



# Oregon State Board of Higher Education

Meeting of the  
Board Committee on  
Finance & Administration  
September 4, 2009

Amended 9/3/2009 1:23:12 PM



**OREGON STATE BOARD OF HIGHER EDUCATION  
COMMITTEE ON FINANCE AND ADMINISTRATION**

**SEPTEMBER 4, 2009**

**8:00-10:00 A.M.**

**AGENDA**

**1. CALL TO ORDER/ROLL CALL/WELCOME**

**2. ACTION ITEMS**

- a. OUS, Managerial Reporting – Quarterly Management Report (Green)..... 1  
To request Board acceptance of quarterly management reports dated 06/30/09 that monitor the financial activity of the OUS current unrestricted and auxiliary enterprises funds.
- b. OUS, Annual Report on Investments – Year Ended June 30, 2009 (Green) ..... 21  
The investment report for the fourth quarter of FY2009 is provided for approval.
- c. OUS, Internal Audit Division Charter (Snopkowski)..... 31  
The Finance and Administration Committee is tasked with reviewing and approving the Internal Audit Division (IAD) charter annually. The charter documents the duties and responsibilities of the IAD and outlines its service to the Chancellor, Board, and campus management and the IAD’s commitment to operate in accordance with the International Professional Practices Framework, promulgated by the Institute of Internal Auditors.
- d. Approval of the Approach to 2009-2011 Budget Allocation and the Proposed 2009-10 Annual Operating Budget Allocations (Kenton/Meara) ..... 35  
The proposed approach for the allocation of the Oregon University System 2009-2011 budget and the proposed OUS 2009-10 Annual Operating, Debt Service, and Capital Repair and Construction Budgets are summarized in this report for Board consideration and approval

**3. ADJOURNMENT**

## OUS, Managerial Reporting – Quarterly Management Report

Attached are the quarterly management reports as of June 30, 2009. After reviewing the reports received from each university and comparing prior year results, we noted the following:

**Education and General – Limited:** Systemwide, the adjusted budget anticipated an ending fund balance of \$105 million, a decrease of \$7 million from the prior year. The actual ending fund balance was \$80 million, which is \$32 million or 29 percent lower than the prior year. The June 30, 2009, fund balance of Education and General – Limited is within the Board-directed reserve level of 5-15 percent.

The Systemwide fund balance as a percentage of operating revenues decreased from 11 percent at the beginning of the year to 7.6 percent. From a year ago, the fund balance, as a percentage of revenues, decreased at all locations; –14.2 percent at EOU, –18.0 percent at OIT, –42.0 percent at OSU, –13.1 percent at PSU, –36.0 percent at SOU, –16.4 percent at the UO, –9.8 percent at WOU, and –46.8 percent at the Chancellor’s Office.

All institutions’, except for the UO, ending fund balances are within the recommended reserve level of 5-15 percent of operating revenue; WOU’s recommended range is 10-20 percent. The UO ending fund balance is 4.6 percent.

The State General Fund was \$101 million below adjusted budget. This shortfall was supplemented with the State Fiscal Stabilization Fund of \$56 million, resulting in a net \$45 million below adjusted budget or an 11 percent decrease.

Tuition and fee revenue of \$552 million was up 12 percent from one year ago and was 104 percent of the adjusted budget. With the exception of SOU, actual tuition and fee revenue was above the adjusted budget for all universities. Systemwide, tuition and fee revenue was above the adjusted budget, primarily due to higher than anticipated enrollment at all institutions with the exception of WOU. Other revenue was up 2 percent from the prior year and was 103 percent of adjusted budget. The increase over the adjusted budget was primarily due to higher than anticipated indirect cost recoveries and increased student fee revenue from increased enrollment.

Total expenses and transfers-out of \$1.1 billion were up 9 percent from the prior year and was 101 percent of the adjusted budget. Cost savings in supplies and services expenditures and transfers-out were offset by increased expenditures in personnel services and capital outlay.

Please refer to the explanatory notes on the institution and Chancellor’s Office reports for additional information.

**Auxiliary Enterprises:** Systemwide, Auxiliary Enterprises had total revenue of \$339 million or 8 percent above the prior year and 6 percent above the adjusted budget. The increase in revenue over the adjusted budget is primarily due to increased revenue in housing and dining

and bookstores as a result of increased enrollment. With \$339 million in revenue and \$343 million in expenditures and net fund deductions, Auxiliary Enterprises' unrestricted net assets decreased \$4 million or 6 percent over the prior year. Please refer to the explanatory notes on the institution and Chancellor's Office reports for additional information.

**Designated Operations, Service Departments, and Clearing Funds:** Systemwide, Designated Operations and Service Departments had total revenue of \$110 million or 1 percent above the prior year and 4 percent above the adjusted budget. The increase in revenue over the adjusted budget is primarily due to increased enrollment in designated operations. With \$110 million in revenue and \$106 million in expenditures and net fund additions, fund balance increased \$4 million or 12 percent over 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 recommends that the Committee accept the Quarterly Management Report for June 30, 2009. The next management reports for the first quarter ending September 30, 2009, are scheduled to be presented to the Committee in November 2009.

**(Committee action required.)**

Oregon University System  
Quarterly Management ReportAs of the Quarter Ended June 30, 2009  
For the Fiscal Year Ended June 30, 2009

<b>COMBINED OUS</b>	<b>Actual to Prior Year</b>			<b>Actual to Budget</b>			<b>Projection</b>
	<b>Prior Yr. Actual</b>	<b>YTD Actual</b>	<b>% chg Current/ Prior YTD</b>	<b>Adjusted Budget</b>	<b>Variance from Adj. Budget</b>	<b>Actual as a % of Budget</b>	<b>Chg since Prior Report</b>
<i>(in thousands of dollars except enrollment)</i>							
<b>EDUCATION &amp; GENERAL - LIMITED</b>							
State General Fund	400,204	324,257	-19%	424,966	(100,709)	76%	(176)
State Fiscal Stabilization Fund	0	55,635		0	55,635		(1)
Tuition & Resource Fees, net of Remissions	493,191	551,510	12%	530,527	20,983	104%	(1,695)
Other	117,903	120,671	2%	117,440	3,231	103%	2,940
Transfers In	4,745	4,726		3,549	1,177		365
<b>Total Revenues &amp; Transfers In</b>	<b>1,016,043</b>	<b>1,056,799</b>	<b>4%</b>	<b>1,076,482</b>	<b>(19,683)</b>	<b>98%</b>	<b>1,433</b>
Personnel Services	(779,241)	(858,750)	10%	(833,894)	(24,856)	103%	(253)
Supplies & Services	(174,985)	(189,974)	9%	(203,967)	13,993	93%	936
Capital Outlay	(23,033)	(21,378)	-7%	(17,477)	(3,901)	122%	(2,177)
Transfers Out	(28,731)	(21,490)		(28,107)	6,617		1,096
<b>Total Expenditures &amp; Transfers Out</b>	<b>(1,005,990)</b>	<b>(1,091,592)</b>	<b>9%</b>	<b>(1,083,445)</b>	<b>(8,147)</b>	<b>101%</b>	<b>(398)</b>
<b>Net from Operations and Transfers</b>	<b>10,053</b>	<b>(34,793)</b>		<b>(6,963)</b>	<b>(27,830)</b>		<b>1,035</b>
Fund Additions/Deductions	0	3,252		0	3,252		3,702
Change in Fund Balance	10,053	(31,541)		(6,963)	(24,578)		4,737
<b>Beginning Fund Balance</b>	<b>101,846</b>	<b>111,899</b>		<b>111,899</b>	<b>0</b>		<b>0</b>
<b>Ending Fund Balance</b>	<b>111,899</b>	<b>80,358</b>		<b>104,936</b>	<b>(24,578)</b>		<b>4,737</b>
<b>% Operating Revenues</b>	<b>11.0%</b>	<b>7.6%</b>		<b>9.7%</b>			
Student FTE Enrollment (YTD-Through Spring Term)	71,918	75,963	6%	73,603	2,360	103%	721
<b>AUXILIARY ENTERPRISES</b>							
Total Revenues	314,456	339,656	8%	320,407	19,249	106%	14,823
Expenditures & Net Transfers (Excl. Depr. Exp.)	(310,708)	(334,081)	8%	(308,624)	(25,457)	108%	(21,132)
<b>Net from Operations</b>	<b>3,748</b>	<b>5,575</b>		<b>11,783</b>	<b>(6,208)</b>		<b>(6,309)</b>
Additions/Deductions to Unrestricted Net Assets	(1,657)	(9,245)		(2,127)	(7,118)		(7,532)
Change in Unrestricted Net Assets	2,091	(3,670)		9,656	(13,326)		(13,841)
<b>Beginning Unrestricted Net Assets</b>	<b>61,043</b>	<b>63,134</b>		<b>63,134</b>	<b>0</b>		<b>0</b>
<b>Ending Unrestricted Net Assets</b>	<b>63,134</b>	<b>59,464</b>		<b>72,790</b>	<b>(13,326)</b>		<b>(13,841)</b>

OUS Continued:

<b>COMBINED OUS</b>	<u>Actual to Prior Year</u>			<u>Actual to Budget</u>			<u>Projection</u>
	<b>Prior Yr. Actual</b>	<b>YTD Actual</b>	<b>% chg Current/ Prior YTD</b>	<b>Adjusted Budget</b>	<b>Variance from Adj. Budget</b>	<b>Actual as a % of Budget</b>	<b>Chg since Prior Report</b>
<i>(in thousands of dollars except enrollment)</i>							
<b>DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS</b>							
Total Revenues	109,090	109,683	1%	105,327	4,356	104%	3,537
Expenditures & Net Transfers	<u>(104,379)</u>	<u>(105,708)</u>	1%	<u>(105,393)</u>	<u>(315)</u>	100%	<u>684</u>
<b>Net from Operations and Transfers</b>	4,711	3,975		(66)	4,041		4,221
Fund Additions/Deductions	<u>184</u>	<u>89</u>		<u>(780)</u>	<u>869</u>		<u>1,079</u>
Change in Fund Balance	4,895	4,064		(846)	4,910		5,300
<b>Beginning Fund Balance</b>	<u>28,081</u>	<u>32,976</u>		<u>32,976</u>	<u>0</u>		<u>0</u>
<b>Ending Fund Balance</b>	<u>32,976</u>	<u>37,040</u>		<u>32,130</u>	<u>4,910</u>		<u>5,300</u>

Oregon University System  
Quarterly Management ReportAs of the Quarter Ended June 30, 2009  
For the Fiscal Year Ended June 30, 2009

<b>EASTERN OREGON UNIVERSITY</b>	<b>Actual to Prior Year</b>			<b>Actual to Budget</b>			<b>Projection</b>	
	<b>Prior Yr.</b>	<b>YTD</b>	<b>% chg Current/ Prior YTD</b>	<b>Adjusted Budget</b>	<b>Variance from Adj. Budget</b>	<b>Actual as a % of Budget</b>	<b>Chg since Prior Report</b>	<b>Notes</b>
<i>(in thousands of dollars except enrollment)</i>								
<b>EDUCATION &amp; GENERAL - LIMITED</b>								
State General Fund	17,033	13,000	-24%	17,466	(4,466)	74%	(119)	
State Fiscal Stabilization Fund	0	2,834	n/a	0	2,834		111	
Tuition & Resource Fees, net of Remissions	12,535	13,475	7%	13,235	240	102%	235	(1)
Other	982	963	-2%	1,003	(40)	96%	0	
Transfers In	468	83		20	63		63	
<b>Total Revenues &amp; Transfers In</b>	<b>31,018</b>	<b>30,355</b>	<b>-2%</b>	<b>31,724</b>	<b>(1,369)</b>	<b>96%</b>	<b>290</b>	
Personnel Services	(24,665)	(25,978)	5%	(25,975)	(3)	100%	(303)	(2)
Supplies & Services	(4,061)	(3,940)	-3%	(5,498)	1,558	72%	460	(3)
Capital Outlay	(463)	(723)	56%	(625)	(98)	116%	(98)	(4)
Transfers Out	(27)	(53)		(120)	67		0	
<b>Total Expenditures &amp; Transfers Out</b>	<b>(29,216)</b>	<b>(30,694)</b>	<b>5%</b>	<b>(32,218)</b>	<b>1,524</b>	<b>95%</b>	<b>59</b>	
<b>Net from Operations and Transfers</b>	<b>1,802</b>	<b>(339)</b>		<b>(494)</b>	<b>155</b>		<b>349</b>	
Fund Additions/Deductions	0	0		0	0		0	
Change in Fund Balance	1,802	(339)		(494)	155		349	
<b>Beginning Fund Balance</b>	<b>592</b>	<b>2,394</b>		<b>2,394</b>	<b>0</b>		<b>0</b>	
<b>Ending Fund Balance</b>	<b>2,394</b>	<b>2,055</b>		<b>1,900</b>	<b>155</b>		<b>349</b>	
<b>% Operating Revenues</b>	<b>7.7%</b>	<b>6.8%</b>		<b>6.0%</b>				
Student FTE Enrollment (YTD-Through Spring Term)	2,435	2,550	5%	2,502	48	102%	48	
<b>AUXILIARY ENTERPRISES</b>								
Total Revenues	6,895	6,973	1%	6,966	7	100%	(60)	
Expenditures & Net Transfers (Excl. Depr. Exp.)	(6,658)	(6,782)	2%	(6,961)	179	97%	68	
<b>Net from Operations</b>	<b>237</b>	<b>191</b>		<b>5</b>	<b>186</b>		<b>8</b>	
Additions/Deductions to Unrestricted Net Assets	(19)	14		0	14		14	
Change in Unrestricted Net Assets	218	205		5	200		22	
<b>Beginning Unrestricted Net Assets</b>	<b>1,289</b>	<b>1,507</b>		<b>1,507</b>	<b>0</b>		<b>0</b>	
<b>Ending Unrestricted Net Assets</b>	<b>1,507</b>	<b>1,712</b>		<b>1,512</b>	<b>200</b>		<b>22</b>	

EOU Continued:

<i><b>EASTERN OREGON UNIVERSITY</b></i>	<u>Actual to Prior Year</u>			<u>Actual to Budget</u>			<u>Projection</u>	
	Prior Yr. Actual	YTD Actual	% chg Current/ Prior YTD	Adjusted Budget	Variance from Adj. Budget	Actual as a % of Budget	Chg since Prior Report	Notes
<i>(in thousands of dollars except enrollment)</i>								
<b>DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS</b>								
Total Revenues	801	726	-9%	825	(99)	88%	(84)	(5)
Expenditures & Net Transfers	(780)	(742)	-5%	(803)	61	92%	50	(6)
<b>Net from Operations and Transfers</b>	21	(16)		22	(38)		(34)	
Fund Additions/Deductions	0	20		0	20		20	
Change in Fund Balance	21	4		22	(18)		(14)	
<b>Beginning Fund Balance</b>	546	567		567	0		0	
<b>Ending Fund Balance</b>	567	571		589	(18)		(14)	

**NOTES AND ASSUMPTIONS:**

- (1) Higher than anticipated tuition & resource fees primarily due to an increase in online enrollment throughout the academic year.
- (2) Third quarter salary projections were understated due to a non-system encumbrance processing issue; the issue was immediately corrected .
- (3) Service & Supply expenses are significantly lower than projected due to lower than projected utility expense and severely restricted spending.
- (4) Higher than anticipated capital outlay primarily due to library books, strategic investment in capital equipment, and data center upgrade.
- (5) Lower revenue than originally projected due to restricted travel and reduced use of the motor pool.
- (6) Lower than projected spending in designated operations and service departments due to overall conservative spending.

Oregon University System  
Quarterly Management ReportAs of the Quarter Ended June 30, 2009  
For the Fiscal Year Ended June 30, 2009

<b>OREGON INSTITUTE OF TECHNOLOGY</b>	<b>Actual to Prior Year</b>			<b>Actual to Budget</b>			<b>Projection</b>	
	<b>Prior Yr. Actual</b>	<b>YTD Actual</b>	<b>% chg Current/ Prior YTD</b>	<b>Adjusted Budget</b>	<b>Variance from Adj. Budget</b>	<b>Actual as a % of Budget</b>	<b>Chg since Prior Report</b>	<b>Notes</b>
<i>(in thousands of dollars except enrollment)</i>								
<b>EDUCATION &amp; GENERAL - LIMITED</b>								
State General Fund	21,687	15,450	-29%	21,422	(5,972)	72%	(136)	
State Fiscal Stabilization Fund	0	3,496	n/a	0	3,496		137	
Tuition & Resource Fees, net of Remissions	12,093	13,760	14%	13,195	565	104%	(4)	
Other	1,336	1,792	34%	1,513	279	118%	279	(1)
Transfers In	251	168		136	32		24	(2)
<b>Total Revenues &amp; Transfers In</b>	<b>35,367</b>	<b>34,666</b>	<b>-2%</b>	<b>36,266</b>	<b>(1,600)</b>	<b>96%</b>	<b>300</b>	
Personnel Services	(26,776)	(28,281)	6%	(28,913)	632	98%	276	(3)
Supplies & Services	(5,209)	(5,640)	8%	(6,421)	781	88%	700	(4)
Capital Outlay	(1,670)	(472)	-72%	(698)	226	68%	28	(4)
Transfers Out	(396)	(1,175)		(714)	(461)		(1)	
<b>Total Expenditures &amp; Transfers Out</b>	<b>(34,051)</b>	<b>(35,568)</b>	<b>4%</b>	<b>(36,746)</b>	<b>1,178</b>	<b>97%</b>	<b>1,003</b>	
<b>Net from Operations and Transfers</b>	<b>1,316</b>	<b>(902)</b>		<b>(480)</b>	<b>(422)</b>		<b>1,303</b>	
Fund Additions/Deductions	0	0		0	0		0	
Change in Fund Balance	1,316	(902)		(480)	(422)		1,303	
<b>Beginning Fund Balance</b>	<b>3,688</b>	<b>5,004</b>		<b>5,004</b>	<b>0</b>		<b>0</b>	
<b>Ending Fund Balance</b>	<b>5,004</b>	<b>4,102</b>		<b>4,524</b>	<b>(422)</b>		<b>1,303</b>	
<b>% Operating Revenues</b>	<b>14.1%</b>	<b>11.8%</b>		<b>12.5%</b>				
Student FTE Enrollment (YTD-Through Spring Term)	2,350	2,490	6%	2,428	62	103%	1	
<b>AUXILIARY ENTERPRISES</b>								
Total Revenues	8,222	8,432	3%	7,741	691	109%	662	(5)
Expenditures & Net Transfers (Excl. Depr. Exp.)	(7,887)	(10,675)	35%	(7,862)	(2,813)	136%	(2,284)	(6)
<b>Net from Operations</b>	<b>335</b>	<b>(2,243)</b>		<b>(121)</b>	<b>(2,122)</b>		<b>(1,622)</b>	
Additions/Deductions to Unrestricted Net Assets	(22)	21		0	21		21	
Change in Unrestricted Net Assets	313	(2,222)		(121)	(2,101)		(1,601)	
<b>Beginning Unrestricted Net Assets</b>	<b>3,332</b>	<b>3,645</b>		<b>3,645</b>	<b>0</b>		<b>0</b>	
<b>Ending Unrestricted Net Assets</b>	<b>3,645</b>	<b>1,423</b>		<b>3,524</b>	<b>(2,101)</b>		<b>(1,601)</b>	

OIT Continued:

<b>OREGON INSTITUTE OF TECHNOLOGY</b>	<b>Actual to Prior Year</b>			<b>Actual to Budget</b>			<b>Projection</b>	
	<b>Prior Yr. Actual</b>	<b>YTD Actual</b>	<b>% chg Current/ Prior YTD</b>	<b>Adjusted Budget</b>	<b>Variance from Adj. Budget</b>	<b>Actual as a % of Budget</b>	<b>Chg since Prior Report</b>	<b>Notes</b>
<i>(in thousands of dollars except enrollment)</i>								
<b>DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS</b>								
Total Revenues	854	1,094	28%	990	104	111%	104	(7)
Expenditures & Net Transfers	(914)	(1,050)	15%	(990)	(60)	106%	(60)	(8)
<b>Net from Operations and Transfers</b>	(60)	44		0	44		44	
Fund Additions/Deductions	(18)	(17)		0	(17)		(17)	
Change in Fund Balance	(78)	27		0	27		27	
<b>Beginning Fund Balance</b>	685	607		607	0		0	
<b>Ending Fund Balance</b>	607	634		607	27		27	

**NOTES AND ASSUMPTIONS:**

- (1) Campus Affiliated Foundation In Kind Gift \$161,000, Dental Hygiene Clinic \$41,000, Project Lead the Way for Oregon \$78,000
- (2) Close out of Gifts, Grants, Contracts
- (3) Overloads and adjunct faculty not as high as anticipated plus continued layoffs and furlough reductions
- (4) Conservative spending in 4th quarter
- (5) Increased revenue: Housing
- (6) Housing expenses and debt service \$1.2 million, Bookstore expenses \$407,000, Geothermal Well drilling operations \$678,000
- (7) Revenue greater than anticipated in Print Center \$87,000, GIS Operations \$8,000, and various other operations \$9,000
- (8) Expense greater than anticipated in Print Center \$87,000; but not as much in Telephone Operations (\$27,000)

Oregon University System  
Quarterly Management ReportAs of the Quarter Ended June 30, 2009  
For the Fiscal Year Ended June 30, 2009

OREGON STATE UNIVERSITY	Actual to Prior Year			Actual to Budget			Projection	
	Prior Yr. Actual	YTD Actual	% chg Current/ Prior YTD	Adjusted Budget	Variance from Adj. Budget	Actual as a % of Budget	Chg since Prior Report	Notes
(in thousands of dollars except enrollment)								
<b>EDUCATION &amp; GENERAL - LIMITED</b>								
State General Fund	161,446	135,681	-16%	171,790	(36,109)	79%	(699)	
State Fiscal Stabilization Fund	0	17,837	n/a	0	17,837		698	
Tuition & Resource Fees, net of Remissions	127,380	135,884	7%	133,116	2,768	102%	(1,079)	(1)
Other	65,335	63,682	-3%	66,415	(2,733)	96%	1,488	(2)
Transfers In	1,616	1,181		1,595	(414)		(146)	
<b>Total Revenues &amp; Transfers In</b>	<b>355,777</b>	<b>354,265</b>	<b>0%</b>	<b>372,916</b>	<b>(18,651)</b>	<b>95%</b>	<b>262</b>	
Personnel Services	(262,047)	(288,200)	10%	(281,745)	(6,455)	102%	(1,381)	(3)
Supplies & Services	(65,144)	(73,202)	12%	(77,533)	4,331	94%	1,787	(4)
Capital Outlay	(5,665)	(6,552)	16%	(6,451)	(101)	102%	323	
Transfers Out	(5,566)	(6,419)		(9,672)	3,253		34	
<b>Total Expenditures &amp; Transfers Out</b>	<b>(338,422)</b>	<b>(374,373)</b>	<b>11%</b>	<b>(375,401)</b>	<b>1,028</b>	<b>100%</b>	<b>763</b>	
<b>Net from Operations and Transfers</b>	<b>17,355</b>	<b>(20,108)</b>		<b>(2,485)</b>	<b>(17,623)</b>		<b>1,025</b>	
Fund Additions/Deductions	0	(216)		0	(216)		234	
Change in Fund Balance	17,355	(20,324)		(2,485)	(17,839)		1,259	
<b>Beginning Fund Balance</b>	<b>31,010</b>	<b>48,365</b>		<b>48,365</b>	<b>0</b>		<b>0</b>	
<b>Ending Fund Balance</b>	<b>48,365</b>	<b>28,041</b>		<b>45,880</b>	<b>(17,839)</b>		<b>1,259</b>	
<b>% Operating Revenues</b>	<b>13.6%</b>	<b>7.9%</b>		<b>12.3%</b>				
Student FTE Enrollment (YTD-Through Spring Term)	18,962	19,536	3%	19,232	304	102%	208	
<b>AUXILIARY ENTERPRISES</b>								
Total Revenues	88,722	97,863	10%	90,885	6,978	108%	3,244	(5)
Expenditures & Net Transfers (Excl. Depr. Exp.)	(84,862)	(94,732)	12%	(85,222)	(9,510)	111%	(6,206)	(6)
<b>Net from Operations</b>	<b>3,860</b>	<b>3,131</b>		<b>5,663</b>	<b>(2,532)</b>		<b>(2,962)</b>	
Additions/Deductions to Unrestricted Net Assets	(3,804)	(1,770)		(1,630)	(140)		(140)	
Change in Unrestricted Net Assets	56	1,361		4,033	(2,672)		(3,102)	
<b>Beginning Unrestricted Net Assets</b>	<b>16,487</b>	<b>16,543</b>		<b>16,543</b>	<b>0</b>		<b>0</b>	
<b>Ending Unrestricted Net Assets</b>	<b>16,543</b>	<b>17,904</b>		<b>20,576</b>	<b>(2,672)</b>		<b>(3,102)</b>	

OSU Continued:

<b>OREGON STATE UNIVERSITY</b>	<b>Actual to Prior Year</b>			<b>Actual to Budget</b>			<b>Projection</b>	
	<b>Prior Yr. Actual</b>	<b>YTD Actual</b>	<b>% chg Current/ Prior YTD</b>	<b>Adjusted Budget</b>	<b>Variance from Adj. Budget</b>	<b>Actual as a % of Budget</b>	<b>Chg since Prior Report</b>	<b>Notes</b>
<i>(in thousands of dollars except enrollment)</i>								
<b>DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS</b>								
Total Revenues	41,320	40,368	-2%	39,116	1,252	103%	(254)	
Expenditures & Net Transfers	(39,215)	(39,896)	2%	(39,177)	(719)	102%	112	
<b>Net from Operations and Transfers</b>	<b>2,105</b>	<b>472</b>		<b>(61)</b>	<b>533</b>		<b>(142)</b>	
Fund Additions/Deductions	199	(325)		(480)	155		155	
Change in Fund Balance	2,304	147		(541)	688		13	
<b>Beginning Fund Balance</b>	<b>11,033</b>	<b>13,337</b>		<b>13,337</b>	<b>0</b>		<b>0</b>	
<b>Ending Fund Balance</b>	<b>13,337</b>	<b>13,484</b>		<b>12,796</b>	<b>688</b>		<b>13</b>	

**NOTES AND ASSUMPTIONS:**

- (1) New accounting method for Cascades partnership tuition not implemented as planned - \$600k
- (2) Statewides - federal revenues for AES were \$1.1 million higher due to the receipt of additional Hatch funds in June, 2009  
 AES Sales were \$0.5 million higher due to end of year cattle sales.  
 Extension received \$800,000 more in county appropriations than anticipated  
 E&G Other Revenue was \$700,000 lower than projected in third quarter
- (3) Compensated absence liability higher than expected by \$1 million
- (4) Utility costs were \$900,000 less than anticipated in the third quarter due partially to rate reductions in pressurized gases  
 New accounting method for Cascades partnership expense not implemented as planned - \$600,000
- (5) Athletic sales revenue was higher than anticipated due to revenue from camps - \$1.1 million, and other miscellaneous items totaling \$500,000.  
 Athletics Other Revenue higher than anticipated due to end of year receipt of PAC-10 miscellaneous income (\$479,000) and student Opportunity charges (\$225,000)  
 MU received revenue at year end of \$700,000 for ASOSU support for intramural programs
- (6) Athletics posted \$700,000 of increased expenses due to the revenue from camps and an additional \$4.9 million in expenses in the auxiliary fund rather than using gift funds.

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PORTLAND STATE UNIVERSITY	Actual to Prior Year			Actual to Budget			Projection	
	Prior Yr. Actual	YTD Actual	% chg Current/ Prior YTD	Adjusted Budget	Variance from Adj. Budget	Actual as a % of Budget	Chg since Prior Report	Notes
(in thousands of dollars except enrollment)								
<b>EDUCATION &amp; GENERAL - LIMITED</b>								
State General Fund	74,340	59,153	-20%	79,035	(19,882)	75%	(451)	
State Fiscal Stabilization Fund	0	12,570	n/a	0	12,570		492	
Tuition & Resource Fees, net of Remissions	125,917	142,476	13%	138,623	3,853	103%	(517)	(1)
Other	12,503	15,030	20%	13,730	1,300	109%	507	(2)
Transfers In	864	474		780	(306)		(165)	
<b>Total Revenues &amp; Transfers In</b>	<b>213,624</b>	<b>229,703</b>	<b>8%</b>	<b>232,168</b>	<b>(2,465)</b>	<b>99%</b>	<b>(134)</b>	
Personnel Services	(157,116)	(176,368)	12%	(165,547)	(10,821)	107%	259	(3)
Supplies & Services	(41,214)	(45,455)	10%	(51,844)	6,389	88%	2,330	(4)
Capital Outlay	(5,542)	(4,619)	-17%	(5,152)	533	90%	150	
Transfers Out	(11,448)	(6,506)		(10,989)	4,483		95	
<b>Total Expenditures &amp; Transfers Out</b>	<b>(215,320)</b>	<b>(232,948)</b>	<b>8%</b>	<b>(233,532)</b>	<b>584</b>	<b>100%</b>	<b>2,834</b>	
<b>Net from Operations and Transfers</b>	<b>(1,696)</b>	<b>(3,245)</b>		<b>(1,364)</b>	<b>(1,881)</b>		<b>2,700</b>	
Fund Additions/Deductions	0	0		0	0		0	
Change in Fund Balance	(1,696)	(3,245)		(1,364)	(1,881)		2,700	
<b>Beginning Fund Balance</b>	<b>26,486</b>	<b>24,790</b>		<b>24,790</b>	<b>0</b>		<b>0</b>	
<b>Ending Fund Balance</b>	<b>24,790</b>	<b>21,545</b>		<b>23,426</b>	<b>(1,881)</b>		<b>2,700</b>	
% Operating Revenues	11.6%	9.4%		10.1%				
Student FTE Enrollment (YTD-Through Spring Term)	19,213	20,764	8%	20,016	748	104%	206	
<b>AUXILIARY ENTERPRISES</b>								
Total Revenues	64,990	70,692	9%	71,436	(744)	99%	758	(5)
Expenditures & Net Transfers (Excl. Depr. Exp.)	(60,520)	(67,337)	11%	(65,626)	(1,711)	103%	(2,874)	(6)
<b>Net from Operations</b>	<b>4,470</b>	<b>3,355</b>		<b>5,810</b>	<b>(2,455)</b>		<b>(2,116)</b>	
Additions/Deductions to Unrestricted Net Assets	(851)	(719)		0	(719)		(719)	
Change in Unrestricted Net Assets	3,619	2,636		5,810	(3,174)		(2,835)	
<b>Beginning Unrestricted Net Assets</b>	<b>11,126</b>	<b>14,745</b>		<b>14,745</b>	<b>0</b>		<b>0</b>	
<b>Ending Unrestricted Net Assets</b>	<b>14,745</b>	<b>17,381</b>		<b>20,555</b>	<b>(3,174)</b>		<b>(2,835)</b>	

PSU Continued:

<i>PORTLAND STATE UNIVERSITY</i>	<u>Actual to Prior Year</u>			<u>Actual to Budget</u>			<u>Projection</u>	
	Prior Yr. Actual	YTD Actual	% chg Current/ Prior YTD	Adjusted Budget	Variance from Adj. Budget	Actual as a % of Budget	Chg since Prior Report	Notes
<i>(in thousands of dollars except enrollment)</i>								
<b>DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS</b>								
Total Revenues	14,344	14,501	1%	14,825	(324)	98%	239	(7)
Expenditures & Net Transfers	(13,734)	(13,488)	-2%	(14,801)	1,313	91%	1,759	(8)
<b>Net from Operations and Transfers</b>	610	1,013		24	989		1,998	
Fund Additions/Deductions	(112)	263		200	63		(37)	
Change in Fund Balance	498	1,276		224	1,052		1,961	
<b>Beginning Fund Balance</b>	3,427	3,925		3,925	0		0	
<b>Ending Fund Balance</b>	3,925	5,201		4,149	1,052		1,961	

**NOTES AND ASSUMPTIONS:**

- (1) Revenue for Continuing Education and English as a Second Language lower than projected.
- (2) Indirect cost recoveries and interest income exceeded forecast.
- (3) Reductions in student and temporary labor categories.
- (4) Reductions in departmental spending for supplies, minor equipment, and professional services.
- (5) Additional lottery proceeds and revenue from student incidental fees and parking.
- (6) Increase in operating and maintenance expenses; debt service.
- (7) One time Telecommunications revenue related to construction.
- (8) Reductions in service department and self support spending.

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<b>SOUTHERN OREGON UNIVERSITY</b>	<b>Actual to Prior Year</b>			<b>Actual to Budget</b>		<b>Projection</b>		<b>Notes</b>
	<b>Prior Yr. Actual</b>	<b>YTD Actual</b>	<b>% chg Current/ Prior YTD</b>	<b>Adjusted Budget</b>	<b>Variance from Adj. Budget</b>	<b>Actual as a % of Budget</b>	<b>Chg since Prior Report</b>	
<i>(in thousands of dollars except enrollment)</i>								
<b>EDUCATION &amp; GENERAL - LIMITED</b>								
State General Fund	18,794	13,679	-27%	18,729	(5,050)	73%	(120)	
State Fiscal Stabilization Fund	0	3,065	n/a	0	3,065		119	
Tuition & Resource Fees, net of Remissions	21,823	22,818	5%	23,676	(858)	96%	(22)	(1)
Other	2,436	2,500	3%	1,959	541	128%	(8)	
Transfers In	564	440		39	401		370	(2)
<b>Total Revenues &amp; Transfers In</b>	<b>43,617</b>	<b>42,502</b>	<b>-3%</b>	<b>44,403</b>	<b>(1,901)</b>	<b>96%</b>	<b>339</b>	
Personnel Services	(35,446)	(38,755)	9%	(38,124)	(631)	102%	(255)	(3)
Supplies & Services	(5,437)	(4,552)	-16%	(6,387)	1,835	71%	(152)	(4)
Capital Outlay	(695)	(315)	-55%	(619)	304	51%	55	
Transfers Out	(348)	(72)		0	(72)		0	
<b>Total Expenditures &amp; Transfers Out</b>	<b>(41,926)</b>	<b>(43,694)</b>	<b>4%</b>	<b>(45,130)</b>	<b>1,436</b>	<b>97%</b>	<b>(352)</b>	
<b>Net from Operations and Transfers</b>	<b>1,691</b>	<b>(1,192)</b>		<b>(727)</b>	<b>(465)</b>		<b>(13)</b>	
Fund Additions/Deductions	0	0		0	0		0	
Change in Fund Balance	1,691	(1,192)		(727)	(465)		(13)	
<b>Beginning Fund Balance</b>	<b>1,619</b>	<b>3,310</b>		<b>3,310</b>	<b>0</b>		<b>0</b>	
<b>Ending Fund Balance</b>	<b>3,310</b>	<b>2,118</b>		<b>2,583</b>	<b>(465)</b>		<b>(13)</b>	
<b>% Operating Revenues</b>	<b>7.6%</b>	<b>5.0%</b>		<b>5.8%</b>				
Student FTE Enrollment (YTD-Through Spring Term)	4,213	4,373	4%	4,241	132	103%	38	
<b>AUXILIARY ENTERPRISES</b>								
Total Revenues	20,345	20,905	3%	21,136	(231)	99%	114	(5)
Expenditures & Net Transfers (Excl. Depr. Exp.)	(20,155)	(21,035)	4%	(20,686)	(349)	102%	(422)	(6)
<b>Net from Operations</b>	<b>190</b>	<b>(130)</b>		<b>450</b>	<b>(580)</b>		<b>(308)</b>	
Additions/Deductions to Unrestricted Net Assets	(268)	(162)		(497)	335		(79)	
Change in Unrestricted Net Assets	(78)	(292)		(47)	(245)		(387)	
<b>Beginning Unrestricted Net Assets</b>	<b>2,681</b>	<b>2,603</b>		<b>2,603</b>	<b>0</b>		<b>0</b>	
<b>Ending Unrestricted Net Assets</b>	<b>2,603</b>	<b>2,311</b>		<b>2,556</b>	<b>(245)</b>		<b>(387)</b>	

SOU Continued:

<b>SOUTHERN OREGON UNIVERSITY</b>	<b>Actual to Prior Year</b>			<b>Actual to Budget</b>			<b>Projection</b>	
	<b>Prior Yr. Actual</b>	<b>YTD Actual</b>	<b>% chg Current/ Prior YTD</b>	<b>Adjusted Budget</b>	<b>Variance from Adj. Budget</b>	<b>Actual as a % of Budget</b>	<b>Chg since Prior Report</b>	<b>Notes</b>
<i>(in thousands of dollars except enrollment)</i>								
<b>DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS</b>								
Total Revenues	5,319	4,792	-10%	5,111	(319)	94%	(75)	(7)
Expenditures & Net Transfers	(5,221)	(4,870)	-7%	(5,183)	313	94%	162	(7)
<b>Net from Operations and Transfers</b>	98	(78)		(72)	(6)		87	
Fund Additions/Deductions	(12)	(53)		0	(53)		7	
Change in Fund Balance	86	(131)		(72)	(59)		94	
<b>Beginning Fund Balance</b>	1,166	1,252		1,252	0		0	
<b>Ending Fund Balance</b>	1,252	1,121		1,180	(59)		94	

**NOTES AND ASSUMPTIONS:**

- (1) Small increase in fee remissions over estimated amounts anticipated in the Spring term.
- (2) Return of some funds previously transferred to plant fund to enhance capital repair activities, and transfer of \$300,000 from Auxiliaries
- (3) Under estimation of OPE. As a percent of total direct payroll, OPE was running at an annual average of 50.15% through the end of the 3rd quarter. Typically, this rate remains relatively stable through the end of the year. This year, the cost of OPE rose over the 4th quarter to finish at a yearly average of 51.19% of total direct payroll costs. This would have been due to a change in the mix of employees qualifying for benefits.
- (4) Aggressive campus-wide efforts to cut costs generated substantial savings close to \$1 million. Despite the savings efforts, they were a little less than anticipated. At the time of the 3rd quarter report, there was some degree of uncertainty regarding how well the campus could respond cost cutting measures. In any regards, substantial savings were realized in many areas. Some examples include a reduction of about 24% in general supply purchases generating about \$400,000 in savings; reduction in fees & services, \$200,000; reduction in early healthcare requirements, \$160,000; travel, \$170,000.
- (5) Increase in housing conference activities going into the summer months.
- (6) \$300,000 tied to transfer out to General Fund. For the balance, about half was due to an over estimation of cost cutting measures being initiated Housing/Food Service areas. Housing operations engaged in an aggressive cost cutting plan. They were highly successful, but not able to get all aspects of the plan in place by the end of the year.
- (7) Partially the result of a reduction in the utilization of Service Centers. As the campus continues to strive towards cutting costs where possible. Additional costs saving tied to campus-wide cost saving efforts.

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<b>UNIVERSITY OF OREGON</b>	<b>Actual to Prior Year</b>			<b>Actual to Budget</b>			<b>Projection</b>	
	<b>Prior Yr.</b>	<b>YTD</b>	<b>% chg Current/ Prior YTD</b>	<b>Adjusted Budget</b>	<b>Variance from Adj. Budget</b>	<b>Actual as a % of Budget</b>	<b>Chg since Prior Report</b>	<b>Notes</b>
<i>(in thousands of dollars except enrollment)</i>								
<b>EDUCATION &amp; GENERAL - LIMITED</b>								
State General Fund	73,994	58,993	-20%	79,890	(20,897)	74%	(490)	
State Fiscal Stabilization Fund	0	12,539	n/a	0	12,539		490	
Tuition & Resource Fees, net of Remissions	170,907	197,626	16%	183,959	13,667	107%	(35)	
Other	29,579	30,699	4%	27,673	3,026	111%	621	(1)
Transfers In	734	2,345		763	1,582		278	(2)
<b>Total Revenues &amp; Transfers In</b>	<b>275,214</b>	<b>302,202</b>	<b>10%</b>	<b>292,285</b>	<b>9,917</b>	<b>103%</b>	<b>864</b>	
Personnel Services	(227,513)	(250,274)	10%	(242,184)	(8,090)	103%	1,485	(3)
Supplies & Services	(43,379)	(45,943)	6%	(43,772)	(2,171)	105%	(3,793)	(4), (6)
Capital Outlay	(8,005)	(7,661)	-4%	(3,156)	(4,505)	243%	(3,081)	(4)
Transfers Out	(7,776)	(4,506)		(4,928)	422		639	(5)
<b>Total Expenditures &amp; Transfers Out</b>	<b>(286,673)</b>	<b>(308,384)</b>	<b>8%</b>	<b>(294,040)</b>	<b>(14,344)</b>	<b>105%</b>	<b>(4,750)</b>	
<b>Net from Operations and Transfers</b>	<b>(11,459)</b>	<b>(6,182)</b>		<b>(1,755)</b>	<b>(4,427)</b>		<b>(3,886)</b>	
Fund Additions/Deductions	0	3,468		0	3,468		3,468	(4)
Change in Fund Balance	(11,459)	(2,714)		(1,755)	(959)		(418)	
<b>Beginning Fund Balance</b>	<b>28,037</b>	<b>16,578</b>		<b>16,578</b>	<b>0</b>		<b>0</b>	
<b>Ending Fund Balance</b>	<b>16,578</b>	<b>13,864</b>		<b>14,823</b>	<b>(959)</b>		<b>(418)</b>	
<b>% Operating Revenues</b>	<b>6.0%</b>	<b>4.6%</b>		<b>5.1%</b>				
Student FTE Enrollment (YTD-Through Spring Term)	20,361	21,679	6%	20,563	1,116	105%	224	
<b>AUXILIARY ENTERPRISES</b>								
Total Revenues	104,687	115,872	11%	103,450	12,422	112%	10,541	(7)
Expenditures & Net Transfers (Excl. Depr. Exp.)	(108,018)	(114,441)	6%	(103,450)	(10,991)	111%	(9,110)	(7)
<b>Net from Operations</b>	<b>(3,331)</b>	<b>1,431</b>		<b>0</b>	<b>1,431</b>		<b>1,431</b>	
Additions/Deductions to Unrestricted Net Assets	(2,938)	(6,766)		0	(6,766)		(6,766)	
Change in Unrestricted Net Assets	(6,269)	(5,335)		0	(5,335)		(5,335)	
<b>Beginning Unrestricted Net Assets</b>	<b>20,677</b>	<b>14,408</b>		<b>14,408</b>	<b>0</b>		<b>0</b>	
<b>Ending Unrestricted Net Assets</b>	<b>14,408</b>	<b>9,073</b>		<b>14,408</b>	<b>(5,335)</b>		<b>(5,335)</b>	

UO Continued:

<b>UNIVERSITY OF OREGON</b>	<b>Actual to Prior Year</b>			<b>Actual to Budget</b>			<b>Projection</b>	
	<b>Prior Yr. Actual</b>	<b>YTD Actual</b>	<b>% chg Current/ Prior YTD</b>	<b>Adjusted Budget</b>	<b>Variance from Adj. Budget</b>	<b>Actual as a % of Budget</b>	<b>Chg since Prior Report</b>	<b>Notes</b>
<i>(in thousands of dollars except enrollment)</i>								
<b>DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS</b>								
Total Revenues	43,178	45,179	5%	41,343	3,836	109%	3,836	(8)
Expenditures & Net Transfers	(40,900)	(42,795)	5%	(41,333)	(1,462)	104%	(1,252)	(8)
<b>Net from Operations and Transfers</b>	<b>2,278</b>	<b>2,384</b>		<b>10</b>	<b>2,374</b>		<b>2,584</b>	
Fund Additions/Deductions	(88)	364		(500)	864		864	
Change in Fund Balance	2,190	2,748		(490)	3,238		3,448	
<b>Beginning Fund Balance</b>	<b>9,811</b>	<b>12,001</b>		<b>12,001</b>	<b>0</b>		<b>0</b>	
<b>Ending Fund Balance</b>	<b>12,001</b>	<b>14,749</b>		<b>11,511</b>	<b>3,238</b>		<b>3,448</b>	

**NOTES AND ASSUMPTIONS:**

- (1) Increased student fee revenue due to student enrollment, and increased revenues from collections.
- (2) Increased revenue due to Bend Cascades settlement for prior 3 years (FY06-FY08).
- (3) Decrease in salaries/wages and related OPE due to not filling open positions.
- (4) Reallocation of Prior Year White Stag expenses to fund balance.
- (5) Projected debt service decreased for E & G as Auxiliary contributed to debt service on land purchased in part for the new Arena.
- (6) Increase in support for service centers (contributed capital) not anticipated in 3rd quarter projections.
- (7) Additional revenue and expenses related to student union, Athletics, White Stag auxiliary, and Health Center funds.
- (8) Increased revenue due to contributed capital in service centers not anticipated in 3rd quarter projections; and revenue and expenses increased due to enrollment surge in designated operations.

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<b>WESTERN OREGON UNIVERSITY</b>	<b>Actual to Prior Year</b>			<b>Actual to Budget</b>			<b>Projection</b>	<b>Notes</b>
	<b>Prior Yr.</b>	<b>YTD</b>	<b>% chg Current/ Prior YTD</b>	<b>Adjusted Budget</b>	<b>Variance from Adj. Budget</b>	<b>Actual as a % of Budget</b>	<b>Chg since Prior Report</b>	
<i>(in thousands of dollars except enrollment)</i>								
<b>EDUCATION &amp; GENERAL - LIMITED</b>								
State General Fund	19,113	15,834	-17%	20,409	(4,575)	78%	(130)	
State Fiscal Stabilization Fund	0	3,294	n/a	0	3,294		129	
Tuition & Resource Fees, net of Remissions	22,536	25,471	13%	24,723	748	103%	(273)	(1)
Other	2,793	2,938	5%	2,214	724	133%	69	
Transfers In	248	35		216	(181)		(59)	
<b>Total Revenues &amp; Transfers In</b>	<b>44,690</b>	<b>47,572</b>	<b>6%</b>	<b>47,562</b>	<b>10</b>	<b>100%</b>	<b>(264)</b>	
Personnel Services	(36,777)	(41,522)	13%	(41,701)	179	100%	(425)	(2)
Supplies & Services	(4,306)	(4,761)	11%	(4,783)	22	100%	119	(3)
Capital Outlay	(968)	(1,020)	5%	(776)	(244)	131%	445	(4)
Transfers Out	(382)	(938)		(85)	(853)		(4)	
<b>Total Expenditures &amp; Transfers Out</b>	<b>(42,433)</b>	<b>(48,241)</b>	<b>14%</b>	<b>(47,345)</b>	<b>(896)</b>	<b>102%</b>	<b>135</b>	
<b>Net from Operations and Transfers</b>	<b>2,257</b>	<b>(669)</b>		<b>217</b>	<b>(886)</b>		<b>(129)</b>	
Fund Additions/Deductions	0	0		0	0		0	
Change in Fund Balance	2,257	(669)		217	(886)		(129)	
<b>Beginning Fund Balance</b>	<b>4,593</b>	<b>6,850</b>		<b>6,850</b>	<b>0</b>		<b>0</b>	
<b>Ending Fund Balance</b>	<b>6,850</b>	<b>6,181</b>		<b>7,067</b>	<b>(886)</b>		<b>(129)</b>	
<b>% Operating Revenues</b>	<b>15.3%</b>	<b>13.0%</b>		<b>14.9%</b>				
Student FTE Enrollment (YTD-Through Spring Term)	4,384	4,571	4%	4,621	(50)	99%	(4)	
<b>AUXILIARY ENTERPRISES</b>								
Total Revenues	17,887	18,764	5%	18,638	126	101%	(436)	
Expenditures & Net Transfers (Excl. Depr. Exp.)	(17,661)	(19,079)	8%	(18,817)	(262)	101%	(304)	(5)
<b>Net from Operations</b>	<b>226</b>	<b>(315)</b>		<b>(179)</b>	<b>(136)</b>		<b>(740)</b>	
Additions/Deductions to Unrestricted Net Assets	(286)	138		0	138		138	
Change in Unrestricted Net Assets	(60)	(177)		(179)	2		(602)	
<b>Beginning Unrestricted Net Assets</b>	<b>5,206</b>	<b>5,146</b>		<b>5,146</b>	<b>0</b>		<b>0</b>	
<b>Ending Unrestricted Net Assets</b>	<b>5,146</b>	<b>4,969</b>		<b>4,967</b>	<b>2</b>		<b>(602)</b>	

WOU Continued:

<b>WESTERN OREGON UNIVERSITY</b>	<b>Actual to Prior Year</b>			<b>Actual to Budget</b>			<b>Projection</b>	<b>Notes</b>
	<b>Prior Yr. Actual</b>	<b>YTD Actual</b>	<b>% chg Current/ Prior YTD</b>	<b>Adjusted Budget</b>	<b>Variance from Adj. Budget</b>	<b>Actual as a % of Budget</b>	<b>Chg since Prior Report</b>	
<i>(in thousands of dollars except enrollment)</i>								
<b>DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS</b>								
Total Revenues	3,272	3,018	-8%	3,115	(97)	97%	(232)	(6)
Expenditures & Net Transfers	(3,615)	(2,867)	-21%	(3,106)	239	92%	(87)	
<b>Net from Operations and Transfers</b>	<b>(343)</b>	<b>151</b>		<b>9</b>	<b>142</b>		<b>(319)</b>	
Fund Additions/Deductions	215	(163)		0	(163)		87	
Change in Fund Balance	(128)	(12)		9	(21)		(232)	
<b>Beginning Fund Balance</b>	<b>1,361</b>	<b>1,233</b>		<b>1,233</b>	<b>0</b>		<b>0</b>	
<b>Ending Fund Balance</b>	<b>1,233</b>	<b>1,221</b>		<b>1,242</b>	<b>(21)</b>		<b>(232)</b>	

**NOTES AND ASSUMPTIONS:**

- (1) Approximately \$200,000 of additional financial assistance was provided to students whose awarded Oregon Opportunity Grants were decreased by the state due to decreases in grant program funding.
- (2) Compared to budget, considerable savings in personnel cost were realized during the '09 FY due to position vacancies not filled and realignment of positions; however, the amount of the savings were not as high as projected last quarter. Also, the vacation accrual at the end of FY '09 was almost \$200,000 higher than at the end of FY '08, in part due to approximately a dozen coaching positions converted to 12-month positions, from 9- and 10-month positions.
- (3) Expenditures for service and supplies were curtailed during the second half of the year and the fourth quarter, in particular. This was due to efforts in response to the deteriorating outlook of state appropriations.
- (4) In the first half of the year, WOU allocated additional resources to necessary capital expenditures on campus. As the magnitude of state funding decreases became apparent, control measures were put in place to limit spending. Certain Banner system upgrades were not purchased and implemented.
- (5) Reserves for doubtful accounts were increased for all auxiliary enterprises by \$271,000 in the fourth quarter. This adjustment was based on analysis performed at year-end closing and was not included in the projections for the full year.
- (6) Revenues were lower than projected mostly due to decreases in the Intensive English Program, and print shop and mailroom activity. Cost reduction pressures caused decreased use in print shop and mailroom.

Oregon University System  
Quarterly Management ReportAs of the Quarter Ended June 30, 2009  
For the Fiscal Year Ended June 30, 2009

CHANCELLOR'S OFFICE	Actual to Prior Year			Actual to Budget			Projection	
	Prior Yr.	YTD	% chg Current/ Prior YTD	Adjusted	Variance	Actual as	Chg since	Notes
(in thousands of dollars except enrollment)	Actual	Actual		Budget	from Adj. Budget	a % of Budget	Prior Report	
<b>EDUCATION &amp; GENERAL - LIMITED</b>								
State General Fund	13,797	12,467	-10%	16,225	(3,758)	77%	1,969	(1)
State Fiscal Stabilization Fund	0	0	n/a	0	0		(2,177)	(1)
Tuition & Resource Fees, net of Remissions	0	0	n/a	0	0	n/a	0	
Other	2,939	3,067	4%	2,933	134	105%	(16)	
Transfers In	0	0		0	0		0	
<b>Total Revenues &amp; Transfers In</b>	<b>16,736</b>	<b>15,534</b>	<b>-7%</b>	<b>19,158</b>	<b>(3,624)</b>	<b>81%</b>	<b>(224)</b>	
Personnel Services	(8,901)	(9,372)	5%	(9,705)	333	97%	91	(2)
Supplies & Services	(6,235)	(6,481)	4%	(7,729)	1,248	84%	(515)	(3)
Capital Outlay	(25)	(16)	-36%	0	(16)	n/a	1	
Transfers Out	(2,788)	(1,821)		(1,599)	(222)		333	(4)
<b>Total Expenditures &amp; Transfers Out</b>	<b>(17,949)</b>	<b>(17,690)</b>	<b>-1%</b>	<b>(19,033)</b>	<b>1,343</b>	<b>93%</b>	<b>(90)</b>	
<b>Net from Operations and Transfers</b>	<b>(1,213)</b>	<b>(2,156)</b>		<b>125</b>	<b>(2,281)</b>		<b>(314)</b>	
Fund Additions/Deductions	0	0		0	0		0	
Change in Fund Balance	(1,213)	(2,156)		125	(2,281)		(314)	
<b>Beginning Fund Balance</b>	<b>5,821</b>	<b>4,608</b>		<b>4,608</b>	<b>0</b>		<b>0</b>	
<b>Ending Fund Balance</b>	<b>4,608</b>	<b>2,452</b>		<b>4,733</b>	<b>(2,281)</b>		<b>(314)</b>	
<b>% Operating Revenues</b>	<b>27.5%</b>	<b>15.8%</b>		<b>24.7%</b>				
Student FTE Enrollment (YTD-Through Spring Term)	0	0	n/a	0	0		0	
<b>AUXILIARY ENTERPRISES</b>								
Total Revenues	2,708	155	-94%	155	0	100%	0	
Expenditures & Net Transfers (Excl. Depr. Exp.)	(4,947)	0	-100%	0	0	0%	0	
<b>Net from Operations</b>	<b>(2,239)</b>	<b>155</b>		<b>155</b>	<b>0</b>		<b>0</b>	
Additions/Deductions to Unrestricted Net Assets	6,531	(1)		0	(1)		(1)	
Change in Unrestricted Net Assets	4,292	154		155	(1)		(1)	
<b>Beginning Unrestricted Net Assets</b>	<b>245</b>	<b>4,537</b>		<b>4,537</b>	<b>0</b>		<b>0</b>	
<b>Ending Unrestricted Net Assets</b>	<b>4,537</b>	<b>4,691</b>		<b>4,692</b>	<b>(1)</b>		<b>(1)</b>	

CO Continued:

<b>CHANCELLOR'S OFFICE</b>	<b>Actual to Prior Year</b>			<b>Actual to Budget</b>			<b>Projection</b>	
	<b>Prior Yr.</b>	<b>YTD</b>	<b>% chg Current/ Prior YTD</b>	<b>Adjusted Budget</b>	<b>Variance from Adj. Budget</b>	<b>Actual as a % of Budget</b>	<b>Chg since Prior Report</b>	<b>Notes</b>
(in thousands of dollars except enrollment)	<b>Actual</b>	<b>Actual</b>	<b>YTD</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>		
<b>DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS</b>								
Total Revenues	2	5		2	3	250%	3	
Expenditures & Net Transfers	0	0		0	0	n/a	0	
<b>Net from Operations and Transfers</b>	<b>2</b>	<b>5</b>		<b>2</b>	<b>3</b>		<b>3</b>	
Fund Additions/Deductions	0	0		0	0		0	
Change in Fund Balance	2	5		2	3		3	
<b>Beginning Fund Balance</b>	<b>52</b>	<b>54</b>		<b>54</b>	<b>0</b>		<b>0</b>	
<b>Ending Fund Balance</b>	<b>54</b>	<b>59</b>		<b>56</b>	<b>3</b>		<b>3</b>	

**NOTES AND ASSUMPTIONS:**

- (1) CO received no State Fiscal Stabilization Funds; Revenue was recorded as State General Fund instead.
- (2) Decreased Personnel Services results from lower compensated absence liability than projected.
- (3) Increased S&S expenses primarily due to increased consulting and legal expenses for several projects within the CO.
- (4) Decreased Transfers Out primarily due to timing of OMI payments to campuses (to occur in FY10), and a delayed funding for several projects, pending more information.

## OUS, Annual Report on Investments – Year Ended June 30, 2009

The System's annual report on investments was prepared by the Chancellor's Office pursuant to Internal Management Directive 6.130. The report consists of the following:

### General Narrative and Analysis of Performance (Below):

Below is a summary discussion of performance, significant events and policy compliance for the fiscal year.

### Investment Funds – Annual Reconciliation (Pages 25 & 26):

These pages display a reconciliation of the activity for the fiscal year within each investment fund of OUS, including beginning and ending market values, transactions for the fiscal year, and the annual return for each fund.

### Pooled Endowment Fund – Performance Comparisons (Pages 27 & 28):

These pages show performance comparisons for the Pooled Endowment Fund (Fund), including the annual investment returns compared against respective benchmarks, ending market values, and the ending asset allocation compared to the allocation ranges set forth in policy.

### Pooled Endowment Fund - Investment Policy Compliance Review (Page 29):

Oregon State Treasury Policy 4.10.01 (Policy) for the Oregon State Board of Higher Education Pooled Endowment Fund establishes specific criteria for monitoring performance of Fund managers. This page shows each criterion and states whether the manager/fund is in compliance with the relevant policy standard.

As of June 30, 2009, total OUS investments had a combined market value of approximately \$550 million, summarized as follows:

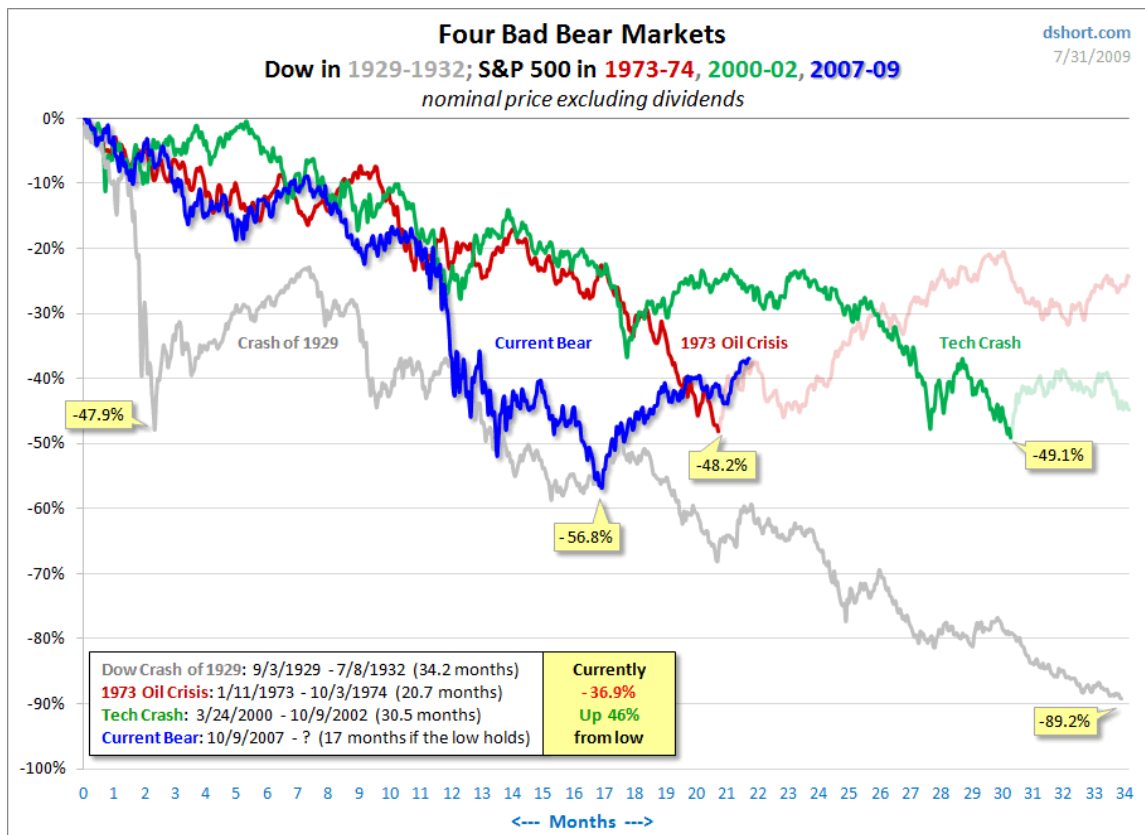
Fund	Market Value June 30, 2009
Endowment Fund (both pooled and separately invested)	\$ 53,605,702
Donation Fund	67,500,929
Bond Building Fund	300,519,202
Bond Sinking Fund	92,619,621
Auxiliary Enterprise Building Repair and Equipment Replacement Reserves	35,841,179
Total	\$550,086,633

Higher Education Pooled Endowment Fund – Oregon State Treasury Investment Update for the Quarter and Year Ended June 30, 2009:

The last half of fiscal 2009 has been a tale of two markets—one bad and one good. Below is a summary of the quarterly returns (fiscal year basis) for several market indices:

	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Russell 3000 Index	-10.80%	16.82%
Russell 2500 Index	-11.43%	20.27%
MSCI ACWI Ex US Net	-10.71%	27.59%
MSCI Emerging Markets Net	1.19%	36.47%
BC Aggregate Index	0.12%	1.78%

The global economic crisis has been well chronicled by the major media and the depths of the decline are dramatic by virtually every measure. The national unemployment rate reached 9.5 percent in June; the highest level since 1983. Economic fundamentals continued to look bleak as GDP was reported down 5.7 percent annualized for the first quarter and industrial production fell for both April and May. The following chart captures well the historical level of the current market collapse:



However, the recent rebound in equities provides hope that the stock market, as a leading indicator of economic growth, is showing that global economies are on the road to recovery.

Against this background, the active managers in the HIED portfolio have performed quite well over the past 12 months. Three of the four active equity managers outperformed their respective indices over the last year, with the exception of Alliance Bernstein. Even so, Alliance Bernstein had a positive last six months returning 7.73 percent year-to-date, versus 6.35 percent for their MSCI World Net benchmark. In the fixed income area, the depths of Western's underperformance have been discussed many times in the past. As hoped for, their turnaround has been equally dramatic; year-to-date Western has posted a total return of 9.69 percent, exceeding the BC Aggregate Index by 779 basis points. In the fourth quarter alone, Western's return was nearly 11 percent.

The Office of the State Treasurer (OST) and the Oregon Investment Council (OIC) continually evaluate the managers used in the portfolio for changes in management, style, or process. As of now, no changes in the manager line-up are imminent. Within the alternative equity portfolio, the two fund-of-funds previously managed by HRJ Capital have been transitioned to Capital Dynamics, as a result of HRJ's financial difficulties that have been reported over the past several months in the financial press. While the buy-out and real estate portfolios underlying these portfolios will certainly be challenged to perform going forward due to the depths of the global market decline, OST staff are confident in the management of Capital Dynamics to provide the back office support the portfolios need at this stage of the investment cycle.

While the recent performance turnaround has been rewarding, the overall return of the portfolio for the one-year period ended June 30, 2009, was negative 14.7 percent. Nevertheless, this performance was still 4.1 percent better than the Fund's policy benchmark, which lost 18.8 percent over the last twelve months. More importantly, over the five years ended June 30, 2009, the Fund has exceeded the policy benchmark by 57 basis points.

*Other Investments:*

Other funds available for investment were invested in the Oregon State Treasury Short-Term Fund during FY 2009 and earned an average return of 2.1 percent. Additionally, during the fiscal year, a \$5.8 million US Treasury State and Local Government (SLG) security was purchased for the 2004B XI-F(1) sinking fund in order to yield-restrict earnings on those funds prior to calling the refunded bonds to comply with IRS arbitrage requirements. This investment was still outstanding at June 30, 2009. A \$2.7 million SLG was purchased for the 2002A XI-F(1) bond sinking fund to yield restrict earnings on an internal defeasance of debt for the UO portion of the consolidated dormitory debt pool, again to comply with IRS arbitrage requirements. This SLG was redeemed in June 2009. A \$173.2 million guaranteed investment contract (GIC) was entered into with the proceeds for the 2008A XI-F(1) bond proceeds to maximize earnings during the construction period for the UO Arena. Due to market conditions, the GIC was terminated and the initial investment was returned along with the related earnings.

*Investment Policy Compliance Review:*

The investment policy compliance review on pages 29-30 of the report measures performance over a market cycle, which is defined in the Policy as an investment period lasting three to five years. For this reason, the compliance criteria are measured on both a three and five year period. The compliance review indicates that in several categories at June 30, 2009, where measurements were available, the Fund failed to comply with the minimum performance criteria set in the investment policy. As noted above, the OIC and Treasury are not recommending any changes in the manager lineup at this time.

*Underwater Endowments:*

Since October 2007, OUS has seen declines in the market values of the Pooled Endowment Fund. Correspondingly, on a monthly basis, OUS is monitoring individual endowments to determine if any are “underwater”; meaning that market value is less than book value. For “underwater” funds, endowment earnings distributions are suspended and held in a quasi-endowment fund pending the return of the market value of the individual endowment to an “above water” status. At that time, the endowment earnings are released for expenditure.

*Separately Invested Endowments – Implementation of GASB 52:*

Historically, land and other real estate held for investment purposes were recorded at cost. However, during fiscal year 2009, GASB 52 (General Accounting Standards Board Statement No. 52) was implemented, which requires that land and other real estate held as investments by endowments be reported at fair market value. As a result, the Separately Invested Endowments value declined based on physical appraisals of land and other real estate held in the endowment that were completed during the fiscal year.

*Staff Recommendation to the Committee:*

Staff recommends that the Committee accept the 2009 Annual Report on Investments.

**(Committee action required.)**

## Executive Summary

As of June 30, 2009

## Investment Funds -- Annual Reconciliation

	Beg. Balance July 1, 2008	Additions/ Contributions	Disbursements/ Distributions	Purchases	Sales	Appreciation (Depreciation)	Income	Investment Fees	Ending Balance June 30, 2009	Annual Return
<b>Endowment Funds</b>										
<b>Pooled Investments:</b>										
BGI S&P 500 Index	\$ 11,612,529	\$ -	\$ -	\$ 500,277	\$ (400,000)	\$ (3,027,280)	\$ -	\$ (4,551)	\$ 8,680,975	-25.7%
Wanger Acorn	2,831,155	-	-	-	-	(731,271)	-	-	2,099,884	-26.4%
Arrowstreet Capital, L.P.	10,944,811	-	-	1,500,000	(350,000)	(2,053,951)	-	(32,073)	10,008,787	-21.3%
Genesis Asset Management	2,745,879	-	-	500,000	-	(462,211)	-	-	2,783,668	-23.7%
Alliance Bernstein Global	10,704,148	-	-	1,500,000	-	(4,182,497)	-	(35,142)	7,986,509	-39.2%
Western Asset Core Plus Bond Fund	20,850,429	-	-	-	(7,000,000)	182,896	-	(74,652)	13,958,673	3.0%
HRJ Growth Capital II, L.P.	3,746,650	-	-	283,812	-	(1,271,342)	-	-	2,759,120	1 N/A
HRJ Global Real Estate III, L.P.	2,592,881	-	-	717,108	-	(1,524,698)	-	-	1,785,291	2 N/A
JP Morgan Venture Capital IV, L.L.C.	-	-	-	282,108	-	-	-	-	282,108	3 N/A
Other	15,098	-	-	-	(9,180)	5,367	-	-	11,285	4 N/A
<b>Total Pooled Investments</b>	<b>66,043,580</b>	<b>-</b>	<b>-</b>	<b>5,283,305</b>	<b>(7,759,180)</b>	<b>(13,064,987)</b>	<b>-</b>	<b>(146,418)</b>	<b>50,356,300</b>	
<b>Cash Invested in State Treasury's</b>										
Oregon Short-Term Fund	1,090,051	8,009,960	(8,005,224)	-	-	-	23,734	(77,322) 5	1,041,199	2.1% 6
Pooled Endowment Payables	-	-	-	-	-	-	-	(8,750) 5	(8,750)	
<b>Total Pooled Endowment Fund</b>	<b>67,133,631</b>	<b>8,009,960</b>	<b>(8,005,224) 7</b>	<b>5,283,305</b>	<b>(7,759,180)</b>	<b>(13,064,987)</b>	<b>23,734</b>	<b>(232,490)</b>	<b>51,388,749</b>	<b>-14.7%</b>
Separately Invested Endowment Funds	3,260,762	-	(2,216)	-	-	(1,043,809) 8	2,216	-	2,216,953	
<b>Total Endowment Fund</b>	<b>70,394,393</b>	<b>8,009,960</b>	<b>(8,007,440)</b>	<b>5,283,305</b>	<b>(7,759,180)</b>	<b>(14,108,796)</b>	<b>25,950</b>	<b>(232,490)</b>	<b>53,605,702</b>	
<b>Other Funds:</b>										
Donation Fund Cash	69,400,689	140,567,331	(144,499,706)	-	-	-	2,047,603	(14,988)	67,500,929	2.1% 6
Bond Building Fund Cash	271,364,572	172,945,922	(149,037,644)	-	-	-	5,247,903	(1,551)	300,519,202	2.1% 6
Bond Sinking Fund Cash	92,062,292	80,959,415	(87,403,982)	-	-	-	1,171,195	-	86,788,920	2.1% 6
Bond Building Fund Investments	-	-	-	173,171,000	(173,171,000)					
Bond Sinking Fund Investments	-	-	-	8,520,979	(2,690,278)				5,830,701	
<b>Auxiliary Enterprise Building Repair and</b>										
Equipment Replacement Reserves Cash	34,078,616	5,084,443	(4,016,766)	-	-	-	695,903	(1,017)	35,841,179	2.1% 6
<b>Total All Funds</b>	<b>\$ 537,300,562</b>	<b>\$ 407,567,071</b>	<b>\$ (392,965,538)</b>	<b>\$ 186,975,284</b>	<b>\$ (183,620,458)</b>	<b>\$ (14,108,796)</b>	<b>\$ 9,188,554</b>	<b>\$ (250,046)</b>	<b>\$ 550,086,633</b>	

## Executive Summary

As of June 30, 2009

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### Investment Funds -- Annual Reconciliation

#### Footnotes

- 1 Value based on equity method of accounting as of December 31, 2008.
  - 2 Value based on equity method of accounting as of December 31, 2008 plus additional capital contributions through June 30, 2009 at cost basis.
  - 3 Value based on capital contributions through June 30, 2009 at cost basis.
  - 4 Residual assets held in transition accounts. OUS is waiting for the final disposition of these funds.
  - 5 Includes investment fees paid to alternative investment managers HRJ and JP Morgan.
  - 6 Funds held in the State Treasury Short Term Fund. Reported returns reflect earnings credited to OUS rather than the actual earnings rate of the State Treasury Short-Term Fund.
  - 7 The Pooled Endowment fund distributed \$2,701,947 to the institutions for spending in fiscal year 2009, with \$41,906 reinvested in quasi-endowment funds related to "underwater" true endowments. Campuses also withdrew \$1,419 in quasi-endowments from the Pooled Endowment Fund for endowment funds coming back "above water."
  - 8 Separately Invested Endowments declined in value due to adjustments to market in compliance with GASB 52. Adjustment amount was based on physical appraisals completed during the fiscal year.
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Oregon University System 2009 Investment Report

## Executive Summary

As of June 30, 2009

### Pooled Endowment Fund - Performance Comparisons

(Net of Fees)

	Quarter	Fiscal Year Performance				Market Value	Actual Asset Allocation	Policy Allocation Range <sup>2</sup>
	Ended 6-30-09	6-30-09	6-30-08	3 Yr Avg	5 Yr Avg			
<b>Total Pooled Endowment Fund</b>								
OUS Total Endowment	16.8%	-14.7%	-10.8%	-4.0%	1.6%			
Target Allocation Policy Benchmark <sup>1</sup>	12.6%	-18.8%	-5.7%	-3.5%	1.0%			
<b>U.S. Equity Investments</b>								
BGI S&P 500 Index	16.0%	-25.7%	N/A	N/A	N/A	\$ 8,680,975	16.9%	
<i>Benchmark</i> - S&P 500 Stock Index	15.9%	-26.2%	N/A	N/A	N/A			
Wanger Acorn	20.9%	-26.4%	N/A	N/A	N/A	2,099,884	4.1%	
<i>Benchmark</i> - Russell 2500 Index	20.3%	-26.7%	N/A	N/A	N/A			
Total U.S. Equity Investments	16.9%	-25.8%	-14.8%	-9.4%	-2.0%	10,780,859	21.0% <sup>3</sup>	25%-35%
<i>Benchmark</i> - Russell 3000 Index	16.8%	-26.6%	-12.7%	-8.4%	-1.8%			
<b>International Equity Investments</b>								
Arrowstreet Capital, L.P.	33.8%	-21.3%	-12.7%	-3.5%	N/A	10,008,787	19.5%	
<i>Benchmark</i> - MSCI World Ex US IMI Net	26.7%	-31.4%	-8.5%	-7.1%	N/A			
Genesis Asset Management	42.7%	-23.7%	N/A	N/A	N/A	2,783,668	5.4%	
<i>Benchmark</i> - MSCI Emerging Markets IMI Net	36.5%	-26.8%	N/A	N/A	N/A			
Total International Equity Investments	35.7%	-21.6%	-12.8%	-3.6%	N/A	12,792,455	24.9% <sup>3</sup>	25%-35%
<i>Benchmark</i> - MSCI ACWI EX US Net	27.6%	-30.9%	-6.6%	-5.8%	N/A			
<b>Global Equity Investments</b>								
Alliance Bernstein Global	21.6%	-39.2%	N/A	N/A	N/A	7,986,509	15.5% <sup>3</sup>	
<i>Benchmark</i> - MSCI World Net	20.8%	-29.5%	N/A	N/A	N/A			
<b>Fixed Income Investments</b>								
Western Asset Core Plus Bond Fund	10.9%	3.0%	-1.5%	2.8%	3.4%	13,958,673	27.2%	25%-35%
<i>Benchmark</i> - BC Aggregate Index	1.8%	6.1%	7.1%	6.4%	5.0%			

## Executive Summary

As of June 30, 2009

### Pooled Endowment Fund - Performance Comparisons

(Net of Fees)

	Quarter Ended 6-30-09	Fiscal Year Performance					Market Value	Actual Asset Allocation	Policy Allocation Range
		6-30-09	6-30-08	3 Yr Avg	5 Yr Avg				
<b>Alternative Investments</b>									
HRJ Growth Capital II, L.P.						2,759,120	4	5.4%	
HRJ Global Real Estate III, L.P.						1,785,291	5	3.5%	
JP Morgan Venture Capital IV, L.L.C.						282,108	6	0.5%	
<b>Total Alternative Investments</b>	<b>7</b>	-0.2%	5.3%			<b>4,826,519</b>		<b>9.4%</b>	<b>0%-10%</b>
<i>Benchmark</i> - Russell 3000 + 300bps Qtr Lag		-9.3%	-33.7%						
<b>Other</b>									
Cash	<b>9</b>	0.3%	2.1%	4.5%	3.9%	3.6%	1,041,199	2.0%	0%-3%
<i>Benchmark</i> - 91 day T-Bill		0.1%	1.0%	3.6%	3.3%	3.2%			
<b>Pooled Endowment Payables</b>						(8,750)		0.0%	
<b>Total Pooled Endowment Fund</b>						<b>\$51,388,749</b>		<b>100.0%</b>	

**1** Notes on Policy Benchmark:

From January 2000 through July 2006 the policy benchmark was 5% 91 Day TBill, 10.5% MSCI EAFE, 59.5% Russell 3000, and 25% BC AGG.

From August 2006 to April 2008 the policy benchmark was 42% Russell 3000, 28% MSCI World Ex US, and 30% BC AGG.

From May 2008 to current the policy benchmark is 30% Russell 3000, 30% MSCI ACWI Ex US Net, 10% Russell 3000 +300 bps, and 30% BC AGG.

**2** Per Oregon State Treasury Policy 4.10.01.

**3** Alliance Bernstein invests in both U.S. and non-U.S. equities. As of June 30, 2009, it is broken out 43.5% U.S. and 56.5% non-U.S. When this investment is prorated between these two categories, the total investment balance for each fall within their corresponding policy allocation ranges.

**4** Value based on equity method of accounting as of December 31, 2008.

**5** Value based on equity method of accounting as of December 31, 2008, plus additional capital contributions through June 30, 2009, at cost basis.

**6** Value based on capital contributions through June 30, 2009 at cost basis.

**7** Returns on Alternative Investments are reported with a significant timing lag. The Alternative Investments values shown actually represent a substantially greater loss than the quarter and fiscal year returns shown. Due to the timing lag issues, the returns reported in FY10 will reflect losses reported during FY09.

**8** Residual assets held in transition accounts. OUS is waiting for the final disposition of these funds.

**9** Funds held in the State Treasury Short Term Fund. Reported returns reflect earnings credited to OUS rather than the actual earnings rate of the State Treasury's Short-Term Fund.

Note: Outlined returns underperformed their benchmark.

## Oregon University System 2009 Investment Report

**Executive Summary**

As of June 30, 2009

**Investment Policy Compliance Review**

Investment Policy Guidelines—Policy 4.10.01, Exhibit A	Perf. Comp.	Manager Perf.	Index Perf.	Variance	Rank Comp.	Rank
<b>Total Fund</b>						
<b>Composite - Total Fund</b>						
During a 3-year time period, exceed the return of the Policy Benchmark by 0.50 percent. Exceed the median fund rank in a universe of other endowments.	N	-4.02%	-3.54%	-0.48%	N	87
During a 5-year time period, exceed the return of the Policy Benchmark by 0.50 percent. Exceed the median fund rank in a universe of other endowments.	Y	1.60%	1.03%	0.57%	N	62
During a 3-year time period, exceed the level of inflation by 5.0 percent or more as measured by the Consumer Price Index.	N	-4.02%	2.07%	-6.09%		
During a 5-year time period, exceed the level of inflation by 5.0 percent or more as measured by the Consumer Price Index.	N	1.60%	2.60%	-1.00%		
<b>U.S. Equities - Large Capitalization</b>						
<b>BGI S&amp;P 500 Index</b>						
Match the return of the S&P 500 Index on a quarterly basis (one-year performance shown)	Y	-25.65%	-26.22%	0.57%		
<b>U.S. Equities - Small/Mid Capitalization</b>						
<b>Wanger Acorn</b>						
During a 3-year time period, exceed the return of the Russell 2500 by 1.0 percent.	N/A	N/A	-9.31%	N/A		
During a 5-year time period, exceed the return of the Russell 2500 by 1.0 percent.	N/A	N/A	-0.93%	N/A		
<b>Non-U.S. &amp; Global Equities</b>						
<b>Arrowstreet Capital</b>						
During a 3-year time period, exceed the return of the MSCI World Ex US IMI Net Index by 1.0 percent.	Y	-3.45%	-7.14%	3.69%		
During a 5-year time period, exceed the return of the MSCI World Ex US IMI Net Index by 1.0 percent.	N/A	N/A	2.98%	N/A		
<b>Genesis Asset Management</b>						
During a 3-year time period, exceed the return of the MSCI Emerging Markets IMI Net Index by 1.5 percent.	N/A	N/A	3.37%	N/A		
During a 5-year time period, exceed the return of the MSCI Emerging Markets IMI Net Index by 1.5 percent.	N/A	N/A	14.77%	N/A		
<b>Alliance Bernstein Global Style Blend</b>						
During a 3-year time period, exceed the return of the MSCI World Net Index by 1.0 percent.	N/A	N/A	-8.02%	N/A		
During a 5-year time period, exceed the return of the MSCI World Net Index by 1.0 percent.	N/A	N/A	0.03%	N/A		

**Executive Summary**

As of June 30, 2009

**Investment Policy Compliance Review**

Investment Policy Guidelines—Policy 4.10.01, Exhibit A	Perf. Comp.	Manager Perf.	Index Perf.	Variance	Rank Comp.	Rank
<b>Fixed Income</b>						
<b>Western Asset Core Plus Fund</b>						
During a 3-year time period, exceed the return of the Barclays Capital Aggregate Bond Index by 0.5 percent.	N	2.77%	6.43%	-3.66%		
During a 5-year time period, exceed the return of the Barclays Capital Aggregate Bond Index by 0.5 percent.	N	3.39%	5.01%	-1.62%		

Performance shown is net of fees.

Notes on Policy Benchmark:

From January 2000 through July 2006 the policy benchmark was 5% 91 Day TBill, 10.5% MSCI EAFE, 59.5% Russell 3000, and 25% BC AGG.

From August 2006 to April 2008 the policy benchmark was 42% Russell 3000, 28% MSCI World Ex US, and 30% BC AGG.

From May 2008 to current the policy benchmark is 30% Russell 3000, 30% MSCI ACWI Ex US Net, 10% Russell 3000 +300bps, and 30% BC AGG.

Notes on universe:

Endowment universe consists of endowments with total assets of less than \$100 million, as reported by the Trust Universe Comparison Service (TUCS).

Notes on performance:

Performance is to measured "over a market cycle" which has been defined as a period lasting three to five years; hence the 3-year and 5-year performance metrics selected above.

**Oregon University System 2009 Investment Report**

## **OUS, Internal Audit Division Charter**

### Summary:

The Finance and Administration Committee is tasked with reviewing and approving the Internal Audit Division (IAD) charter annually. The charter documents the duties and responsibilities of the IAD and outlines its service to the Chancellor, Board, and campus management. The charter also documents the IAD's commitment to operate in accordance with the *International Professional Practices Framework*, promulgated by the Institute of Internal Auditors.

### Staff Recommendation to the Committee:

It is recommended that the Finance and Administration Committee approve the Internal Audit Division charter.

**(Committee action required.)**



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**Oregon University System****Internal Audit Charter****Purpose:**

The authority and responsibilities of the Oregon University System Internal Audit Division (IAD) are defined in this charter, which is approved by the Chancellor and Oregon State Board of Higher Education Finance and Administration Committee.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The IAD shall uphold the principles of integrity, objectivity, confidentiality, and competency as defined in the Institute of Internal Auditors Code of Ethics and shall adhere to the *International Standards for the Professional Practice of Internal Auditing* (Standards). The IAD is to utilize the Committee of Sponsoring Organizations (COSO) as the model for evaluating the adequacy of internal controls within the Oregon University System.

**Authority:**

The Executive Director of Internal Audit reports administratively to the Chancellor and functionally to the Finance and Administration Committee of the State Board of Higher Education.

Authorization is granted for full and complete access to any of the organization's records (either manual or electronic), physical properties, and personnel relevant to an audit engagement. Documents and information given to internal auditors during a periodic review will be handled in a confidential and prudent manner, as required by the Institute of Internal Auditors Code of Ethics.

University management is responsible for the risk management and internal control structure over the areas audited. Internal auditors have no direct responsibility or any authority over any of the activities or operations that they review. They should not develop and install procedures, prepare records, or engage in activities, which would normally be reviewed by the IAD.

**Responsibility:**

The IAD is responsible for developing and implementing an annual internal audit plan that outlines the engagements to be performed using an appropriate risk-based methodology. The annual plan is to include the consideration of any risks or control concerns identified by management and is reviewed and approved by the Chancellor and the Finance and

Administration Committee of the State Board of Higher Education. IAD performs four types of engagements.

1. Assurance Services. Assurance services are objective examinations of evidence for the purpose of providing an independent assessment. This includes assessing and reporting on the adequacy and effectiveness of the internal controls and the quality of performance in carrying out assigned responsibilities. The scope includes reviewing and evaluating:
  - internal controls established to ensure compliance with applicable policies, plans, procedures, laws, regulations, and contracts
  - the means with which assets are safeguarded
  - the reliability and integrity of financial and operating information
  - the economy, efficiency, and effectiveness with which resources are employed
  - IT systems to determine if they are appropriately managed, controlled, and protected
2. Consulting Services. Consulting services are advisory and other service activities include counsel, advice, facilitation, process design, and training. The objective of consulting services is to add value in the development or modification of processes, procedures, and controls to minimize risk and achieve objectives. The nature and scope of particular consulting services are agreed upon with management. Consulting services may include participation on various committees and task forces, including but not limited to, the design/development of new business and computer systems.
3. Investigative Engagements. Investigations evaluate allegations of unethical business practices and/or financial and operational misconduct to determine if allegations are substantiated and to prevent future occurrences.
4. Follow-up Engagements. Follow-up engagements evaluate plans and actions taken to correct reported conditions.

A written report will be prepared and issued by the Executive Director of Internal Audit following the conclusion of each engagement and will be distributed appropriately. University management shall respond in a timely manner. This response will indicate what actions were taken or are planned and an anticipated completion date in regard to the specific recommendations. Copies of final reports will be distributed to the University President and Chancellor as well as appropriate university and Oregon University System personnel.

*Additional responsibilities for the IAD Executive Director include:*

- Ensuring operations comply with the Standards;
- Obtaining an external quality assurance review in accordance with the Standards and reviewing all recommendations with the Chancellor and Finance and Administration Committee;

- Maintaining a professional audit staff with sufficient knowledge, skills, experience, and professional certifications;
- Ensuring coordinated audit efforts with external auditors;
- Maintaining the OUS financial irregularity hotline and coordinating investigations with university management and the State of Oregon Audits Division;
- Keeping the Chancellor, campus executives, and the Finance and Administration Committee apprised of high-risk engagement issues as they arise; and
- Issuing quarterly progress reports to the Chancellor and Finance and Administration Committee summarizing the results of engagement activities.

## **OUS, Approval of the Approach to 2009-2011 Budget Allocation and the Proposed 2009-10 Annual Operating Budget Allocations**

The proposed approach for the allocation of the Oregon University System 2009-2011 budget and the proposed OUS 2009-10 Annual Operating, Debt Service, and Capital Repair and Construction Budgets are summarized in this report for Board consideration and approval. Following the discussion of the principles and processes used to guide the allocation of the 2009-2011 General Fund to the campuses, you will find a 2009-10 budget that is proposed for Board adoption.

### 2009-10 Distribution of State General Fund:

The proposed allocation of the 2009-10 General Fund budgets to the seven campuses, the Statewide Public Services, and the Chancellor's Office have been made in accordance with Legislative directives, Board policies, and agreed upon principles and processes as expressed in the following guiding principles:

### Guiding Principles for the 2009-2011 Budget Allocation Process:

1. Compliance with the OUS Board's expectations and budget request justifications and progress toward Board's priorities;
2. Compliance with Legislative expectations and representations;
3. To the extent feasible, maintaining access to education for all qualified students;
4. Uses the Resource Allocation Model (RAM) to provide an equitable basis of distributing General Fund support among campuses;
5. Creation of incentives to serve added Oregon students;
6. Creation of incentives to improve retention, increase graduates, improve student success, and achieve other Board goals;
7. Striving to more evenly distribute enrollment throughout the System to address capacity issues;
8. Acknowledging campus differences while striving to maintain the financial integrity of all campuses within OUS;
9. Ensuring that no institution would have fewer nominal dollars from State General Funds and Other Funds Limited revenues in 2009-10 than it had in 2008-09 (Statewide Public Services at OSU excepted due to line-item appropriations); and
10. In determining the campus allocations, a reserve of \$20 million in State General Fund will be withheld in 2009-2011. Said reserve shall be used first to offset any additional cuts to the State's General Fund budget during the 2009-2011 biennia and second for incentives for retention, graduation, and as enrollment settle up.

The recommended annual distributions of State General Fund through the OUS Resource Allocation Model (RAM) are developed to comply with House Bills 5017 and 5054, the primary operating budget bill and the reconciliation bill for OUS passed by the 2009 Legislative

Assembly (as amended by the Governor’s veto of segments of HB 5054). Due to past fiscal pressures, the fundable student FTE used in the RAM was frozen at 2002-03 levels for undergraduate funding and 2001-02 for most graduate programs. As noted above, the 2007 Legislative Assembly instructed OUS to “renormalize” the RAM by distributing General Fund through the RAM on the basis of actual fundable student FTE counts by the 2009-2011 biennium. Due to limited funding in 2007-2009, we began a phase-in process to renormalize the RAM by funding enrollments and those targeted programs that are enrollment driven subsequent to 2002-03 at 50 percent of the full RAM amounts. However, due to the lack of adequate funding being available in 2009-2011, the goal of fully re-normalizing the RAM by funding the other 50 percent of this enrollment will need to be deferred. This was discussed with the Ways and Means Committee during the 2009 Legislative session with no objections being voiced as to this planned course of action.

*Proposed Enrollment Driven General Fund Allocation Process:*

1. Determine the enrollment funding for each campus by segmenting enrollment into two discrete segments:
  - Fundable enrollments prior to the 2002-03 freeze;
  - Fundable enrollments from this frozen 2002-03 base to the projected enrollments for 2009-2011.
- a. To determine the 2009-2011 enrollment funding amounts, we take the 2007-2009 enrollment funding amounts of \$506.4 million and to this we added the:
  - i. \$2.2 million received for utility inflation funding in 2007-2009;
  - ii. \$9.0 million received for faculty salaries in 2007-2009;
  - iii. \$6.9 million received for student:faculty ratio funding in 2007-2009;
  - iv. \$17.7 million received for compensation funding in 2007-2009; and
  - v. \$23.9 million received for EBL and other adjustments in 2009-2011.
  - vi. The sum from the above calculations is then reduced by:
    1. \$87.5 million due to the budget reductions in 2009-2011; and
    2. \$20.0 million to create a reserve to be used to:
      - a. First, offset any additional cuts to the State’s General Fund budget during the 2009-2011 biennia; and
      - b. Second, for incentives for retention, graduation and as enrollment settle up.
  - vii. This then yields \$458.6 million, the net amount available for enrollment funding for the 2009-2011 biennium. This amount divided by the projected enrollment levels for the two segments referred to above (pre-2002-03 freeze at 100 percent and post-freeze enrollments at 50 percent) are used to determine the cell values for the 2009-2011 funding cycle.
2. As noted above, enrollment driven targeted programs also need to be adjusted in accordance with current enrollment distributions. Given that the legislative funding provided for RAM renormalization in 2007-2009 and continuing into 2009-2011 will only be sufficient to fund 50 percent of the change in fundable enrollments from 2002-03 to 2009-2011, all adjustments will be made at this 50 percent rate. This includes the

regional institution support adjustment, engineering technology undergraduate support, engineering graduate supplemental support, and the collaborative nursing program support funding line items.

- i. Regional university support – inflate rate per FTE by EBL adjustment and multiply this amount by 7,500 FTE less projected 2009-2011 FTE enrollments and subtract 50 percent of this delta due to phasing;
  - ii. Engineering technology and engineering graduate supplements – inflate rate by EBL adjustment and then reduce by 15 percent due to budget cuts and multiply this product by projected 2009-2011 enrollments, less 50 percent due to phased renormalization;
  - iii. Collaborative Nursing – inflate rate by EBL and multiply by 2008-09 actual enrollments less 50 percent for phasing.
3. In order to minimize negative effects from significant reductions in State General Fund and to ensure that all campuses within the OUS maintain their financial integrity, a reapportionment of General Fund funding is proposed to ensure that no institution would have fewer nominal dollars from State General Funds and Other Funds Limited revenues in 2009-10 than it had in 2008-09 (Statewide Public Services at OSU excepted due to line-item appropriations); \$3.4 million in General Fund is shifted from campuses that have supplemental funding to those below this minimum level as shown below:

a. EOU	+\$1,400,000	
b. OIT	+ \$100,000	
c. OSU		-\$ 430,000
d. OSU-Cascades		-\$ 30,000
e. PSU		-\$ 1,140,000
f. SOU	+ \$600,000	
g. UO		-\$1,800,000
h. WOU	+ \$1,300,000	

*Enrollment Projections:*

OUS expects overall FTE enrollment to increase 2.7 percent in 2009-10 for a total FTE enrollment of 77,982. Fundable FTE enrollment is expected to increase by 1.4 percent to 62,049 in 2009-10 (see tables 1 and 2). Systemwide and campus enrollment projections are summarized in the following tables. More detail regarding enrollment will be reported in the annual enrollment report at the January 2010 OUS Board meeting.

	<b>2002-03 and Grad Cap</b>	<b>2008-09</b>	<b>2009-10 Projected</b>	<b>2009-10 % Change from 2008-09</b>	<b>2009-10 % Change from 2002-03 and Cap</b>
EOU	2,643	2,550	2,615	2.5%	-1.1%
OIT	2,229	2,078	2,153	3.6%	-3.4%
OSU	15,805	16,513	16,641	0.8%	5.3%
OSU-Cascades	165	304	318	4.6%	92.7%
PSU	15,191	17,266	17,844	3.3%	17.5%
SOU	3,798	3,468	3,465	-0.1%	-8.8%
UO	15,060	15,199	15,011	-1.2%	-0.3%
WOU	<u>4,073</u>	<u>3,844</u>	<u>4,002</u>	4.1%	-1.7%
<b>Total</b>	<b>58,964</b>	<b>61,222</b>	<b>62,049</b>	<b>1.4%</b>	<b>5.2%</b>

	<b>2002-03 and Grad Cap</b>	<b>2008-09</b>	<b>2009-10 Projected</b>	<b>2009-10 % Change from 2008-09</b>	<b>2009-10 % Change from 2002-03 and Cap</b>
UG	47,379	48,758	49,462	1.4%	4.4%
Master	7,707	7,791	7,915	1.6%	2.7%
Doctoral	3,239	3,711	3,722	0.3%	14.9%
Pharmacy	268	462	448	-3.0%	67.2%
Vet Med	94	247	261	5.7%	177.7%
Law	<u>277</u>	<u>253</u>	<u>241</u>	-4.7%	-13.0%
<b>Total</b>	<b>58,964</b>	<b>61,222</b>	<b>62,049</b>	<b>1.4%</b>	<b>5.2%</b>

**Targeted Program Funding:**

1. Targeted programs are proposed for adjustment necessary to comport with the approved budget and other discrete Legislative decisions:
  - a. All targeted programs are inflated in accordance with Essential Budget Level (EBL) funding and then many are reduced in accordance with Legislative actions taken;

- b. Regional support funding, including statewide access, regional university support adjustments, regional access funding and collaborative nursing program funding is distributed based on;
  - i. 2007-2009 base plus EBL adjustments; and
  - ii. Redistribution of campus retrenchment underpinning funding to the five participating institutions.
  - iii. These amounts were not reduced by any budget reduction due to Legislative action.
- c. ETIC base funding is redistributed as directed by the ETIC Board and the 15 percent budget reductions;
- d. Research funding is adjusted by EBL and the 15 percent mandated Legislative reductions;
- e. Campus public service institutes and programs are adjusted for EBL changes and a 5 percent budget reduction per Legislative directive. A Legislative budget note limiting reductions to Campus Public Service Programs to 5 percent from the EBL.
- f. Funding is allocated to WOU to fund debt service on DPSST bonds as agreed;
- g. Statewide Public Service (SWPS) budgets are adjusted for EBL changes and for the Legislatively mandated 10 percent budget reductions;
- h. Chancellor's Office funding is adjusted by EBL and by the 25 percent Legislatively mandated budget reductions;
- i. SW Oregon, 5th Site, OCATE, and OWEN funding are adjusted for EBL changes and the 15 percent budget reductions;
- j. Systemwide expenses/programs are adjusted to comport with State assessments, etc.;

Table 3 compares the proposed 2009-2011 General Fund Budget to the 2007-2009 budget prior to any Legislatively approved reductions.

**Table 3**  
**Total Budget 2007-2009 vs. 2009-2011**  
**General Fund and Federal ARRA Funding**

	2007-2009*	2009-2011	% Change
EOU	34,797,949	32,190,363	-7.5%
OIT	42,920,845	38,356,984	-10.6%
OSU-Corvallis	209,959,274	186,739,728	-11.1%
OSU-Cascades	9,038,558	9,259,004	2.4%
PSU	154,324,573	136,900,073	-11.3%
SOU	37,636,551	33,626,766	-10.7%
UO	153,953,163	128,852,496	-16.3%
WOU	40,444,837	36,142,390	-10.6%
CO	16,299,779	13,176,349	-19.2%
Reserve	-	20,000,000	100.0%
Industry Affairs/OMI/ETIC/OCKED/Other	7,501,301	5,436,747	-27.5%
Systemwide Expenses	4,058,510	4,924,448	21.3%
<b>Education and General Program</b>	<b>710,935,340</b>	<b>645,605,348</b>	<b>-9.2%</b>
Agricultural Experiment Station	62,415,272	57,927,331	-7.2%
Extension Service	45,158,836	42,323,462	-6.3%
Forest Research Laboratory	6,979,652	6,311,796	-9.6%
<b>Statewide Public Services</b>	<b>114,553,760</b>	<b>106,562,589</b>	<b>-7.0%</b>
<b>Total Operating Budget</b>	<b>825,489,100</b>	<b>752,167,937</b>	<b>-8.9%</b>
<b>Debt Service Budget</b>	<b>39,384,932</b>	<b>68,736,956</b>	<b>74.5%</b>
<b>Capital Construction</b>	<b>28,327,500</b>	<b>-</b>	<b>-100.0%</b>
<b>Total Budget - GF + ARRA Funds</b>	<b>893,201,532</b>	<b>820,904,893</b>	<b>-8.1%</b>

\* 2007-2009 General fund budget was funding prior legislatively-approved reductions.

*Proposed 2009-10 Budgets:*

Using the principles and processes as outlined above, Table 4 presents the proposed 2009-10 OUS Budgets by Campus. In addition, the proposed 2009-10 RAM allocations by campus are presented in Appendix A. A description of all funding sources follows this presentation.

**Table 4 - Budget Summary**

<b>2009-10 OUS OPERATING BUDGET</b>							
<b>ALL SOURCES</b>							
	<b>General Fund</b>	<b>Federal Stimulus</b>	<b>Total General Fund and Federal Stimulus</b>	<b>Other Funds Limited*</b>	<b>Lottery Funds Limited</b>	<b>Other Funds Nonlimited</b>	<b>Total All Funds</b>
<b>Education and General Program</b>							
EOU	14,796,064	1,678,446	16,474,510	15,258,584	418,811	15,644,066	47,795,971
OIT	16,887,123	1,915,652	18,802,775	17,441,190	418,811	21,332,010	57,994,786
OSU - Corvallis	82,025,204	9,304,828	91,330,032	196,038,039	1,297,225	395,488,094	684,153,390
OSU-CAS	4,048,521	459,259	4,507,780	2,166,589			6,674,369
PSU	59,428,445	6,741,482	66,169,927	181,821,349	1,039,580	165,754,218	414,785,074
SOU	15,034,558	1,705,500	16,740,058	26,934,505	418,811	41,962,228	86,055,602
UO	55,874,407	6,338,317	62,212,724	264,393,177	1,347,132	309,280,121	637,233,154
WOU	16,365,815	1,856,516	18,222,331	30,953,863	532,263	42,203,456	91,911,913
Reserve	10,000,000		10,000,000			1,866,230	11,866,230
CO	6,456,411		6,456,411	3,278,947			9,735,358
Industry Affairs/OMI/ETIC/OCKED/Other	2,664,006		2,664,006				2,664,006
Systemwide Expenses	2,412,980		2,412,980				2,412,980
<b>Subtotal Education and General Program</b>	<b>285,993,534</b>	<b>30,000,000</b>	<b>315,993,534</b>	<b>738,286,243</b>	<b>5,472,633</b>	<b>993,530,423</b>	<b>2,053,282,833</b>
<b>Statewide Public Services:</b>							
Agricultural Experiment Station	28,963,666		28,963,666	5,378,577		30,431,128	64,773,371
Extension Service	21,161,731		21,161,731	10,160,240		3,420,887	34,742,858
Forest Research Laboratory	3,155,898		3,155,898	3,704,291		11,224,918	18,085,107
<b>Subtotal Statewide Public Services</b>	<b>53,281,295</b>	<b>-</b>	<b>53,281,295</b>	<b>19,243,108</b>		<b>45,076,933</b>	<b>117,601,336</b>
<b>2009-10 Total Operating Budget</b>	<b>339,274,829</b>	<b>30,000,000</b>	<b>369,274,829</b>	<b>757,529,351</b>	<b>5,472,633</b>	<b>1,038,607,356</b>	<b>2,170,884,169</b>
<b>2009-10 Capital Construction</b>							
<b>2009-10 Debt Service</b>	<b>31,455,022</b>		<b>31,455,022</b>	<b>713,259,182</b>		<b>67,657,139</b>	<b>713,259,182</b>
<b>2009-10 Total Budget</b>	<b>370,729,851</b>	<b>30,000,000</b>	<b>400,729,851</b>	<b>1,470,788,533</b>	<b>12,420,339</b>	<b>1,106,264,495</b>	<b>2,990,203,218</b>

\* Other Funds Limited budget includes debt service and capital improvement funded by OFL and will be allocated at a later date.

Note: Lottery funding is provided for graduate scholarship support and athletics in the operating budget and debt service in the Debt Service budget. The Other Funds Limited (OFL) allocation for each campus equals the projected OFL revenue.

Revenue Sources:

The OUS Operating Budget is comprised of five sources of revenue. Descriptions and relevant information related to these revenue sources follow below. Table 6 contains a comparison of the proposed 2009-10 budget to the 2008-09 budget before reductions.

State General Funds:

State General Funds are appropriated to OUS biennially by the legislature. The distribution of these funds to the campuses is developed in compliance with legislative Budget Notes and Board policy. Funds are allocated through the OUS Resource Allocation Model (RAM) and targeted program funding per the descriptions above

Please note that as a general rule General Fund is distributed 49 percent in the first year of the biennium and 51 percent in the second year. However, some elements, such as RAM enrollment funding is allocated based on projected enrollments and faculty salary increases are allocated on a one-third in year one and two-thirds in year two.

Federal American Recovery and Reinvestment Act (ARRA) Support:

Federal funds are allocated to OUS by the legislature in accordance with Federal ARRA guidelines. These funds are intended to supplement State General Fund budgets for the purpose of minimizing layoffs and tuition increases needed to offset State General Fund reductions.

Other Funds Limited:

Other Funds Limited revenue for the operating budget is comprised principally of estimated campus tuition and fees calculated on the basis of enrollment projections and the tuition and fees published in the 2009-10 Academic Year Fee Book. Indirect cost recovery on sponsored research as well as lesser amounts of other miscellaneous forms of income comprise the remaining other funds limited revenue. The projected increase of X percent over the 2008-09 operating budget is driven by increases in tuition plus projected enrollment growth.

Lottery Funds:

Lottery Funds are comprised of net Lottery proceeds distributed from the Economic Development Fund. In 2009-2011, OUS will receive 1 percent of the net proceeds of the Oregon Lottery up to a total of \$9.7 million. These funds are distributed to campuses according to Board policy adopted in November 2006, with 12 percent allocated for graduate scholarships and 88 percent allocated for support of intercollegiate athletics. The anticipated proceeds from the Lottery is estimated at \$9.7 million.

Other Funds Nonlimited:

Other Funds Nonlimited revenue estimates include sponsored programs; gifts, grants, and contracts; designated operations (e.g., community workshops and other self-sustaining public service and education activities); and auxiliary activities such as student housing, service, parking, athletics, and incidental fee activities. Expenditure of these funds is not limited by the Legislature.

Debt Service and Capital Budgets:

The debt service budget is funded from General Fund and Lottery appropriations as well as Other Funds Limited and Nonlimited auxiliary operations. The increase in the 2009-10 budget is related to Article XI-G bond sales from the prior biennium and Lottery Bond sales scheduled in the current biennium, as well as Article XI-F(1) bond sales throughout the biennium.

Comparison of 2009-10 proposed budget to the 2008-09 budget:

<b>Table 5</b> <b>Funding Change FY 2008-09 vs. FY 2009-10</b>
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Fund Source	2008-09	2009-10	% Change
<b>Operating Budget</b>			
General Fund/ARRA*	425,611,621	369,274,829	-13.2%
Other Funds Limited**	693,692,547	757,529,351	9.2%
Lottery Fund	7,290,862	5,472,633	-24.9%
Other Funds - Nonlimited	1,065,964,640	1,038,607,356	-2.6%
Total Operating Funds	2,192,559,670	2,170,884,169	-1.0%
<b>Debt Service Budget</b>			
General Fund	21,547,952	31,455,022	46.0%
Lottery	9,420,194	6,947,706	-26.2%
Other Funds - Nonlimited	80,405,034	67,657,139	-15.9%
Total Debt Service	111,373,180	106,059,867	-4.8%
<b>Capital Budget***</b>			
General Fund		-	n/a
Other Funds Limited		713,259,182	n/a
Total Capital Budget		713,259,182	n/a
Total	2,303,932,850	2,990,203,218	

## Notes:

\* FY 08-09 General Fund budget is prior to any legislatively-approved reductions.

\*\* FY 09-10 Other Funds Limited budget includes debt service and capital improvements funded by OFL.

\*\*\* Capital is historically reflected in the first year of the biennium. Therefore, the 2009-2011 Capital Budget was reflected in 2009-10 with nothing in 2010-11.

- \* Capital is historically reflected in the first year of the biennium. Therefore, the 2005-2007 Capital Budget was reflected in 2005-06 with nothing in 2006-07.

*Staff Recommendation to the Committee:*

The Staff recommends that the Committee:

1. Approve the proposed guiding principles and process used to determine the 2009-2011 budget allocation as described in this docket, including continuing to phase in the use of the current enrollments for allocating the budget through the RAM model by funding 50 percent of the change since the 2002-03 enrollment funding freeze; and
2. Approve the 2009-10 Annual Operating Budget as described in this docket and delegate authority to the Chancellor to make adjustments to the OUS Annual Operating Budget for 2009-10 as is necessary.

**(Committee action required.)**

**OUS - State General Fund  
2009-10 General Fund Allocation by Campus**

**Appendix A  
PROPOSED DRAFT - SUBMITTED FOR BOARD APPROVAL**

									Total					
	EOU	OIT	OSU	OSU-CC	PSU	SOU	UO	WOU	Campuses	Operations	Other	E & G	Statewides	OUS
1 Undergraduate Funding	7,251,029	7,853,705	41,937,002	620,414	39,201,802	9,698,246	35,362,279	11,063,343	152,987,820			152,987,820		152,987,820
2 Graduate Funding	1,030,511	30,364	27,156,102	172,439	18,930,070	1,786,157	21,651,688	1,487,489	72,244,820			72,244,820		72,244,820
3 Enrollment Funding	8,281,540	7,884,069	69,093,104	792,853	58,131,872	11,484,403	57,013,967	12,550,832	225,232,640	-	-	225,232,640	-	225,232,640
<b>4 Targeted Programs</b>														
<b>5 Regional Support</b>														
6 Retrenchment	218,983	218,983	-	145,990	-	218,983	-	218,983	1,021,922			1,021,922		1,021,922
7 Retention & Graduation	383,220	383,220	-	255,480	-	383,220	-	383,220	1,788,360			1,788,360		1,788,360
8 Underpinning	383,220	383,220	-	255,480	-	383,220	-	383,220	1,788,360			1,788,360		1,788,360
<b>9 Regional University Funding</b>														
10 Statewide Access	-	933,407	-	-	-	-	-	-	933,407			933,407		933,407
11 Regional University Support Adjustment	3,460,489	3,495,474	-	3,079,477	-	2,052,220	-	1,997,877	14,085,537			14,085,537		14,085,537
12 Regional Access	953,560	410,331	-	-	-	307,749	-	102,586	1,774,226			1,774,226		1,774,226
13 Collaborative OUS Nursing Program	19,268	12,067	-	-	-	34,447	-	3,263	69,045			69,045		69,045
14 Regional Funding	5,418,740	5,836,702	-	3,736,427	-	3,379,839	-	3,089,149	21,460,857	-	-	21,460,857	-	21,460,857
<b>15 Engineering</b>														
16 Industry Affairs / OMI											791,406	791,406		791,406
17 ETIC Allocations	203,081	625,857	8,703,216	-	3,395,696	236,811	1,309,225	334,072	14,807,958		1,399,720	16,207,678		16,207,678
18 Engineering Technology Undergraduate	-	1,565,671	-	-	-	-	-	-	1,565,671			1,565,671		1,565,671
19 Engineering Graduate	-	-	1,413,424	-	481,042	-	-	-	1,894,466			1,894,466		1,894,466
20 Engineering Funding	203,081	2,191,528	10,116,640	-	3,876,738	236,811	1,309,225	334,072	18,268,095		2,191,126	20,459,221		20,459,221
<b>21 Research</b>														
22 Sponsored Research	41,172	15,685	2,014,146	-	333,948	31,369	991,389	118,287	3,545,996			3,545,996		3,545,996
23 Faculty Salaries - Research	37,072	61,788	562,945	-	484,683	87,875	659,744	64,533	1,958,640			1,958,640		1,958,640
24 Signature Research	-	-	214,669	-	22,597	-	214,670	-	451,936		45,205	497,141		497,141
25 Research Funding	78,244	77,473	2,791,760	-	841,228	119,244	1,865,803	182,820	5,956,572		45,205	6,001,777		6,001,777
<b>26 Institutes / Programs</b>														
27 Campus Public Service Programs	237,124	-	1,001,203	-	839,424	105,740	889,149	1,628	3,074,268			3,074,268		3,074,268
28 Dispute Resolution					385,818		716,519		1,102,337			1,102,337		1,102,337
29 Natural Resource Institute			223,491						223,491			223,491		223,491
30 Oregon Solutions					1,264,105				1,264,105			1,264,105		1,264,105
31 Climate Center			175,184						175,184			175,184		175,184
32 Leadership Institute					72,929				72,929			72,929		72,929
33 Health Professions Programs	307,566	2,521,404	-	-	-	424,156	-	343,010	3,596,136			3,596,136		3,596,136
34 Rural Access	281,993								281,993			281,993		281,993
35 Vet. Med. Program			1,601,602						1,601,602			1,601,602		1,601,602
36 DPSST Debt Service								51,183	51,183			51,183		51,183
37 Veterinary Diagnostic Lab			364,646						364,646			364,646		364,646
38 AES									-			-	28,963,666	28,963,666
39 ES									-			-	21,161,731	21,161,731
40 FRL									-			-	3,155,898	3,155,898
41 Bldg. Maintenance / SWPs			1,988,288						1,988,288			1,988,288		1,988,288
42 IT Fifth Site/OCATE/Southwest Oregon/OWEN	125,595	-	2,480,744	-	649,299	-	450,525	-	3,706,163			3,706,163		3,706,163
43 Institutes / Programs Funding	952,278	2,521,404	7,835,158	-	3,211,575	529,896	2,056,193	395,821	17,502,325			17,502,325	53,281,295	70,783,620

OUS - State General Fund  
2009-10 General Fund Allocation by Campus

Appendix A  
**PROPOSED DRAFT - SUBMITTED FOR BOARD APPROVAL**

	EOU	OIT	OSU	OSU-CC	PSU	SOU	UO	WOU	Total Campuses	Operations	Other	E & G	Statewides	OUS
44 Central Services														
45 Chancellor's Office Operations									-	6,456,411	427,674	6,884,085		6,884,085
46 Systemwide Expenses / Programs	103,498	103,242	1,295,524	-	623,890	259,848	1,154,003	199,643	3,739,648	-	2,412,981	6,152,629	-	6,152,629
47 Central Services Funding	103,498	103,242	1,295,524	-	623,890	259,848	1,154,003	199,643	3,739,648	6,456,411	2,840,655	13,036,714	-	13,036,714
48 Total Targeted Programs	6,755,841	10,730,349	22,039,082	3,736,427	8,553,431	4,525,638	6,385,224	4,201,505	66,927,497	6,456,411	5,076,986	78,460,894	53,281,295	131,742,189
49 Reserve											10,000,000	10,000,000		10,000,000
50 Tuition Buydown	37,129	88,357	627,846	8,500	624,624	130,017	613,533	169,994	2,300,000			2,300,000		2,300,000
51 Reapportionment	1,400,000	100,000	(430,000)	(30,000)	(1,140,000)	600,000	(1,800,000)	1,300,000	-			-		-
52 Enrollment/Targeted Programs/Other	16,474,510	18,802,775	91,330,032	4,507,780	66,169,927	16,740,058	62,212,724	18,222,331	294,460,137	6,456,411	15,076,986	315,993,534	53,281,295	369,274,829
53 Debt Service											31,455,022	31,455,022		31,455,022
54 Total Budget	16,474,510	18,802,775	91,330,032	4,507,780	66,169,927	16,740,058	62,212,724	18,222,331	294,460,137	6,456,411	46,532,008	347,448,556	53,281,295	400,729,851