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<td>4.</td>
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<td>13</td>
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1. CALL TO ORDER/ROLL CALL/WELCOME

Chair Kirk Schueler called the meeting to order at 8:02 a.m. Committee members present included: Chair Kirk Schueler and Directors Tony Van Vliet, Brian Fox, and Paul Kelly.

Chancellor’s staff present included: Vice Chancellor Jay Kenton, Doug Bodkin, Michael Green, Rick Hampton, Brian Meara, Mary Nickelson-Hill, Lisa Pinheiro, Di Saunders, and Marcia Stuart.

Others present included: Presidents Bob Davies (EOU) and John Minahan (WOU); Vice Presidents Lindsay Desrochers (PSU), Frances Dyke (UO), Virginia Key (EOU), Mark McCambridge (OSU), Craig Morris (SOU), Mark Weiss (WOU), and Mary Anne Zemke (OIT); Sandie Franklin (OSU-Cascades), Robin Holmes (UO), Bill McGee (DAS), Laura Moore (UO), Mike Mueller (Office of the State Treasurer), Paul Siebert (LFO), and Dee Wendler (PSU).

2. ACTION ITEMS

a. OUS, Managerial Reporting – Quarterly Management Report

DOCKET ITEM:

The quarterly management reports as of September 30, 2009, are available at http://www.ous.edu/state_board/meeting/dockets/ddoc091106FA.pdf. After reviewing the Budget Projections Summary received from each university and comparing prior year results, the following was noted:

Education and General–Limited: Revenue collections are projected to be 7 percent above 2008-09, mainly due to a $79 million or 14 percent increase in tuition and resource fee revenues offset by a combined $14 million or 4 percent decrease in State and Recovery Act funding. The increase in tuition and resource fee revenues is primarily due to a combination of tuition rate increases, a projected 4 percent increase in student FTE enrollment, and a change in the mix of student enrollment.

Revenue collections year-to-date are 4 percent over the prior year due largely to increases in nonresident tuition for both summer and initial fall term. Spending is down 2 percent year-to-
date; however, spending is projected to be 3 percent above the prior year spending at year-end. The increase in spending is primarily due to staffing for student enrollment increases and related supplies and services expenses.

The ending fund balance of Education and General–Limited is projected to be $90 million, which is $9 million higher than the prior year. The June 30, 2010, ending fund balance of Education and General–Limited is projected to be 8 percent of operating revenues, a slight increase from the beginning of the year.

All institutions’ ending fund balances are projected to be within the recommended reserve level of 5–15 percent of operating revenue; WOU’s range is 10–20 percent.

**Auxiliary Enterprises:** Systemwide, Auxiliary Enterprises are projected to have total revenues of $351 million and expenditures of $344 million, resulting in $7 million of revenues over expenditures. Unrestricted Net Assets are projected to increase by $5 million to $64 million. Please refer to the explanatory notes on the institution and Chancellor’s Office reports for additional information.

**Designated Operations, Service Departments, and Clearing Funds:** The Projected ending fund balance of $39 million is consistent with the prior year. Please refer to the explanatory notes on the institution and Chancellor’s Office reports for additional information.

**Staff Recommendation to the Committee:**
Staff recommended that the Committee accept the Quarterly Management Report for September 30, 2009. The next management reports for the quarter ending December 31, 2009, are scheduled to be presented to the Committee in February 2010.

**COMMITTEE DISCUSSION AND ACTION:**

Chair Schueler called upon Controller Green to present the report. Mr. Green, beginning with the Education & General (E&G) section, noted that Fiscal Year 2009 included the budget reductions taken during 2007-2009, amounting to $45 million. The State General Fund realization rate is 33 percent compared to the prior year of 43 percent; the difference is attributed to the budget cuts taken in the second half of FY 2009 and the receipt of $15 million in salary compensation during the first quarter of FY 2009 (he clarified that the timing of the receipt of the monies was changed and the realization rate should normalize over the next reporting period).

Tuition and resource fees, net of remissions, are projected to increase 14 percent over FY 2009; this increase is a combination of rate increases, higher student enrollment, and the change in mix of students between resident/nonresident, business/education, and WUE. Tuition and resource fees, net of remissions, are 19 percent higher year-to-date than in the prior year. Resident undergraduate and nonresident undergraduate enrollment are up 20 percent and 32 percent, year-to-date, respectively. This may indicate a stronger than anticipated enrollment
growth and/or a different enrollment mix than is currently projected. The projected increase in total expenditures of 3 percent is primarily due to increases in personnel services, supplies and services, and increased student enrollment.

The year-to-date burn rate for personnel services is consistent with the prior year. The adjusted budget and projected amounts for personnel services include projections of the affects of salary reductions made in response to state funding reductions. The year-to-date burn rate for supplies and services has two major items affecting it: the first is a change in the payment schedule relating to the tort and property insurance assessment from an annual payment (first quarter 2009) to a quarterly-basis for FY 2010; second is the change in accounting for transfers-out in the E&G funds.

The projection indicates an increase in fund balance of $9 million from the prior year. The projected ending fund balance for FY 2010 is 7.9 percent of operating revenues, compared to 7.6 percent of operating revenues in FY 2009. Some campuses have implemented cost reduction strategies that resulted in higher than projected fund balance levels. These higher fund balance levels will help manage and work through potential negative economic impacts during the remainder of the biennium. Other campuses will respond to any potential negative impacts by making additional cuts—via employee furloughs, program reductions, etc.—in the second year of the biennium. All institutions’ projected year-end fund balances are within the Board policy guidelines.

Schueler asked, based on the year-to-year change in the tuition and resource fees revenue, if campuses are ahead of the projected 4 percent enrollment growth; Green agreed but noted that revenue collections to-date could indicate, based on the data, that enrollment is above the projection and that it could also mean that there are “mix-shifts” causing the change, as well.

On personnel services and the projected costs, Schueler asked if the varied approaches campuses have used to control costs are reflected in the projected number. Green noted that the anticipated reductions that have been taken are reflected. Vice President Dyke added that, with regard to the over-enrollments, in some cases, money has been shifted in order to hire adjunct professors to teach these additional students.

Director Fox asked, when the faculty contracts have been settled, will revenues be affected. Vice President Weiss explained that Western is currently in negotiations and the affect those negotiations will have on their projections is unknown at this time; President Davies advised that non-represented administrative faculty will be receiving furlough days starting January 1 for the remainder of 2009-10 and into 2010-11. He also noted that EOU is also currently in negotiations with represented faculty and anticipate that they will have an agreement by the February legislative session. Once those negotiations are complete, pro formas will be updated.

Continuing the report, Controller Green advised that the revenues and expenses in auxiliaries are projected to be 3 percent higher than the prior year, primarily due to projected enrollment increases; unrestricted net assets are projected to increase by $5 million or 8 percent over the
prior year. In the designated operational services department area, revenues are projected to increase 5 percent and expenses 8 percent. However, the operating results are projected to remain positive with a $1 million increase in net for operations and transfers. Fund balance is projected to increase $1.8 million, leaving an ending fund balance comparable to the prior year.

Director Fox asked if there is a slowing in collection of tuition revenue as we increase our allowance for a downturn in accounts; Vice President Dyke noted that the allowance went up over $700,000 and anticipates holding back an additional $1 million against any downturn. When asked what that percentage is of the receivable, she advised that on the tuition base of $220 million, a 2 percent allowance is held and the change in allowance in the prior year was over $700,000. She anticipates, with the changes in the economy and increased tuition, that the amount will be comparable to that in the next fiscal year. Kenton added that Moss Adams auditors conduct a significant audit to ensure that bad debt is within stated regulations. Vice President McCambridge stated that OSU is up in bad debts and attributes that increase to the economic instability and students have been appearing to be more stressed in dealing with the economic changes. The other campuses weighed in and agreed that students do appear more stressed. Director Van Vliet said that, if the ballot measures do not pass, an increase in tuition and fee rates may be required.

Chair Schueler called for a motion to approve the report; Director Van Vliet moved, Director Fox seconded; motion passed.

b. OUS, Report on Investments – As of September 30, 2009

DOCKET ITEM:

The investment report for the first quarter of Fiscal Year 2010 is presented below. The following is a brief summary of the information contained in the report.

As of September 30, 2009, total OUS investments had a combined market value of approximately $455 million, summarized as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Market Value September 30, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment Funds</td>
<td>$59,998,642</td>
</tr>
<tr>
<td>Donation Funds</td>
<td>73,209,227</td>
</tr>
<tr>
<td>Bond Building Funds</td>
<td>235,960,087</td>
</tr>
<tr>
<td>Bond Sinking Funds</td>
<td>51,213,674</td>
</tr>
<tr>
<td>Auxiliary Enterprise Building Repair and Equipment Replacement Reserves</td>
<td>34,780,365</td>
</tr>
<tr>
<td>Total</td>
<td>$455,161,995</td>
</tr>
</tbody>
</table>
Higher Education Pooled Endowment Fund—Oregon State Treasury’s Discussion of Performance:
The equity markets continued the lead built during the second calendar quarter, by adding another 16.3 percent, as measured by the Russell 3000 domestic equity index. Year to date, through the end of September, the index is up over 21 percent. International equity markets have performed even better, with the MSCI All Country World Index (ex-U.S.) returning nearly 20 percent for the quarter, and 36 percent, year-to-date. In the fixed income arena, the Barclays Capital Aggregate Bond Index has returned a respectable 5.7 percent year-to-date.

It remains to be seen if this is the beginning of a global economic recovery or merely a moderate upturn that faces a further correction down the road. Only time will tell if these “green shoots,” to repeat an overused phrase made famous by Fed Chairman Ben Bernanke, are real or merely “yellow weeds,” a phrase used by New York University economist Nouriel Roubini. Economic experts (forgive the oxymoron) differ on their outlook, with an edge to those who believe the worst of the recession is behind us. Byron Wien, a long-time expert in these matters, had the following to say recently:

“There is a growing feeling that sometime in 2010 both the economy and market will run out of steam. The stimulus program will have been spent and earnings may start to falter. This is creating a cloud of caution over equities. But near term fundamentals may prove sufficiently positive to convert that concern to something more constructive and that’s why I believe the next important move in the market is to higher levels.”

The HIED account has performed quite well in the current environment, up 25.5 percent calendar year-to-date through September month-end; exceeding the policy benchmark by almost 8 percent. All of the fund’s active managers have exceeded their benchmarks for the past nine months, not an expected outcome but certainly a welcome one. Western Asset Management, the fund’s sole fixed income manager, continues to rebound quite incredibly, posting a one-year return of 16.8 percent, compared to their benchmark return of 10.6 percent.

Over more meaningful time periods, the total fund is exceeding its policy benchmark over the five-, seven-, and ten-year periods. While the absolute number over ten years is not spectacular at 4.1 percent, it represents a 115 basis point premium over the passive alternatives.

Pooled Endowment Fund Asset Allocation:
With the addition of Alliance Bernstein Global to the asset mix of the Pooled Endowment Fund, the actual asset allocation, as compared to the policy allocation ranges, became a bit obscured in the Investment Summary (attached). This is because Alliance Bernstein includes both U.S. and Non-U.S. investments. For the purposes of measuring the actual asset allocation against the policy allocation ranges, it is necessary to prorate the Alliance Bernstein Global Fund between U.S. and Non-U.S. equities.

The weighting used to break out the U.S. and Non-U.S. portion of the Alliance Bernstein Global Fund is based on the MSCI All Country World Index. The current break out is: 48 percent U.S.
and 52 percent Non-U.S. When this fund is prorated between domestic and international equities using these percentages, the totals fall within the policy allocation ranges as shown below.

<table>
<thead>
<tr>
<th>HIED</th>
<th>Policy</th>
<th>Target</th>
<th>$ Thousands</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equities</td>
<td>25-35%</td>
<td>30%</td>
<td>$17,169</td>
<td>29.4%</td>
</tr>
<tr>
<td>International Equities</td>
<td>25-35%</td>
<td>30%</td>
<td>$19,233</td>
<td>32.9%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>0-10%</td>
<td>10%</td>
<td>4,629</td>
<td>7.9%</td>
</tr>
<tr>
<td>Total Equity</td>
<td>65-75%</td>
<td>70%</td>
<td>41,031</td>
<td>70.2%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>25-35%</td>
<td>30%</td>
<td>16,441</td>
<td>28.1%</td>
</tr>
<tr>
<td>Cash</td>
<td>0-3%</td>
<td>0%</td>
<td>981</td>
<td>1.7%</td>
</tr>
<tr>
<td><strong>TOTAL HIED</strong></td>
<td></td>
<td></td>
<td><strong>$58,453</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

**Alternative Investments:**
During the quarter, OUS’ two alternative assets previously managed by HRJ have been transferred to Capital Dynamics. Subsequently, the HRJ Global Real Estate III, L.P. fund was renamed Capital Dynamics Real Estate III, L.P. During the quarter, OUS made additional capital contributions totaling $60,000 to the Capital Dynamics Real Estate III, L.P. fund. As of September 30, 2009, OUS has contributed $4.3 million of the total $5 million commitment to the HRJ Growth Capital II, L.P. fund and $3.6 million of the total $4 million commitment to the Capital Dynamics Real Estate III, L.P. fund. Also, OUS has made total capital contributions of $282,000 to the JP Morgan Venture Capital IV, L.L.C. fund. OUS’ total commitment to this fund is $5 million.

**Donation and Other Investable Funds:**
Donation and other funds available for investment were invested in the Oregon State Treasury Short-Term Fund and returned 0.2% for the quarter, which exceeded the 91 Day T-Bill rate of 0.1 percent.

**Staff Recommendation to the Committee:**
Staff recommended the Committee accept the Investment Report as of September 30, 2009.

**COMMITTEE DISCUSSION AND ACTION:**
Chair Schueler called on Controller Mike Green to present the report and advised that Mr. Mark Mueller, State Treasurer’s Office, was also present on the call. Controller Green advised that performance over the longer-term indicated that it was over the one-term period but lagging in the three-year period. Chair Schueler asked when the program was last reviewed and, during the discussion, Mr. Mueller agreed with Controller Green’s recommendation of a three-year cycle of benchmark review.
Chair Schueler called for a motion to accept the report; Director Tony Van Vliet made the motion to accept the report and Director Brian Fox seconded; motion passed.

c. UO, Request for Approval of East Campus Residence Hall Project (Student Housing)

DOCKET ITEM:

Summary:
The University of Oregon (UO) seeks approval to issue $75 million Article XI-F(1) bonds for the purpose of constructing a 449-bed student residence hall that will also contain faculty offices, resident faculty apartments, and multipurpose rooms that can be used for seminars, classes, and other programming. The residence hall will be owned by the Board and constructed and operated by the UO.

Staff Report to the Board:
In conjunction with the approval of the sale of Westmoreland Village Apartment Complex in 2006, the Chancellor and the Board asked the UO to develop a long-range housing plan. That plan established broad objectives and measurable goals as well as a financial plan to achieve those goals. The UO reported to the Board on the plan in January and October 2007. In October 2007, the UO expressed its intention to solicit broader university feedback before moving ahead with the first phase of construction to implement the plan.

The UO established a goal of housing up to 25 percent of its undergraduates on campus in housing that, by offering sequenced independence, would attract students to remain in on-campus housing beyond their freshman year. That goal was a basis for planning efforts with Student Affairs. The 2008 Student Affairs Strategic Plan established goals related to Student Affairs capital projects that, over a 15- to 20-year period, will create learning and community spaces in both existing and new facilities. After development of the Plan, a Facilities Implementation Team developed a detailed strategy to implement the goals of increasing the number of students who choose to live on campus after their first year and of increasing the academic and community activities that are part of the on-campus residential experience. The East Campus Residence Hall is the first structure developed as an outgrowth of that planning process. The UO Campus Planning Committee has conducted an initial review of the project.

The UO continues to experience strong undergraduate enrollment, both through increases in freshman enrollment and in student retention. However, most returning students choose to live off-campus. New housing will diversify the types of housing available to offer residential options, such as semi-suites, suites, and apartments that encourage students to develop independent living skills and bring greater faculty participation into the student residential experience. The East Campus Residence Hall will also contain a dining room that will be used to provide dining services during the upcoming renovation of the Hamilton Complex dining facilities.
The East Campus Residence Hall will be constructed on campus at the corner of 15th Avenue and Moss Street, across from the Bean Complex, on property that currently services as a parking lot. The UO chose ZGF (Zimmer Gunsul Frasca) Architects through a competitive process to design the facilities. Students have been involved in the design process with a focus on sustainability. A residence hall is a permitted use under the property’s current Public Land zoning. Construction is planned to begin in June 2010 and will open in September 2012. The UO will construct, own, and operate the East Campus Residence Hall.

The Board’s 2007-2009 Capital Construction Program included new student housing at the UO, envisioned to be constructed with Article XI-F(1) bonds. The 2007 Oregon Legislature authorized the project with the expectation the Board would return for legislative expenditure limitation and bonding approval once the details of the project were known. The UO requests approval to seek authorization to spend $75 million on the project. All funding will be derived from proceeds from the sale of Article XI-F(1) bonds.

A 10-year financial pro forma is attached (see Attachment A). This pro forma exhibits that the project will become self-liquidating in its 5th year of operation. The UO Housing Operations has sufficient fund balances to cover the shortfalls during the first five years of operation. In addition, the University and Chancellor’s Office have reviewed the impact that this project will have on the University’s debt burden ratio and finds that it will remain under the 7 percent threshold.

The East Campus Residence Hall is an important first step in meeting the UO’s housing goals and is consistent with the UO’s goal to increase the number of students who remain in campus housing after their first year. It also provides an opportunity to incorporate academic and community activities within the student residential setting, which is an important part of the academic community that the UO wishes to create. It provides construction at a time when other campus construction will be nearing completion. As a result, it will continue the UO’s efforts to use capital construction to stimulate the state economy.

The new East Campus Residence Hall will include larger student living spaces. A 50/50 mix of traditional single/double rooms and semi-suites with bathrooms creates staged independence attractive to upper-division students. On the first floor of the new hall, five multipurpose rooms will be scheduled for credited classes during the day and will serve as programming venues for residence hall staff and students at night and on weekends. In collaboration with the Knight Library, a Learning Commons will be staffed by a full time-librarian working afternoons and late evenings to serve as an academic resource for students. The Learning Commons will include study spaces, multimedia resources, and presentation practice rooms. A Resident Scholar apartment, with adjoining office in proximity to the Learning Commons and seminar rooms, will serve as a senior faculty member’s residence and the programmatic base to engage students in scholarly initiatives. The new residence hall will be designated as an honors and language immersion theme hall and will provide specialized academic programming. These three components—academic classes, Learning Commons and librarian, and resident scholar—will be complemented by public spaces and lounges strategically designed to welcome campus
constituencies into the hall. Collectively, they will knit together, in a seamless fashion, academic and residential life to create a new model for UO residence halls.

The Bean Parking Lot, or Campus Area 72, has long been identified as a site for future residence halls. The area is designated for institutional use and permits construction of a multi-floored high-density facility. Campus policies require that parking spaces displaced by new facilities must be replaced; the UO administration is currently engaged in developing a parking replacement plan.

**Staff Recommendation to the Committee:**
Staff recommended that the Finance and Administration Committee approve this project and find that, based on the attached pro forma, the project will be self-supporting and self-liquidating. In October 2009, the Board authorized the Chancellor or designee to seek legislative expenditure limitation for this project, thus, pending this action, the next step will be a hearing in front of the Legislative Joint Ways and Means Committee in mid-January 2010.

**COMMITTEE DISCUSSION AND ACTION:**

Chair Schueler called upon Vice Chancellor Kenton to introduce the item; Dr. Kenton then called upon Vice President Frances Dyke and Robin Holmes, vice president for student affairs, for comment. Vice President Dyke emphasized that this project is self-liquidating and it is anticipated that the project will “break even” within the first five years. She added that they have been “very robust” in their expense projections. Ms. Holmes advised that, from information resulting from a review of the University’s academic plan and information obtained from a market survey, the following program goals were developed for the project: 1) support and enhance the character as a residential University, 2) support and enhance enrollment management goals, and 3) ensure that housing development is linked to broader campus goals. This project, very similar to the 2006 Living and Learning Center residence hall, has a very strong emphasis on integrating academic initiatives with residence life. “We plan to include several academic components—including five classrooms, a performance hall, a scholar apartment, offices, and a learning commons,” she stated. They also endeavor to have a 50/50 mix of traditional-style rooms and semi-suites and will invite students from the various honors programs and language-emersion programs to live in this residence hall. The hall is slated to open in fall 2012.

Director Van Vliet thanked the UO for their plan to increase student housing; however, he remarked that the expense seemed to be fairly high and asked what the price-per-unit will be. Holmes noted that, since this is the first housing facility on the east-side of campus, there are infrastructure needs above what other housing projects required (for example, parking, green-space, and academic components). Vice President Dyke advised that, because the design is not yet finished and the components included (library commons, much-needed academic classroom space) and the final cost of the parking build-out, a cost-per-unit figure is not available at this time. Van Vliet asked if this project is similar to PSU’s new project in that there will be four-person suites; Vice President Dyke confirmed that there will be “semi-suites” to increase
freshmen/sophomore participation. When asked for clarification on the rates proposed compared to units on the UO campus and/or other campuses, Holmes noted that they compared rates to Barnhardt Hall and added approximately 5.4 percent for inflation. Market analysis was completed to comparable facilities in the Eugene area and found that the rates proposed for the complex is lower in price. The market analysis confirmed there is a need for more than 2,400 additional beds on campus. She added that all of the residence halls will be replaced with either new construction or rehabilitation in the next 10 years. If the cost of the project is under the projected cost, the plan is to request approval to add another floor to increase capacity by 45 beds. Vice President Dyke offered to provide the UO’s master plan to the committee members.

Chair Schueler called for a motion to approve the next step of the project; Director Tony Van Vliet moved, Director Brian Fox seconded, and motion was passed.

3. **DISCUSSION ITEM**

a. **OUS, Budget Reduction Planning**

**DOCKET ITEM:**

OUS has received two letters from Mr. Ken Rocco, Legislative Fiscal Officer, asking for information pertaining to carry-forward balances and budget reduction planning (see Attachments A and B). Mr. Rocco indicates in these letters that these requests are necessary due to the general economic conditions of the state and the uncertainty surrounding the January 26, 2010, special election involving the tax referendum. The general economic conditions revolve around the current recession and whether the Oregon economy has hit bottom, so to speak, or whether the state will continue to see revenues decline from the levels on which the budget was based. The last economic forecast dated September 2009 reported a projected decline in General Fund revenues of $139.1 million from the Close of Session (COS) forecast (COS forecast of $13,532.0 million to September forecast of $13,392.9 million). While this forecast decline in state General Fund revenues can be absorbed by the projected ending balances, those balances have now been reduced to $94.8 million. Similarly, projected lottery earnings decreased by $42.3 million from the COS forecast (from $1,137.1 million to $1,094.8 million). It is, therefore, unclear if the economy has hit bottom or if this revenue erosion will continue into the future, thereby necessitating offsetting actions.

In addition, the voters have collected enough signatures to refer the individual and corporate tax increase measures to the ballot. These increases represent $733 million in income to the General Fund of the State. Thus, should these taxes be repealed, it means the State’s General Fund budget would be reduced by $733 million or 5.5 percent ($733.0/$13,392.9). Should this transpire, the Governor and the Legislature would be required to re-balance the 2009-2011 budget no later than June 30, 2011, based upon the newly revised state General Fund revenue assumptions. This re-balance would likely occur in the February 2010 Legislative Session as the
The magnitude of cuts is significant and agencies will need time to adapt their plans to these new realities, should this transpire.

The two requests are as follows:

1. The OUS has been requested to provide its carry-forward balances at June 30, 2009, and to estimate the same at June 30, 2011. All information will be reported at the consolidated Systemwide level by respective cash funds. The report as requested is attached in Attachment C. You will note that this report is yet incomplete, pending the June 30, 2011, projected balances pending this discussion.

2. The OUS has been requested to provide reduction options totaling 10 percent in two 5 percent increments. A calculation of these amounts by the four appropriations (Education and General (E&G), Agricultural Experiment Station (AES), Extension Service (ES) and Forest Research Laboratory (FRL)) is as follows:

```
<table>
<thead>
<tr>
<th>Analysis of OUS State General Fund and Federal ARRA Fund Budgets</th>
<th>2009-2011 Biennium</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OUS 2009-2011 Budget</strong></td>
<td><strong>General Funds</strong></td>
</tr>
<tr>
<td>Total LAB (GF + ARRA)</td>
<td>$820,904,893</td>
</tr>
<tr>
<td>Less: ARRA Funding</td>
<td>($69,361,591)</td>
</tr>
<tr>
<td>Total LAB Funding less ARRA Funds</td>
<td>$751,543,302</td>
</tr>
<tr>
<td>10% of State Appropriations</td>
<td>$75,154,330</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>10% AES</td>
<td>($5,792,733)</td>
</tr>
<tr>
<td>10% ES</td>
<td>($4,232,346)</td>
</tr>
<tr>
<td>10% FRL</td>
<td>($631,180)</td>
</tr>
<tr>
<td>E&amp;G Totals</td>
<td>$64,498,071</td>
</tr>
</tbody>
</table>
```

If OUS were to apply the $16.6 million in E&G funds held back for rewarding improvements in student success, as measured by retention improvements, graduation increases, etc., and enrollment settle-up, it would lower the remaining E&G cuts to $47.9 million or 7.61 percent of the total E&G budget. Campuses have been given their pro rata share of this amount and it is also portrayed in Attachment D. However, no decisions have been made to deal with these cuts on an across-the-board/pro rata basis. This is only provided to give campuses and Board members an indication of what a pro rata reduction would equate to by campus for planning purposes.

Again, the budget reduction option information will be provided in a Systemwide format, with the exception of the reductions to the AES, ES, and FRL, which, due to their nature as separate legislative appropriations, must be specifically identified.
This information is provided for discussion purposes only. Staff are seeking Board guidance on the principles or other parameters the Board would like to use in preparing this requested information.

The full text of the docket item is available at: http://www.ous.edu/state_board/meeting/dockets/ddoc091106FA.pdf.

COMMITTEE DISCUSSION:

Chair Schueler called upon Vice Chancellor Jay Kenton to guide the discussion. Dr. Kenton drew the Committee’s attention to the two letters included in the docket material and explained that, due to the economic uncertainty and continued erosion of state revenues and the possible defeat of the ballot measures, the legislature is appropriately planning contingencies for reductions in funding levels. They have asked for information pertaining to 2009 ending balances and for a projection of what balances will be as of June 30, 2011, and the anticipation that these carry-forward balances will be returned to the state. Director Van Vliet commented that the state’s requirement to collect all agencies balances in order to distribute the funds throughout the state is, in effect, penalizing agencies that are managing their budgets and rewarding agencies who mismanage. Vice Chancellor Kenton emphasized that the fund balances within the System are tuition and fee revenues and not General Fund. Director Fox stated that we have an argument for retaining those balances as they are Nonlimited Funds and he then emphasized that, if the state claims those funds, it will be on the “backs of students.”

The second request from LFO is to project a 10 percent reduction in funds (General Funds, Lottery Funds, and SWPS funding).

Kenton asked that the Committee provide guidance in responding to the two requests. He explained that OUS will submit the forecasted reduction (two 5 percent reductions) and a prioritized list of where the reductions will be applied. Director Van Vliet recommended that this exercise should be addressed by the full Board at the retreat; however, Kenton advised the information is due to LFO by November 13. Director Kelly stated that the reality is the information will not be available by the due date as these reductions need full Board review. Chair Schueler asked, once submitted to LFO, how binding will the submitted material be. Director Van Vliet recommended that a general response be provided to LFO explaining that, with enrollment increases, reduced funding, and the elimination of positions that support the enrollment, the full Board must analyze needed action and their recommendations will not be available until after the LFO due date.

When discussing enrollment, Director Van Vliet opined that capping enrollment may be necessary but advised against program reductions. Paul Siebert, LFO, noted that the state expects and requires a response to the letters by November 13. Chair Schueler suggested to Director Kelly that the reduction planning be included in the Board retreat agenda.
4. **ADJOURNMENT**

With no further business, Chair Schueler adjourned the meeting at 9:22 a.m.