcommittee was formed to review issues and concerns pertaining to the use of student resource fees. The committee was comprised of student government leaders from Oregon State University, Southern Oregon University, University of Oregon, a representative of the Oregon Student Association, and administrators at Oregon State University, Portland State University, University of Oregon, and the Chancellor’s Office. This group has met multiple times over the last seven months to evaluate the impacts and issues associated with the use of resource fees. In addition, representatives from this group have talked with financial aid administrators, registrars, graduate deans, vice presidents, provosts, and presidents to keep them apprised of the work of the committee, to seek their input, and to discuss the committee’s ideas regarding how to address these issues.

The committee’s work was focused in the following areas:

1. Increasing tuition and fee transparency through the use of tuition and fee cost estimators that are now available on many campuses and through improved disclosures of fee policies complete with better descriptions of the need and uses of fees.

2. Improved processes for including the actual costs in the financial aid packaging process through either: a) better budgeting processes at the front-end of the awarding process; or b) through better communications and re-packaging processes after the fact for students who have actual costs in excess of estimated budgets. Also, investigating the availability of financial aid to offset higher costs in programs with resource fees.

3. Modeling various means of generating the same revenues with different tuition and fee structures. This included modeling the elimination of resource fees through their
incorporation in base tuition for all students, rolling some fees into tuition while maintaining some fees, etc.

4. Investigating what other states around the country are doing with tuition and fees in the face of declining state support. The Oregon Student Association conducted a nationwide survey of institutions of higher education regarding the use of differential tuition and associated policies – see attached report in Appendix A. This report found that many states currently use some form of differential tuition for programs with either high demand or costs.

5. Reinforcing the importance of student involvement in the tuition and fee setting process each year through enhanced communication with student leaders on campus and reporting requirements.

The Committee work focused exclusively on resource fees. Today, OUS institutions assess three types of resource fees as follows (see Table 1 for a detailed listing of resource fee revenues by campus):

**Universal Resource Fees**, including:
- Technology fees (all campuses);
- Energy Surcharge fees (EOU and UO only);
- Registration fees (UO only); and
- Student service fees (PSU only)

These fees are assessed to all students each term. These fees comprise 54 percent of the total revenues generated from resource fees ($19.7 million out of $36.8 million total in 2006-07).

**Programmatic Resource Fees**, including:
- EOU – not used;
- OIT – engineering and health professions programs ($343,000 in 2006-07);
- OSU – business, engineering, honors, arts and sciences, education, human development, interdisciplinary studies, apparel and interior design, and Weatherford hall fees ($5.4 million in 2006-07);
- PSU – business, engineering, fine arts, arts and sciences, speech and hearing, and social work fees ($1.9 million in 2006-07);
- SOU business, psychology, fine arts, science, and education fees ($323,000 in 2006-07);
- UO – honors, business, architecture, arts and sciences, journalism, education, and music fees ($4.6 million in 2006-07); and
- WOU – not used.

These fees are assessed to students who major in these programs.

**One-Time Resource Fees**, including:
- Transcript fees (OIT only); and
• Matriculation fees (all campuses).

These fees are assessed to students one time only, typically the first term they matriculate at the institution. Matriculation fees are typically used to fund new student orientation activities.

The Committee work did not include any discussion, analysis, or recommendations pertaining to other fees and charges, including:
- Incidental fees;
- Building fees;
- Health service fees;
- Special course fees;
- Student recreation center fees;
- Application fees; and
- Other fees for services.

**Preliminary Recommendations:**
Based on the work of this committee, we now would like to discuss with the Board some preliminary ideas, directions, and recommendations for addressing these issues and concerns. Our proposed process and timeline are as follows:
- November 2007 OUS Board Meeting – discussion of the work of the committee and preliminary findings and recommendations;
- January 2008 OUS Board Meeting – Board adoption of proposed policies and directions;
- February 2008 – Legislative discussion and request to modify the budget note governing resource fees and tuition to facilitate initial implementation of these policies starting in Fall 2008;
- March 2008, assuming this is approved by the Legislature, incorporate changes into annual tuition and fee adoption process instructions; and
- Fall 2008 – initial phased implementation of new policies and recommendations.

In order to have a common set of assumptions regarding the transition, we agreed to the following guiding principles:

**Guiding Principles:**
1. Any change must be revenue neutral for the transition. Revenue neutrality will be documented through analysis that will be externally validated, but will include planned inflationary increases during the biennium. Compliance with this principle will also require relief from current budget note language limiting tuition increases and resource fee as a percentage of tuition.

2. The goal is to eliminate all resources fees over the next three to four years. In doing so, it is acknowledged that some one-time resource fees associated with matriculation/transcription may continue in another form. Also, due to the WOU tuition promise, this will need to be phased in at WOU with new cohorts starting in Fall 2008. Finally, it is acknowledged that the intent is to eliminate resources fees assessed for
graduate programs; however, this will be subject to a study of the impact that this change will have on graduate assistant recruitment and retention.

3. Differential tuition will be allowed in certain programs (as approved by the Board; however, it is understood that the initial conversion from resource fees to differential tuition would be allowed as part of this policy change) with the understanding that: 1) 10 percent of such differential tuition for undergraduate programs be earmarked for fee remissions targeted to low-income students majoring in the program assessing differential tuition, such that this does not become an impediment to degree choice (Note: in order to maintain revenue neutrality during the conversion this will necessitate an increase in the differential tuition over and above the current resource fees necessary to fund these fee remissions); and 2) that after the initial transition institutions will need to submit the rationale for the need for differential tuition in accordance with the proposed differential tuition policy framework outlined below.

4. Program costs should be transparent to the students and these estimated costs should be included in financial aid budgets and packages to the extent that this is feasible.

*Proposed Policy Changes for Consideration:*

1. No new undergraduate resource fees of any type (one-time, universal, or programmatic) will be initiated after this policy change is adopted.

2. All *universal* resource fees (technology and energy surcharges) assessed to undergraduate students will be rolled into tuition effective Fall term 2008. Undergraduate students enrolled in the WOU tuition promise program who entered with the Fall 2007 cohort will be exempted. Note: this is predicated on obtaining legislative approval to deviate from the budget note governing tuition increases and resource fees for 2007-2009.

3. *Programmatic* resource fees assessed to undergraduate students will be eliminated effective Fall 2008 by either: a) increasing tuition for all students in an amount equivalent to that generated by undergraduate resource fees; or b) by creating differential tuition for certain programs in accordance with the guidelines outlined above; or some combination of a) and b) above. Again, this would be predicated on getting legislative permission to deviate from the budget note governing tuition/resource fee increases for 2007-2009.

4. *One-time* resource fees would be replaced by an approved matriculation or transcription fee to be defined in the Academic Year Fee Book and assessed as a one-time charge for new students when they matriculate to an institution.

5. The disposition of universal and programmatic resource fees assessed to graduate students will be determined after further study by a subgroup appointed by the
Provosts’ Council and resolution of the impacts this change will have on the recruitment and retention of graduate assistants and related collective bargaining agreements.

6. Staff tuition rates and policies will need to be modified to recover lost resource fee income associated with these proposed policy changes as staff members currently pay a reduced tuition amount but 100 percent of all applicable resource fees.

Proposed Differential Tuition Policy (Modeled after similar policies used in Arizona and Wisconsin)

Differential tuition is defined as additional tuition that is supplementary to the base tuition level approved annually by the Oregon State Board of Higher Education. Differential tuition is intended to 1) offset higher than average instructional costs; or 2) provide supplemental resources to enhance program quality; or 3) reflect the market for programs with high demand.

As provided below, universities may request OUS Board approval for differential tuition at either the undergraduate or graduate level subject to the following:

1. University(ies) considering differential tuition must develop a proposal for OUS Board consideration addressing the following criteria:
   a. Quality of the student experience:
      i. The proposal should address how differential tuition will substantially increase the quality of the learning experience for students and provide the basis for later opportunities that would not be possible without the differential revenues.
   b. Access, affordability, and student choice of undergraduate major:
      i. The proposal for differential tuition for undergraduate programs must include a financial aid plan with a minimum of 10 percent of the differential tuition set aside for need-based fee remissions to be awarded to needy students enrolled in the program. The plan shall also include a college advising process that enables the student to anticipate future cost increases and (if necessary) seek additional aid to cover the differential amount over base tuition.
   c. Cost of Instruction:
      i. The differential tuition proposal must include a clear justification related to the variance in program cost, program demand, and program graduate earnings potential compared to the funds that would be provided through base tuition.
   d. Market Pricing:
      i. There should be evidence that the differential tuition proposed is comparable to the student cost for similar programs at peer institutions such that the university is not placed at a competitive disadvantage in attracting the best students and that the differential tuition is
appropriate to the national market. The proposal should address the elasticity of demand in its justification.

e. Student Consultation and Support:
   i. All differential tuition plans must show evidence of extensive and thorough consultation with students who will be affected, both via student representative groups and via organized opinion gathering among the students that would be charged the differential.

(Appendix A, Survey Of Differential Tuition And Its Use At Postsecondary Institutions Nationwide, is available from the Board’s Office)

BOARD DISCUSSION:

President Dyess introduced Vice Chancellor Kenton, OSA Executive Director Tamara Henderson, OSU Student Body President Greg Purdy, and UO Student Body President/OSA President Emily McLain. She explained that this was a discussion item, not one for decision at this time.

Vice Chancellor Kenton reminded the Board that in March 2007, the Committee began work to study the resource fee issue that for many years has been controversial with students and, from time-to-time, with legislators. Early in the deliberations of the Committee, it became apparent that students wanted more transparency regarding the costs of various programs and they wanted those costs, to the extent feasible, to be included in the financial aid awards or budgets.

A lot of time was spent on the cost side. Subgroups were formed and campuses were asked to bring more transparency to the fees through the addition of the fee calculators. These enable a student to go to most university websites, program in their schedule, and receive a fairly close approximation of the full cost of tuition and fees. The Committee also asked that they be more diligent in disclosing the fee policies and creating websites and written publications that describe the tuition and fee structures. The goals in this area have largely been accomplished.

A subset of the group, that included the UO financial aid director, visited with institution financial aid directors and talked about what could be done to make sure that the financial aid budgets more closely approximate the differential costs that students encounter as they enroll for programs. Some progress has been made in the area, but much more is needed.

Another subset of the Committee began to model how, if there were no fees, an institution could generate roughly the same amount of revenue. Could that be done with differential tuition or rolling some of all of the fees into tuition? It was agreed that any change would have to be revenue neutral. Precious resources cannot be given back at this point.

Finally, the Committee wanted to reinforce student involvement in the fee-setting process. A few years ago, under then Chancellor Richard Jarvis, the System tendered a student shared governance process that was adopted by the Board. That has been incorporated into the
Academic Year Fee Book. The Committee talked to campus administrators and attempted to create a better dialog between the student governments on each campus and their respective administrations.

This present Committee was focused only on resource fees. There are three types. One type is universal resource fees and includes the technology fees that represent approximately 54 percent of the total revenue generated by resource fees. At one time, energy surcharges were levied on all campuses. Now they are on only two campuses and there are registration and student service fees on two campuses, as well. Those are the fees that are assessed to all students regardless of their program—every student who registers at the institution pays a universal resource fee.

There are also programmatic resource fees that are assessed only to students who enroll in particular programs. These have, according to Vice Chancellor Kenton, been the source of most of the angst with students because these fees are buried and are not really clear in policy so students think when they go to an institution it is going to be one price and then, depending on the program in which they enroll, they discover it is another. Additionally, there are resource fees that typically are matriculation-type fees or transcript fees that are assessed one time to students.

Additionally, there are other fees—building fees, incidental fees, health service fees, basic insurance fees, special course fees, and student recreation center fees. The Committee did not address these fees in the course of their work, nor will they.

It was agreed that the policies of other states should be examined to discover what works and what doesn't work. Ms. Henderson presented information from a survey of 100 campuses that was done through the OSA. Survey results indicated that the majority of the institutions that did add revenue generators chose differential tuition models. Representatives of the campuses were asked: did they have a model in place? If so, which departments and majors were included and what was the cost difference if they were implemented? Was it an institution or statewide policy that was implemented? Did they use a tuition plateau when charging the tuition rates? Where possible, data were collected on the financial assistance models that were in place by the campuses to guarantee that there was no negative impact on low-income students when choosing their majors.

The survey showed that half of the institutions had some type of extra tuition or form of differential tuition at the undergraduate level and the majority surveyed had implemented some form of differential tuition. Some institutions have differential tuition based on majors and others have them based on lower- or upper-division status. The hope with the lower- or upper-division tuition models was that students would graduate earlier, since upper-division tuition was higher. The majority had models that charge more for particular majors, the most common of which were business, engineering, and healthcare-related majors—some of the same ones that are being examined in Oregon.
On some campuses there were stipulations as to how the resource could be used to ensure that the revenue that was being generated was actually used and not supplementing an overall tuition increase. The rates were set through various models, most commonly by charging a set amount per-credit per-major. Common methods included automatic increases when tuition was increased based on the higher education price index. Others were based on the cost of living index or on the cost of living increases. Wisconsin, for example, included some unique policies that guaranteed student input in all the decisions to raise tuition.

The majority of the institutions surveyed indicated that they had tried hard to avoid having any students feel like they could not choose a major based on the fact that the price was too high for them. This challenge has been handled in a number of different ways: some instituted fee waivers and some have actual scholarships. There was almost universal commitment to protect low-income students and their decisions regarding a major.

As a follow-up to the survey the ad hoc Committee established several guiding principles: 1) any actions must be revenue neutral; and 2) there needs to be an attempt to transition to a model that does not use resource fees at all would require a phased implementation approach. For graduate students, it is a much more complex issue. One reason is that there are represented graduate assistant unions on two campuses.

The Committee concluded that differential tuition should be considered since it is more transparent and programs could be priced differentially. Should a decision be made to have differential tuition, there would need to be a set-aside, a fee remission, or some type of financial aid program available to assist students with financial needs. The range for fee remissions varies from as low as 8 percent (currently in Oregon) to as high as 25 or 30 percent. The Committee is considering 10 percent which would be better than it is today, but perhaps more manageable than a higher number and the figure should be considered a floor, not a ceiling. Chancellor Perneisteiner indicated that there was legislative interest in the amount that is set: the higher the remission, the higher the sticker price has to be if the program is to remain revenue neutral. Therefore, there are trade-offs that need to be considered. “I think,” he added, “that to put forward something like 10 percent as a minimum allows the campuses, over time, to see what their experience is and whether it is becoming an impediment. Then they can adjust it.”

Director Francesconi asked if the institutions would be able to disseminate the information so that students knew and understood a new approach. Ms. McLain, speaking from the students' perspective, observed that the issue of fees has been discussed since 2001 when there were only 17 resource fees. Today, she pointed out, there are 75. This is, she reminded the Board, an effort to help students understand the total cost of their education. She indicated that it was of great import to have the total cost included in the financial aid packages.

The Committee anticipates having a clear set of recommendations to the Board at its January meeting, with the hope of arriving at agreement by February 2008 to include a legislative discussion and possibly request to modify the budget note which is a 3.4 percent cap, passed in
the last legislative session. Assuming approval in the legislature in March, changes could be incorporated into the annual tuition and fee adoption process instructions. Initial phase-in implementation of the new policies would begin in the fall of 2008.

There are, at the present time, three policy changes recommended. First, there would be no new undergraduate resource fees implemented after this policy is adopted. All universal resource fees assessed to undergraduate students, including technology and energy fees, would be rolled into tuition. Secondly, programmatic resource fees assessed to undergraduate students will be eliminated effective in the fall of 2008, and the one-time resource fees would be replaced by an approved matriculation or transcript fee defined by the academic fee book. Third, there would be a differential tuition policy that is an additional tuition to supplement the costs of some of the higher priced majors such as business, architecture, engineering, or the honor colleges. Ms. McLain pointed out that there is a strong desire on the part of students that they be involved in the determination of fees and any increases in tuition.

President Reardon offered that he agreed with the policy. When he was provost, he consistently resisted them; however, the only one he was able to stop was the Honors College. “Recognizing that the need for revenue is already built in, I would certainly support moving this to tuition rather than holding to the specific resource fees programatically,” he indicated. “That creates a rather strange inequity at times.” He did note that the student technology fee was an invaluable instrument that enabled PSU to rather quickly provide increasingly good technological support for students.

Eastern does not have any resource or program fees, Provost Miller stated. They are planning to implement a very transparent kind of outcome so that students, their significant others, or family know exactly what the investment in attending EOU will be.

Provost Battistella indicated that at SOU, when he was a dean, he helped to institute some of the resource fees. At that time, it seemed that the fees were what would allow them to have a margin of excellence; later, it became a margin of survival. SOU supports the policy of making fees transparent and the hope to eliminate all fees.

OIT President Woodall indicated that he had not yet had an opportunity to discuss this issue with students but felt that they would be supportive of programmatic resource fees. Fees of this type would enhance the quality of equipment in laboratories for fields like engineering technology and allied health where it is very important to have equipment that is state of the industry so that students are well prepared for the marketplace, a goal of OIT. Dr. Woodall expressed concern about having enough flexibility to support low-income students because a large number of the population they serve come from rural Oregon and are likely to be low income.

UO President Frohnmayer indicated a disquiet with some aspects of the discussion and said the fact there were differential opinions around the table was a good illustration of their view that the policies vary by institution and that the Board should not be either so lock-step or rigid or
so kept to particular timelines that it ignores the unique markets, unique constellation of responsibilities, or unique demographic conditions of each campus. He said that a one-size-fits-all policy would be difficult and even dangerous for where the UO wants to go individually and collectively.

Three areas where he had issues with the direction of the Committee were discussed. The first was the timeliness and appropriateness of notice of fees and charges so that students and families have a clear idea of what the cost of education would be in its totality. “That's a legitimate issue and if, in any way, we've not been responsive to that, we need to be,” he declared. And he supported policy directions to address that issue with two caveats. The UO has already advertised changes for the fall, so any midstream correction, change, or increase would already create confusion if the Committee is anticipating an implementation date of 2008. And, the Board, usually in its actions in July, sets the final tuition number and that is because, in biennial years, it follows a legislative session. Therefore, every other year the calendar is irretrievably tied to legislative outcomes and those are very difficult to predict. That may affect the level and degree of notice that can be given to students and affect tuition or fees.

Secondly, increasing tuition, generally, if you avoid the selective tuition increases, decreases transparency, not increases it. The reason: costs that are now specifically borne by user groups that understand it as a fee will be melded more generally into a tuition number and that may lack transparency rather than gain it.

The third policy issue deals with financial aid where President Frohnmayer indicated he was in broad agreement. However, there was an important caveat about differential tuition and financial aid tied to it. The proposal would be, he opined, a philosophical departure from the way most of the institutions administer financial aid which is person-oriented, not program-oriented. “I believe the financial aid issue is more complex and at least it involves a change of policy in a way that the Board might not have recognized explicitly,” he said.

Finally, President Frohnmayer drew attention to a five-point memorandum he had prepared for the Board. Those points were:

1) For many years the Board has recognized the increasing importance of institutional autonomy within a broader system to have as much financial self-determination as it can have consistent with those notions of financial aid, transparency, and timeliness.

2) Rolling programmatic fees into tuition generally decreases transparency for some programs, not increase it. A more generalized tuition charge or increase doesn't stay in buildings in the same way and may well hinder flexibility at the department or college level in ways that can't be predicted but certainly introduce more rigidity in the system.

3) Student financial aid will generally be considered holistically based upon the student and the student's profile. To work now by student major or by program expense where an institution can charge higher in the market, either departs from that or makes that more complex.
4) If changes are to occur during the current biennium, the present policy would require the Board to go to the legislative assembly as early as February, during the special session—that may or may not be contentious—and ask for what would be a significant increase in tuition based upon the rollup of fees. That could create a sticker shock that would inhibit the Board’s increased enrollment objectives.

5) Therefore, the president pointed out, the Board is asking for a political problem in the middle of a special session and the direction of the Committee ignores the tuition resource that may be needed for other pressing needs of institutions in the second year of the biennium.

President Ray asked, “Do we really want to be explicit with them (legislators) about what we are or aren't charging at this moment when we're getting ready to go into a legislative session? Is it better to keep it implicit? Those who need to figure it out, figure it out. But you don't want to say, ‘here's what it actually is,’ when you add up all the pieces. It is an issue of process," he contended. He expressed agreement with any process that makes what students and their families have to pay more transparent and clear in terms of their ability to navigate the system. He was in agreement with going to differential tuition rates or even having a higher single rate that absorbs these resource fees and allows the Board and presidents to have one conversation on why tuition is what it is or why the differential rates are what they are.

For students who are most vulnerable to being shut out of the System, even with differential tuition that is explicit versus a flat rate, there is the challenge of how they get information about what aid is available to them, President Ray stated. How do they get advice from people who understand how to navigate a differential tuition system, which, of necessity, is more complicated to figure out than a straight single rate system? They're still at a disadvantage in many respects to students who are more privileged, and even though it's a less complicated system than keeping things obscure, it is more complicated than if there's one tuition rate, he opined.

President Ray also pointed out that OSU was the only university in the System with a plateau. He didn't want to make a decision on this issue without consulting with students, faculty, and staff. People on campus want to keep the plateau in place. He indicated that the benefits of educational and programmatic diversity are likely to be greater with a plateau in place than if there were none. A final point was that perhaps the financial aid experts who know the calculations should give it their best shot and then decide, after the fact, whether or not the level of fee remission needs to be prescribed for people in different majors, rather than start with the idea that it has to be over-regulated.

President Minahan added that WOU had gone in a different direction because they couldn't find a principle of fairness. “We know that, when we set up the RAM, all of our disciplines were under-funded. We also know that most of the tactics and strategies that we've used to cover costs by differential fees and so on is an artifact of that under-funding. We looked at the simple exercise of saying our business program costs more than our philosophy program. Yet, we've made a promise to students that price shouldn't be a factor in the choice of major, especially if
we’re trying to emphasize access and affordability. So, you have to share the cost,” he pointed out. “An empirical way of doing this is to use the flat tuition, sharing all costs equally.”

It was suggested by President Ray that another issue needed to be discussed: why is tuition what it is? If discussions about resource fees haven’t made a lot of sense in the past, what does it mean to roll them into what would be called a new base in terms of the relationship between that new base and any real sense of what tuition ought to be. And shouldn’t tuition and state support, and how it is evaluated, be tied back to what the Board itself was trying to do, which was to define the package of resources needed to create an educated person of the quality to be competitive nationally and globally that Oregon needs. He indicated that with respect to the base and incremental changes, that is another discussion that has not occurred.

For Director Dyess, the over-riding reality is that institutions can't set their own tuition, let alone their own fees. “I would much prefer to deal with the students about how you set tuition or how you set fees than I would trying to negotiate this through a political process that seems incredibly disconnected with what is really going on with students and institutions.”

Director Sohn interjected the question of the role of the Board with respect to the matter. His view, he said, would be that the Board establish some principles so that there is a consistency and fairness at the higher level. There are important reasons for the present study of the issues. "One of the things we're trying to overcome is lack of transparency and inadequate communication. I have a little difficulty accepting the notion that communication challenges are a reason for doing this. You just communicate better!” he admonished. “Rolling it all into tuition is not necessarily a better way to communicate.”

Director Francesconi offered that it seemed to him that the current system was not fair or rational or transparent. The administrative issues that have been raised are real—and, in his opinion, must be addressed. “The political issue about trying to do something in this session, you don't need to address. You need to adjust your timeline, because it cannot be done that soon.” He added that there needs to be a broader discussion about tuition and how much flexibility is to be allowed.

Chancellor Pernsteiner suggested that some of the issues needed to be separated because some are philosophical, some are long-term, and still others are directly related to the specific issue of resource fees.

First, in terms of fees, the Board approves tuition and fees so that whatever any individual campus may propose, in whatever form it may propose it, ultimately it is the Board's decision whether or not those fees will be assessed to students. From a legal standpoint, under the current statutes, it is not within the purview of the institutions or technically of the legislature, to set those fees—it is the Board's.

The last time the System adopted a tuition policy was in the early 1990s when the Board essentially said it would be the policy of the Board and of the state that tuition would constitute
approximately one-third of the cost of instruction, with the presumption that state support and 
items like indirect cost recovery would somehow cover the other two-thirds. That was a marked 
increase from the percentage that it had been before because the prior policy talked about 
25 percent. The Measure 5 situation, followed by the budget cuts after 2001, meant that the 
Board could not keep to that policy and keep the institutions open.

The last time the Board looked at tuition policy was not in the context of relative shares, 
although it is reported that way and it informs discussion. The work that Director Nesbitt did 
with the access and affordability working group decided the framework would be affordability 
and it had several dimensions. One was that, in fact, some kind of cost control, viewed as an 
increase in cost equal to the median family income growth in Oregon with the presumption 
that the state then was responsible for the remainder of any cost growth to ensure quality 
education. Then the state, through the Shared Responsibility Model, would make sure that the 
students could afford to pay that cost that was driven by 3.4 percent above current. The theory 
behind that was that the program would start without making tuition any less affordable than it 
was the prior year and that was the framework within which, in fact, this Board approved that 
policy package two years ago. It is the approach that the governor and legislature used in 
adopting the Shared Responsibility Model.

The resource fees were originally adopted to deal with budget reductions or increased costs 
that came along for which there was no other means of paying. The first was the technology 
fee, in 1991, and the institutions worked with their student governments to arrive at as a 
mechanism to provide student computer labs and so forth. From that was born the entire world 
of resource fees. The institutions went to differential resource fees for engineering, business, 
and on through the disciplinary-related fees. They have been responses to either budget 
reductions or often a desire expressed by students in a major for particular services or 
improvements. Typically, these fees are controlled by the deans, not by the presidents. The 
issues around the fees have come up repeatedly in the last several sessions. The bigger 
question is, however, how to make statements about tuition that are true and accurately 
reflect what the level.

Relative to the implementation details, all of the institutions have already communicated with 
next year’s potential students what the likely tuition and fee budget will be and to change those 
at this point would have deleterious effects on recruiting next fall. An uncomplicated system of 
financial aid can be developed by using a set-aside of the amount that is generated, not for an 
individual program but as a mechanism for generating income that goes into the financial aid 
pool but administered in the same way. This also allows the financial aid officers to know what 
the cost is up front and they will have available to them a pool of money that supplements the 
other sources of financial aid monies to help address those costs.

The Chancellor indicated that if the Board concurred with the differential tuition, it would be 
asking too much of the institutions to have that accomplished by February, the date when it 
would have to be completed to have it ready for fall of 2008. “That doesn’t mean that this is the 
wrong approach to take. It probably, in my humble opinion, is the right approach but we may
need to have thought through some of these issues and sequenced it such that we’re not trying to rush it. What we need to communicate to the legislature in February, if you agree with it come January, is that we do have a plan for dealing with this effectively, a plan that will address all of the legitimate issues that have been raised. But we just will not try to do it by the fall of 2008, we'll try to do it by the fall of 2009,” he summarized.

President Frohnmayer offered that the resource fees could be presented to the legislature as a policy option, rather than assuming that they should be rolled into tuition.

c. Purchasing Rules Revisions

Staff have been considering revising OUS procurement policies for a number of years and finds itself “in the unenviable position of being behind most of our other public comrades in terms of our limits and other state-of-the-art methods.: Vice Chancellor Kenton explained in introducing the agenda item on purchasing rule revisions. Further, he indicated that as a public organization, there is a need to be open and competitive in methodologies, efficient and fair in dealing with contractors and vendors, responsive, and transparent. These are the guiding principles that will be employed in the revisions.

Division 40 and Division 50 of the Oregon Revised Statutes cover procurement for the System. Additionally, there are some items in these statutes—such as facilities use, leasing rules, naming of buildings, and planning for easements—that need to be removed and dealt with in other places. The suggestion was to make four rules out of the current two and make them more clear and distinct.

There is also a need for procurement and contracting code changes. In the early 1990s, the Attorney General wrote some model rules for contracting and they were published in a book that is now out of print. However, a number of contractors continue to want to use these rules, so the suggestion is to incorporate some of them in the baseline rules and have them codified within the OUS rules. A code of ethics would be included to express expectations for employees in carrying out their duties in these areas.

The next section would be on purchase of goods and services, which is separate and distinct from the purchase of capital or capital construction-related items. For example, there is no code of ethics or conflict of interest declaration in the current processes. Additionally, a sexual harassment policy would be included so the contracting community could access all the rules and regulations in one place.

The System has not done a lot with minority, women-owned, and emergent small business and this should be given more attention with, in the future, a reporting system to track contracts in these areas. There is a specific statute that requires any competitive procurement be noticed to the minority advocates office and that will be codified within OUS rules.
There is an unwritten rule that leases of five years of more have to be approved by the Board and the suggestion for change will be to make it a minimum of ten years or longer. There is an opportunity where institutions, working with their foundations or others, lease property for a short term and then the foundation causes that property to be developed. The suggestion would be acceptable as long as it is reported to the Board if the improvement is over a million dollars.

There are no suggestions for change in emergency procurement. On sole source, with capital, that OUS would authorize it with presidents reporting to the Board on any sole source of $25,000, an arbitrary limit that was suggested.

For professional consultancies when hiring architects or engineers to work on capital projects, the proposal will be to raise the limits from between $75,000-$200,000 to $250,000 where they would be selected from a retainer and do an RFP (Request For Proposal). Procurement is done in three ways: direct procurement that does not require solicitation of bids; informal procurement that requires three quotes that are documented by the institution, but they are telephone quotes or other written notes of conversations; and, formal, which means there is a formal procurement document that gives notice to the advocates office, an RFP, a committee to review the proposals, and a formal announcement.

It is also suggested that there be a rule hierarchy. For example, the federal government, when entrusting agencies with monies, overlays their rules on those of OUS and we are bound to follow them. There would be some notation that these rules apply.

Dr. Kenton indicated that staff would propose bringing the detailed rules to the Board in January for a ‘first read,’ with a goal of adoption in February or, at the latest, March.

Director Dyess suggested having a conversation with Internal Audit staff relative to where there might be some sensitive areas that should be considered. “As we delegate to a campus, we may look at where the campus is from a standpoint of how many administrators are interim on the campus, what is the situation, and does the rule change from that perspective,” she offered. “Where there is a campus with a mature staff all the way through, you may delegate a whole lot more authority than you would on a campus where this isn’t the case.”

Director Francesconi observed that, whenever there is a diversity discussion, everybody's really committed to it and looking for ways to promote it. “But then, when I look at policies of the Board, from the presidents’ evaluations to the depth across the Board diversity strategies, and now you're telling me we don't have a policy when the private sector and other government agencies are so far ahead of us. I have to tell you that I wouldn't approve this in January without a very strong policy that has also been vetted by the minority community so they can actually participate in it. I think a better approach or another approach would be, proceed with this policy, knowing we’re going to devote a Board meeting in this next year to the issue of what we’re going to do as the System—including minority contracting, presidential evaluations, diversity plans. We need to take the issue head-on so our policies reflect our commitments.”
It was agreed that there would be first reading of the new rules in January with planned adoption in February.

6. **Committee Reports**

a. **Standing Committee Reports**

Director Van Vliet reported that the Oversight Committee on Sexual Assault has a conference scheduled on November 7-9 in Eugene.

Vice President Lanier reported that the one-millionth person had ridden the tram from the waterfront to OHSU. That number is way beyond the original expectations. Additionally, she said that the grand opening event and ribbon cutting ceremony for Western Oregon University's program in nursing was to be on November 16. There is a great deal of excitement and anticipation about this new program.

b. **Other Board Committees**

There were no other Committee reports.

7. **Public Input**

Bret Nair and David Cecil had signed up to provide public input, but when the allocated time arrived, they were not present. However, they had provided written communication for the Board. (Copies of their communications are on file in the Board's Office.)

8. **Board Comments**

President Dyess indicated that she is a Board of Higher Education member of the College Savings Board. She reported she had met with Michael Parker on the 529 Plan and a marketing plan is being developed to present to the public similar to the Opportunity Grant/Shared Responsibility Model.

Director Pulliams, as a new Board member, shared some of his reactions to the items addressed at the meeting. He felt there were some exciting conversations in terms of strategic planning issues, diversity, college participation, and other items key to the System. He observed that when looking at the issues of differential tuition, the Board was focusing more on the details than on the real issue which, for him, was how to position the System with the state and the sources of funding in order to have adequate resources for the educational enterprise. “We need a broader conversation about how to do that. I think the door opened at the last legislative session. I think we need to, as a group, talk about how we push that door even farther open. That for me is a very strategic position and strategic conversation to have.”
Director Miller-Jones indicated to the presidents that faculty salaries were still a major concern. “There are negotiations going on. I really wish that you would put that near the top of your agendas for finding creative ways to do some equalization for faculty who have been in this System a long time making contributions and are still not able to even make their mortgage payments.” He said there needed to be creative solutions in addition to the work of going to the legislature attempting to get raises included in the biennial budgets. “Faculty,” he said, “are the core of our enterprise and we need to take care of them.”

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

Director Van Vliet moved, seconded by Director Miller-Jones, to approve the Delegation of Authority as presented in the docket material. Those voting in favor: Directors Dyess, Francesconi, Mendoza, Miller-Jones, Kelly, Pulliams, Sohn, and Van Vliet. Those voting no or abstaining: none. Motion carried.

10. **ADJOURNMENT**

At the conclusion of business, President Dyess adjourned the meeting at 2:05 p.m.