



**OREGON STATE BOARD OF HIGHER EDUCATION
 AGENDA FOR MEETINGS OF THE BOARD
 OREGON STATE UNIVERSITY
 MARCH 4-5, 2004**

**THURSDAY, MARCH 4, 2004
 OSU Student Memorial Union**

- 2:00-5:00 p.m., Access/Affordability (MU 212)
 The Access/Affordability will discuss the working groups' scope, process, and time line.
 - Presentation by Kate Peterson, Director, Financial Aid, OSU
 - Invited Testimony by the Oregon Student Association

- 3:00-5:00 p.m., Excellence in Delivery & Productivity (MU 209)
 Continued discussion and refinement of possible work-group products addressing more, better, and faster.

- 5:00-6:00 p.m., [OSU Conversation with the Board presentation](#) (MU Joyce Powell Leadership Center, Journey Room) 1

- 6:00-7:00 p.m., Reception (MU Joyce Powell Leadership Center, Journey Room/Talisman Rooms)

- 7:00 p.m., Dinner with Board and institution presidents (MU 109)

**FRIDAY, MARCH 5, 2004
 FINANCE/BUDGET/AUDIT/PERSONNEL/REAL ESTATE COMMITTEE
 VALLEY FOOTBALL CENTER
 3RD FLOOR BANQUET ROOM
 8:00 – 9:30 A.M.**

1. CONSENT ITEM

- a. [UO—Moss Street Property](#) 11
 University of Oregon (UO) seeks Board approval to authorize the Senior Vice Chancellor for Finance and Administration, or designee, to complete the proposed purchase of a private residence, located at 1801 Moss Street in Eugene, Oregon, from the University of Oregon Foundation, for a maximum of \$240,000 plus closing costs.

2. REPORT ITEMS

- a. [Optional Retirement Plan Review](#) 15
 OUS offers a defined contribution, tax-qualified, money purchase pension plan as an alternative to the state's PERS/OPSRP retirement program for unclassified academic and administrative employees. This report provides information concerning current issues affecting the ORP.

- b. Executive Budget Process/Expectations
Bill McGee, Budget Analyst, Department of Administrative Services, and Steve Bender,
Legislative Fiscal Analyst, Legislative Fiscal Office
- c. Tuition and Fees 18
The Tuition and Fees staff report provides background on this process.

FRIDAY, MARCH 5, 2004
REGULAR MEETING OF THE BOARD OF HIGHER EDUCATION
VALLEY FOOTBALL CENTER
3RD FLOOR BANQUET ROOM
OREGON STATE UNIVERSITY
9:30 A.M. – 1:00 P.M.

AGENDA

- 1. CALL TO ORDER/ROLL CALL
- 2. CONVERSATIONS WITH THE BOARD: SOUTHERN OREGON UNIVERSITY
- 3. APPROVAL OF MINUTES 36
 - Meeting of the Executive Committee of the Board, February 10, 2004
- 4. CONSENT ITEMS
 - a. OSU—Master's of Business and Engineering in Construction Engineering Management 30
OSU requests authorization to offer the Master's of Business and Engineering in Construction Engineering Management. This applied program offers an equal amount of instruction in construction engineering and business areas and will meet the needs of current and future managers in Oregon's construction industry.
 - b. UO—Moss Street Property 11
University of Oregon (UO) seeks Board approval to authorize the Senior Vice Chancellor for Finance and Administration, or designee, to complete the proposed purchase of a private residence, located at 1801 Moss Street in Eugene, Oregon, from the University of Oregon Foundation, for a maximum of \$240,000 plus closing costs.
- 5. DISCUSSION ITEMS
 - a. Oregon Values—Focus Groups
Presented by Mr. Adam Davis, Davis & Hibbitts, Inc, of Portland, Oregon. Mr. Davis is a partner in Davis & Hibbitts, Inc, a firm specializing in market and public opinion research and strategic communication consulting.
 - b. Preliminary Report on Advocacy and Legislative Campaign (Neil Bryant)

- c. **2005-2007 Biennial Budget: Process/Schedule** 32
The OUS Budget and Management Office develops the Agency Request and Capital Construction budgets based on the requirements of Oregon Department of Administrative Services instructions. The presentation focuses on the information contained in the *2005-2007 OUS Budget Process* document and the *Budget Development Schedule*.

6. REPORT ITEMS

a. Standing Committees

- i. Academic Programs
- ii. Finance/Budget/Audit/Personnel/Real Estate (Don Blair)

b. Working Groups

- i. Academic Excellence/Economic Development (Kirby Dyess)
- ii. Access/Affordability (Tim Nesbitt)
- iii. Chancellor’s Office Review (Neil Goldschmidt)
- iv. Excellence in Delivery & Productivity (Gretchen Schuette)

7. REPORTS

- Interinstitutional Faculty Senate President (Dr. Peter Gilkey)
- Oregon Student Association President (Andy Saultz)

8. CHANCELLOR AND UNIVERSITY PRESIDENTS’ REPORT

9. PUBLIC INPUT

10. DELEGATION OF AUTHORITY TO BOARD’S EXECUTIVE COMMITTEE

11. ADJOURNMENT

Note: All docket materials are available on the OUS website at: <http://www.ous.edu/board/meetingmaterials.htm>. Please contact the Board’s office at (541) 346-5795 if you have any questions regarding these materials. This agenda may be amended at any time prior to 24 hours before the Board meeting. Estimated starting times for the agenda items are indicated; however, discussions may commence, or action may be taken, before or after the suggested times. Any item on the agenda may be considered at any time out of order at the discretion of the President of the Board. During the meeting, the Board may convene in Executive Session to receive legal advice regarding any item on the agenda or for any reasons permitted under Oregon law.

**OREGON STATE BOARD OF HIGHER EDUCATION
AGENDA FOR MEETINGS OF THE BOARD
MU JOYCE POWELL LEADERSHIP CENTER, JOURNEY ROOM
OREGON STATE UNIVERSITY**

1. CONVERSATIONS WITH THE BOARD: OREGON STATE UNIVERSITY

See <http://www.ous.edu/board/dockets/ddoc040304-OSU.pdf>
for the OSU Strategic Plan presented on pages 7-10.

Oregon State UNIVERSITY OSU **Student Access/Success Information**

ENROLLMENT			# OF STUDENTS		
2003 Enrollment	#	FTE	SCH	1-Yr Change	5-Yr Change
OSU – Corvallis (including eCampus)	18,979	18,052	256,324	1%	30%
OSU – Cascades (OSU + Primary Partners)	373	206	2,961	22%	n/a

Gender	Ethnicity
Women 47.2%	American Indian 1.1%
Men 52.8%	Asian/Pacific Islander 7.9%
	Black 1.4%
International 5.6%	Hispanic 3.3%
	Caucasian 75.5%

03-04 Fee Remission Programs and Awards

?Diversity Achievement	\$2.7M
?Presidential	\$1.1M
?Provost	\$474K
?Tuition Grant Scholarship	\$803K
?International Provost	\$138K
?Tuition Grant Award	\$1M
• Grad. Tuition Remission Scholarship	\$1.5M
• International Programs	\$792K
• Supplemental Tuition Grant	\$2.9M
• Miscellaneous Programs	\$464K

Community College Programs	Program Established	03-04 Enrollment
Linn-Benton	Fall 98'	810
Southwestern OR	Fall 99'	4
Portland	Fall 00'	74
Central Oregon	Fall 01'	229
Chemeketa	Spring 04'	--

- Student Success Programs
- K-12 Programs**
- Adventures in Learning (~200 participants per year)
 - Expeditions (~150 participants per year)
 - HMSC Day Camps (~100 participants per year)
 - JumpstArt (~70 participants per year)
 - Winter Wonderings (~190 participants per year)
 - KidSpirit Youth Program (~1800 participants per year)
 - Saturday Academy (~1161 participants per year)
 - SESEY (~35 participants per year)
 - SMILE (~720 participants per year)
 - Kaleidoscope of Colleges & Cultures (~250 participants per year)
 - OSU K-12 Online (~100 participants; 30 HS Courses)

eCampus

2003 Enrollment	FY03	FY02
# Students	1,563	926
Student FTE	465	436
Student SCH	6,546	6,117
1-Yr Change in # Students	40.8%	---
% of OSU Students taking eCampus Courses	8.2%	4.9%

Undergraduate Majors	Offered Online
• Liberal Studies	• Over 260 Courses
• Natural Resources	• 4 Undergraduate Degrees
• Environmental Sciences	• 5 Advanced Degrees
• General Agriculture	

Quality Metrics

Freshmen-to-Sophomore Retention Rate	80.7%
6-Year Graduation Rate	60.4%
Average Time to Graduate	4.5 Years
Student/Faculty FTE Ratio	21:1
% Classes with Less than 20 Students	35%
% Classes with Greater than 50 students	50%
% Graduates Employed One Year after Graduation	83%
% Student Highly Satisfied with University Experience	83%
Entering Student GPA/SAT	3.46/1079
Entering GPA/SAT Scores for Univ. Honors College	3.97/1334

- On-Campus Programs**
- OSU Start
 - OSU Connect
 - OSU Odyssey
 - FootSTEPS
 - Transitional Learning Communities
 - URISC/IURP
 - Acad. Success Workshops/Classes
 - Center for Writing & Learning
 - Math Learning Center
 - Educational Opportunities Program



Program Excellence



	<u>2003</u>
Grant and Contracts	\$137 Million
Publication Index	1,381
U.S. News and World Report Rankings	3 rd Tier

National Rankings Among Top 500 Research Universities, 2001

Total Federal	78
USDA	24
Comm (NOAA)	18
DoD	78
Education	223
Energy	70
EPA	12
HHS (PHS/NIH)	125
NASA	40
NSF	33
Others	10

- OSU
- OSU is one of only four Carnegie Doctoral/Research-Extensive universities in the Northwest.
 - OSU is a land, sea, space and sun grant institution, one of only two such universities in the nation.
 - Recognized Academic Programs in
 - Oceanography
 - Forestry
 - Public Health
 - Biochemistry
 - Food Sciences
 - Zoology
 - Ecology

- OSU-Main Campus
- Comprehensive University with programs in liberal arts and sciences, agricultural sciences, business, education, engineering, forestry, health and human sciences, oceanic and atmospheric sciences, pharmacy and veterinary medicine.
- OSU-Cascades Campus
- Regional campus, that partners with other OUS and private institutions, to deliver programs in targeted areas including Natural Resources; Outdoor Recreation, Leadership and Tourism; Business Administration; and Liberal Studies.
- Extension Services
- Provides education to Oregon communities in 36 Counties and contributes to strong individuals, families and communities; a vibrant economy; and sustainable natural resources.
- Agricultural Experiment Station
- Through 14 branch stations and academic units, Ag Experiment Station conducts research in the agricultural, biological, social, and the environmental sciences.
- Forest Research Laboratory
- Conducts problem-solving research that enables management and use of Oregon's forests for multiple values and products.
- Hatfield Marine Science Center (HMSC)
- Located in Newport, Oregon, HMSC is one of the top marine research and teaching laboratories in the nation, and serves as a leader in the development of cooperative research and education programs involving academic, state, and federal groups.
- OSU Programs in the Portland Metropolitan Area
- OSU offers a range of educational and research programs in the Portland area including the Pharmacy program (with OHSU), Public Health (with OHSU and PSU); Food Innovation Center; Veterinary Medicine (with Humane Society); and extension education and economic development activities with businesses, industries and communities in the Portland area.

Resources	FY03 Budget	1-Yr Change	5-Yr Change
Education & General	201M	3.7%	29.8%
Statewides (Extension, Ag. Experiment Station, Forest Research Lab)	67M	-3.4%	15.1%
Grants & Contracts	137M	11.0%	26.3%
Private	36M	-3.3%	28.2%
	Project Value	Completion Date	
Current Capital Projects			
• Dixon Recreation Center	\$20,500,000	April 2004	
• Weatherford Hall Renovation	\$17,000,000	Sept 2004	
• Veterinary Medicine Expansion	\$20,200,000	Dec 2004	
• Kelley Engineering Center	\$45,000,000	July 2005	
• Reser Stadium Expansion	\$80,000,000	August 2005	

Docket

Docket

Docket

Students: Fall 2003

	OSU	OUS	OSU's % of OUS
# Fall 2003 Headcount	18,974	79,558	23.8%
# Total FTE enrollment	18,104	67,439	26.8%
# Undergraduates	15,604	64,516	24.2%
" Percent 25 or older	12%	23%	12.7%
" Percent part-time (<12 hours)	11%	22%	11.8%
# Graduates	3,370	15,042	22.4%
" Masters, postbaccalaureate, non-admit	1,970	11,519	17.1%
" Doctoral, first-professional	1,400	3,523	39.7%
# New undergraduate community college transfers	759	4,545	16.7%
# Ethnicity			
" African American	257	1,447	17.8%
" American Indian	218	988	22.1%
" Asian/Pacific Islander	1,479	5,306	27.9%
" Hispanic/Latino	617	2,802	22.0%
" White	14,295	58,467	24.4%
" Unknown / Multiple Ethnicities	974	6,665	14.6%
" Nonresident Alien	1,134	3,883	29.2%
# Total annual unduplicated headcount (2002-03)	22,116	107,626	20.5%

Degrees 2002-03

	OSU	OUS	OSU's % of OUS
# Total	<u>3,894</u>	<u>15,199</u>	<u>25.6%</u>
" Associate	0	87	0.0%
" Bachelor's	2,944	11,063	26.6%
" Master's	692	3,433	20.2%
" Doctoral	169	357	47.3%
" First Professional	89	259	34.4%

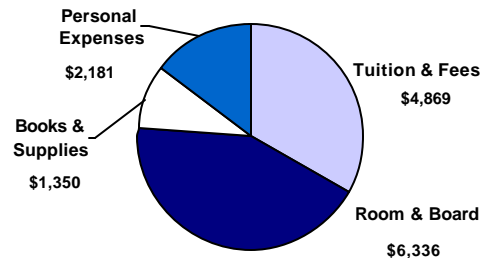
Tuition & Fees, 2003-04

(based on 15 credit hours for undergraduates and 12 credit hours for graduates)

# Resident undergraduate	\$4,869
# Resident graduate	9,366
# Nonresident undergraduate	17,625
# Nonresident graduate	15,603

Resident Undergraduate Student Budget, 2003-04

Total = \$14,736



Faculty: 2003-04 (Full-Time Ranked Instructional)

	Total	Men	Percent of Total	Women	Percent of Total
# Total	635	429	68%	206	32%
" Professor	186	155	83%	31	17%
" Associate Professor	206	144	70%	62	30%
" Assistant Professor	157	88	56%	69	44%
" Instructor/Lecturer	86	42	49%	44	51%

Faculty: 2003-04 Average Compensation by Rank (includes salary and benefits)

# Total, All Ranks	\$87.4
" Professor	\$105.1
" Associate Professor	\$85.2
" Assistant Professor	\$74.5
" Instructor/Lecturer	\$54.3

Faculty and Staff: 2003-04

	OSU		OUS		OSU's % of OUS
	N	%	N	%	
# Total	3,978	100%	12,096	100%	32.9%
" Faculty*	1,931	49%	5,658	47%	34.1%
" Executive/administrative	204	5%	412	3%	49.5%
" Professional non-faculty	757	19%	2,486	21%	30.5%
" Secretarial/clerical	565	14%	1,812	15%	31.2%
" Technical/paraprofessional	284	7%	719	6%	39.5%
" Skilled craft	98	2%	310	3%	31.6%
" Services/maintenance	139	3%	699	6%	19.9%

*Those holding academic rank with assignments of instruction, research, or public service.

Campus Facilities: 2003

# Total all facilities	600	7,400,000 gsf*
# E&G facilities		
" Percent built between 1960-1975	40%	
" Percent of E&G in deferred maintenance	30%	
	(in millions)	
# Total current replacement value	\$836	
" E&G plant	515	
" Auxiliary enterprises	321	

Current Projects:	Facilities Needs:
; Kelley Engineering Center	; Classroom, lab modernization
; Weatherford Hall renovation (student housing)	; Code, deferred maintenance
; Reser Stadium expansion	; Engineering, physics remodel in 3 buildings
; Vererinary medicine small animal hospital	; New classroom building
; Dixon student recreation center	; Education Hall
	renovation/replacement
	; New student services building
	; New biosciences Tier-1 Linus Pauling Institute Bldg
	; Replacement of agriculture extension greenhouses
	; Business expansion & remodel

*Gross square feet

**OREGON STATE BOARD OF HIGHER EDUCATION
MEETING OF THE COMMITTEE OF FINANCE/BUDGET/AUDIT/PERSONNEL/REAL ESTATE
VALLEY FOOTBALL CENTER, 3RD FLOOR BANQUET ROOM
OREGON STATE UNIVERSITY
MARCH 5, 2004**

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University of Oregon - 1801 Moss Street Property Purchase

EXECUTIVE SUMMARY

Purpose:

University of Oregon (UO) seeks Board approval to authorize the Senior Vice Chancellor for Finance and Administration, or designee, to complete the proposed purchase of a private residence, located at 1801 Moss Street in Eugene, Oregon, from the University of Oregon Foundation, for a maximum of \$240,000 plus closing costs. The proposed property acquisition is located within the approved campus boundary and will provide the space required for development of a student residence, as outlined in the campus master plan. The University will use existing Systemwide spending limitation, and will not require further legislative authorization for the transaction. The University expects to use \$240,000 of Article XI-F(1) bond proceeds to cover the purchase price and closing costs. Debt service on the 30-year bonds is estimated at \$15,000 per year. The acquisition is subject to satisfaction of several standard terms and conditions.

Background:

This site, comprised of approximately 8,640 square feet (approximately 0.2 of an acre), is strategically located in an area designated for future campus expansion. The property includes a single-family residence that will be used for student housing until the land is needed for other University uses. However, it is especially timely to purchase the property, as it is one of four remaining properties in a campus area that is in the process of being rezoned from low density housing to public land for phased development of medium density residential housing, offices, or other support functions.

Staff recommendation:

Staff recommends that the Board approve the University of Oregon's request to purchase the private residence, located at 1801 Moss Street, Eugene, Oregon, from the University of Oregon Foundation, for \$240,000 plus closing costs, assuming all conditions are met and that the final purchase details are agreed upon by all parties, and subject to final approval by the Senior Vice Chancellor for Finance and Administration.

(Board action required.)

University of Oregon – 1801 Moss Street Property Purchase

FURTHER DETAIL

Summary:

University of Oregon (UO) seeks Board approval to authorize the Senior Vice Chancellor for Finance and Administration, or designee, to complete the proposed purchase of a private residence, located at 1801 Moss Street in Eugene, Oregon, from the University of Oregon Foundation, for a maximum of \$240,000 plus closing costs. The proposed property acquisition is located within the approved campus boundary and will provide the space required for development of a student residence, as outlined in the campus master plan. The University will use existing Systemwide spending limitation, and will not require further legislative authorization for the transaction. The University expects to use \$240,000 of Article XI-F(1) bond proceeds to cover the purchase price and closing costs. Debt service on the 30-year bonds is estimated at \$15,000 per year. The acquisition is subject to satisfaction of several standard terms and conditions.

Staff Report to the Board:

Background

The property is a 948 square foot, two bedroom, one bath home currently operated as a rental unit. It is in good shape and is located near the southern edge of the campus.

The University began purchasing lands east of Agate and South of 15th (commonly referred to as the east campus area) over 40 years ago for institutional expansion, and the established campus boundaries have not changed since that time. To date, all but nine of the properties within this area have been purchased by the University.

Roughly half of the property consists of single-family dwellings and half is institutional development. The area is bounded on one side by the University campus, on another side by a commercial district, and on two sides by a mature residential neighborhood.

During the past 20 years, much development has occurred in the area including construction of the Museum of Natural History, removal of the WW II surplus structures dating to the 1950s, and construction of the Bean Hall parking lot, the Knight Law Center and its open spaces, the Olum Child Care Center, and the East Campus Graduate Village.

Statement of Need:

The limited amount of land remaining within the central academic core must be reserved for future academic instructional functions. That leaves future student housing and support services (such as administrative offices and other non-instruction functions) without viable development sites. Most recent estimates predict a need for approximately 500,000–600,000 additional gross square feet over the next 20 years. Enough land appears to be available in the east campus area to accommodate these

needs without sacrificing an appropriately beautiful transition between University uses and the surrounding residential neighborhood.

Recognizing the University's future development needs could not be met without altering the current land use policies that define allowed uses and development densities for University-owned lands in the east campus area, the University has recently completed a plan for the area that will allow phased development of the land while at the same time preserving the character of the neighboring residential areas.

The University's president has adopted the new policy, which is an extension of the University's master plan. Appropriate changes to the metro area and city land use regulations needed to enable the plan are currently being reviewed by the City of Eugene, with adoption expected in early March 2004.

Following the adoption of the land use regulations, the University will apply for rezoning of the land.

The purchase of this property within the east campus area will allow the University to rezone it with the other University-owned land, thereby saving a later effort and maximizing the work accomplished to date. It will also allow for more efficient development of the area in the future, as this parcel will be a part of the campus proper. Finally, the Eugene market will continue to escalate with time, making a purchase at this time most cost effective.

Schedule:

Closing to occur on or before April 30, 2004.

Financial Considerations:

The UO Foundation had been in negotiations with the owner of the property for about six months and purchased the property in mid-December. These negotiations took place in an especially inflationary Eugene real estate market. The University has had the property appraised by two separate appraisers and the average of these is \$183,500. In view of the timeliness of acquiring the property to enable the rezone and eventual expansion of housing and other University uses, and the added value to the University of obtaining property surrounded by other University property, the purchase price can be justified.

Legal Considerations:

Several conditions remain open and must be satisfactorily resolved prior to settlement. These conditions include, but are not limited to, the following items:

Buyer - UO

- \$ Approval by the State Board of Higher Education.
- \$ Receipt of a satisfactory Level I environmental report.

\$ Conveyance approved by the Assistant Attorney General and executed by the Board President and Secretary.

Staff Recommendation:

Staff recommends that the Board approve the University of Oregon's request to purchase the private residence, located at 1801 Moss Street, Eugene, Oregon, from the University of Oregon Foundation, for \$240,000 plus closing costs, assuming all conditions are met and that the final purchase details are agreed upon by all parties, subject to final approval by the Senior Vice Chancellor for Finance and Administration, or designee.

Optional Retirement Plan

Plan Overview

The Oregon University System (OUS) offers a defined contribution, tax-qualified, money purchase pension plan as an alternative to the state's PERS/OPSRP retirement program for unclassified academic and administrative employees. This Optional Retirement Plan (ORP) was implemented in 1996 to provide portability of employer-contributory account balances, and supports the career mobility that is a signature of the higher education workforce in Oregon. The ORP supports national recruitment by offering annuity and mutual fund accounts through investment companies recognized within the higher education community. The Plan's fund sponsors include AIG VALIC, American Century, Scudder, and TIAA-CREF.

OUS employees elect to participate in either the ORP or PERS/OPSRP after six months of employment, and the election is irrevocable for all periods of employment by the OUS. Total enrollment and assets in ORP accounts have grown over time, as shown in Table 1. Participant turnover data confirm a high degree of mobility, for which the plan was designed. During the period of March 2001 to March 2003, 448 ORP participants exited the ORP and OUS employment. Total enrollment in the ORP continues to increase, however, due to enrollment of new employees.

Table 1. ORP Participation and Total Assets

Year End	1997	2000	2001	2002	2003
Participants	1,445	1,849	1,991	2,152	2,362
Total Participant Account Assets (\$)	*\$9,483,672	\$55,354,282	\$55,270,128	\$69,437,950	TBA

* June 1997 participant account asset volume.

The ORP's authorizing statute, ORS 243.800, establishes eligibility and contribution requirements. Contributions to participant accounts are comprised of separate employer and employee contributions, in amounts equivalent to those made for PERS members.

The employer contribution rate history for ORP participants is shown in Table 2. The total contribution rate for each participant is the sum of the employer contribution rate, plus a 6.00 percent employee contribution. Employees hired prior to January 1, 1996, receive the Tier One employer contribution; those hired on or after January 1, 1996, receive the Tier Two employer contribution. Employer contribution rates for employees hired on or after August 29, 2003, are under consideration as PERS implements its successor plan, the Oregon Public Service Retirement Plan (OPSRP), beginning January 1, 2004. The normal cost of retirement benefits for this group has been estimated at 8.04 percent of salary by PERS actuary.

Table 2. ORP Employer Contribution Rates, Percent of Salary

Start Date	4/96	7/97	7/99	7/01	7/03	11/03
Tier One	8.46	8.20	9.73	9.49	11.31	3.71
Tier Two	5.75	5.75	7.33	8.52	11.71	4.27

Current Issues Affecting the ORP

Measure 29 PERS Rate Relief: Voter approval of the state's 2003 \$2 billion bond sale to reduce its retirement plan costs created a marked decrease in ORP employer contribution rates for current participants. This unintended consequence of the Measure 29 rate relief payment to PERS occurred because of the statutory-required linkage of PERS and ORP employer contribution rates under ORS 243.800(9).

Since reducing the ORP employer contribution rates effective November 1, 2003, the OUS and the Office of the Attorney General have explored statutory interpretations of ORS 243.800(9), the treatment of pension obligation bond reporting for reporting costs to federal grants and contracts, and PERS administrative rule OAR 459-009-0084 to determine the applicability of PERS rate relief to ORP participants. An overlay of PERS historical rate calculation methods and the procedural requirements of the Internal Revenue Service corrections program for qualified plans must also be considered before any rate correction methods or amounts are implemented.

Resolving the Measure 29 rate relief decrease in ORP contributions is a high priority for the OUS due to the marked reduction in ORP participants' retirement benefit. The Systemwide OUS employer contribution fell from \$1.35 million in October 2003 to \$0.48 million in November 2003, a nearly 65 percent reduction in participants' additions to their retirement accounts. Individual's contribution decreases are the difference between the rates established in July 2003 and November 2003, shown in Table 2. Correcting this artifact of the state's PERS funding action is critical to restoring competitive contribution rates for ORP participants.

Amortization Policies: The state legislature's 2003 reform of PERS resulted in a dual-plan program (PERS plus the successor Oregon Public Service Retirement Plan, OPSRP) that imposes funding results unanticipated when the ORP was implemented in 1996. Contribution rates for the closed and declining group of current PERS members may create swings in employer contribution rates as the group decreases over time. Further, the establishment of the PERS/OPSRP Individual Account Program eliminates the employee contributions that previously helped fund PERS pensions. These factors, plus unknowns associated with the new OPSRP's employee demographics, require the creation of new funding methods and employer rates for PERS/OPSRP. PERS rates as the benchmark for ORP contributions have become unpredictable as PERS works to determine new funding methods. During that period, PERS/OPSRP pension benefits will not be affected, but employees new to the OUS or currently being recruited to replace vacancies, are unable to make informed decisions because of the rate unsurety for the ORP.

To illustrate, in November 2003, the PERS Board adopted an amortization policy that reduced the state's employer contribution rate for OPSRP-era employees from 8.04 percent of salary to 0.6 percent of salary. Technical implementation for the policy proved problematic, and the policy was rescinded. Until new amortization methods for

old and new PERS pension plans are approved and implemented, ORP employer contribution rates remain subject to mid-year changes.

The OUS has requested that the PERS Board delay implementation of any new amortization policy until the next, regular employer contribution rate adjustment in July 2005.

Future Corrective Action

The statutory rate linkage between PERS/OPSRP and the ORP is problematic because the objectives of defined benefit and defined contribution retirement plans are fundamentally different. That is, the contributions going into each of these types of plans, even if equal, are not intended to result in the same outputs in terms of retirement income.

Equal PERS and ORP contributions permitted simplified budgetary and financial administration when the ORP was initially proposed. Linking the PERS and ORP contribution rates is also a simple method for meeting the requirements for a money purchase pension plan, in other words, that employer contributions be made according to a fixed formula, (i.e., the PERS rate). However, recent events in both the investment markets and PERS reform create significant questions about continued use of the original rate-setting methodology because of the continued contribution rate volatility.

Alternatives to using the PERS employer contribution rate to establish a competitive, stable, and sustainable ORP contribution rate are under study. Changing the ORP employer contribution rate would require amending ORS 243.800(9) through legislative action. To achieve this, numerous stakeholders' interests need to be addressed by the OUS, and preliminary discussions were begun in December 2003. Developing an acceptable proposal for legislative consideration will require continued collaboration with campuses, internal and external stakeholders, ORP fund sponsors, and PERS.

Tuition and Fees

The Oregon Legislature grants authority to the State Board of Higher Education to establish tuition and fees for enrollment at Oregon University System (OUS) institutions. Based on recommendations from the institutions and the Chancellor, the Board annually sets fees for enrollment at the institutions, including:

- Tuition
- Building Fees
- Health Service Fees
- Incidental Fees
- Education Resource Fees
- Residence Hall Room and Board Rates
- Other Special Fees as determined by the Board

The Board has delegated authority to the institution presidents to establish certain fees, fines, and charges for services and materials, including:

- Laboratory and Course Fees
- Fees for workshops
- Instruction Fees for self-support courses
- Charges for auxiliary services, e.g. food services, student centers, and parking
- Fines for violation of campus regulations
- Charges for facilities use
- Charges for other materials and services

*Statutory Authority: ORS 351.070 Board General Powers
ORS 351.072 Adoption of Certain Standards
ORS 351.170 Charges for Use of Buildings*

Administrative Authority: OAR 580-040-0010 Institutional Authority to Establish Fees

A. Tuition Structure and Assessment

1. Tuition is established to provide support for instructional programs and instructional support expenditures. Tuition rates vary in general based on student level and residency. In some cases, tuition rates are based on course level or the cost of providing a course.

Tuition rates for students admitted to regular academic programs are based on student classification and residency:

Student level – Undergraduate and Graduate
Residency – Resident and Nonresident

2. Historically full-time students in regular academic programs paid a fixed amount of tuition, regardless of the number of credit hours. The tuition “plateau” was 12-18 credit hours for undergraduates and 9-16 credit hours for graduate

students. Effective Winter Term 2004, the State Board approved proposals from the institutions for significant modifications to the tuition structure by compressing the number of credit hours in the plateau; eliminating the plateau completely; or implementing a modified per credit hour structure with reduced per credit increments within a specified range.

a. Undergraduate tuition structures:

- (1) Tuition plateaus are set at OIT, WOU, and PSU(12-15) and SOU (12-16)
- (2) Tuition will be assessed on a straight per credit hour basis at EOU.
- (3) Tuition will be assessed through a modified per credit hour tuition with a reduced per credit hour increment within a specified range at OSU and UO.

b. Graduate tuition structures:

- (1) Tuition plateaus will be set at OIT (9-15), OSU (9-16), SOU (9-14), UO (9-16), PSU and WOU (9-12).
- (2) Tuition will be assessed on a straight per credit hour basis at EOU.

c. Professional program tuition structures:

- (1) OSU – Pharmacy and Veterinary Medicine tuition is assessed as a single full-time tuition as necessitated by the curriculum requirements.
- (2) UO - Law School is assessed tuition with a plateau of 9-16 credit hours on a semester basis.

3. The 2003 Legislature placed expectations on tuition and fee increases for the 2003-2005 biennium through the following Budget Note:

Tuition and Fees

The approved budget, except for a reduction in Other Funds expenditures to reflect the reduction in employer contribution rates for the Public Employees Retirement System (PERS), accommodates tuition and fee revenue projected under the rate structure approved by the State Board of Higher Education for the 2003-04 academic year, and the rates proposed for the 2004-05 academic year. The Subcommittee expects that the Board will not increase rates on tuition and other fees that generate funds for the Education and General limited budget beyond these levels, if the General Fund appropriation to the Department is not reduced after adjournment of the 2003 regular legislative session. The Subcommittee notes that the Emergency Board may increase the Other Funds expenditure limitation for the Education and General program if enrollment levels exceed those currently projected.

B. Incidental Fee

The incidental fee is assessed to provide support for student activities. Student committees make recommendations for the amount and use of fees on each campus. The

funds generated by this fee are to be used for “student union activities, educational, cultural, and student government activities, and athletic activities.”

C. Health Services Fee

This fee is used to support each institution’s student health services, which are operated similarly to auxiliary services. Generally, rate increases reflect the institutions’ efforts to maintain the self-support nature of these services.

D. Building Fee

The building fee is the same for all institutions. ORS 351.170 allows OUS to assess up to \$45 per student per term to finance debt service for construction associated with student centers, health centers, and recreational facilities constructed through the issuance of Article XI-F(1) bonds.

E. Resource Fee

There are three forms of Resource Fees: universal fees, assessed to all students; program fees, assessed to students admitted to particular academic programs; and, one-time fees for first-term students.

A Program Resource Fee is assessed to students admitted to, or enrolled in a school, college, department, or degree program. It may be assessed to certain classes of students, such as all freshmen, seniors, graduates, etc., or to students admitted to, or enrolled in a degree program, such as business, engineering, law, etc.

The 2003 Legislature limited Resource Fees for the 2003-2005 biennium with the following budget note:

“...The Subcommittee further notes that resource fee (including energy surcharge fee) revenue in the approved budget totals 8.6% of gross tuition revenue. The Subcommittee expects the Department to limit resource fee revenue to no more than 8.6% of gross tuition revenue.”

F. Energy Surcharge Fee

Originally authorized in 2001-02, the Energy Surcharge Fee was created to address a critical increase in energy costs to OUS institutions.

2003-2005 Biennium

In April 2003, the State Board approved tentative tuition plans for 2003-04 and 2004-05. All campuses proposed increases in each of the two years in response to the severe state funding reductions.

In July 2003, the Board approved specific tuition and fee rates for 2003-04, including changes to the tuition plateaus. In taking action, the State Board approved the principles that OUS institutions may: 1) modify or eliminate tuition plateaus, and 2) develop individual plans to modify or eliminate tuition plateaus in the future on a schedule that best meets their needs and the needs of their students. These plans would be submitted to the State Board for approval.

Attached are a series of tables with information on tuition and fee increases and comparisons with peers:

- 1) 2003-04 tuition and fees and rates of increase over the prior year
- 2) 2003-04 Programmatic Resource Fees and increases over prior year
- 3) Planned increases for 2004-05
- 4) OUS Median Annual Tuition and Fees 1991-2004
- 5) 2003-04 Tuition and Fee Comparisons with Peer Universities

Table 1: 2003-04 Tuition and Fees and Rates of Increase Over the Prior Year (Undergraduate)

Winter Term 2003 Tuition and Fees							
Full-Time Undergraduate - 15 Credit Hours							
	EOU	OIT	OSU	PSU	SOU	UO	WOU
TUITION							
Residents	\$ 1,290	\$ 1,116	\$ 1,239	\$ 1,320	\$ 1,046	\$ 1,236	\$ 1,080
Nonresidents	\$ 1,290	\$ 4,176	\$ 5,491	\$ 4,620	\$ 3,936	\$ 5,229	\$ 3,835
FEES							
Energy	20	-	-	-	-	20	-
Technology	50	60	100	60	50	90	70
Building	45	45	45	45	45	45	45
Incidental	195	159	170	131	144	173	159
Health	99	101	94	110	99	99	81
Total Fees	\$ 409	\$ 365	\$ 409	\$ 346	\$ 338	\$ 427	\$ 355
Total Tuition and Fees*							
Residents	\$ 1,699	\$ 1,481	\$ 1,648	\$ 1,666	\$ 1,384	\$ 1,663	\$ 1,435
Nonresidents	\$ 1,699	\$ 4,541	\$ 5,900	\$ 4,966	\$ 4,274	\$ 5,656	\$ 4,190
Percentage Increase over Prior Year							
	EOU	OIT	OSU	PSU	SOU	UO	WOU
Tuition							
Residents	27%	4%	11%	22%	3%	6%	8%
Nonresidents	27%	1%	16%	10%	8%	4%	4%
FEES							
Energy	0%	0%	0%	0%	0%	0%	0%
Technology	0%	0%	0%	0%	0%	0%	0%
Building	29%	29%	29%	29%	29%	29%	29%
Incidental	0%	0%	11%	0%	-1%	4%	3%
Health	0%	0%	7%	0%	3%	0%	0%
Total Tuition and Fees*							
Residents	20%	3%	10%	18%	3%	5%	7%
Nonresidents	20%	1%	15%	9%	8%	4%	4%
* Excludes Resource Fees. Amounts are rounded to nearest dollar.							

Table 1: 2003-04 Tuition and Fees and Rates of Increase Over the Prior Year (Graduate)

Winter Term 2003 Tuition and Fees							
Full-Time Graduate - 12 Credit Hours							
	EOU	OIT	OSU	PSU	SOU	UO	WOU
TUITION							
Residents	\$ 2,400	\$ 1,845	\$ 2,713	\$ 2,640	\$ 2,102	\$ 2,529	\$ 2,183
Nonresidents	\$ 4,584	\$ 3,393	\$ 4,792	\$ 6,600	\$ 3,852	\$ 4,121	\$ 3,931
FEES							
Energy	20	-	-	-	-	20	-
Technology	50	60	100	63	50	90	70
Building	45	45	45	45	45	45	45
Incidental	195	159	170	131	144	173	159
Health	99	101	94	110	99	99	81
Total Fees	\$ 409	\$ 365	\$ 409	\$ 349	\$ 338	\$ 427	\$ 355
TOTAL TUITION AND FEES*							
Residents	\$ 2,809	\$ 2,210	\$ 3,122	\$ 2,989	\$ 2,440	\$ 2,956	\$ 2,538
Nonresidents	\$ 4,993	\$ 3,758	\$ 5,201	\$ 6,949	\$ 4,190	\$ 4,548	\$ 4,286
Percentage Increase over Prior Year							
	EOU	OIT	OSU	PSU	SOU	UO	WOU
Tuition							
Residents	1%	-5%	13%	20%	9%	10%	14%
Nonresidents	15%	-4%	14%	71%	7%	1%	11%
FEES							
Energy	0%	0%	0%	0%	0%	0%	0%
Technology	0%	0%	0%	0%	0%	0%	0%
Building	29%	29%	29%	29%	29%	29%	29%
Incidental	0%	0%	11%	0%	-1%	4%	3%
Health	0%	0%	7%	0%	3%	0%	0%
TOTAL TUITION AND FEES*							
Residents	1%	-3%	13%	18%	8%	9%	12%
Nonresidents	14%	-3%	13%	65%	7%	1%	10%
* Excludes Resource Fees. Amounts are rounded to nearest dollar.							

Table 2: 2003-04 Programmatic Resource Fees and Increases over the Prior Year

Programmatic Resource Fees			
<u>Per Term</u>	<u>2002-03</u>	<u>2003-04</u>	<u>% Change</u>
OIT			
EMT/ Paramedic Ed	\$85	\$85	0%
Clinical Lab Science	135	135	0%
OSU			
Business Undergraduate	100	130	30%
MBA	350	350	0%
Pre-Engineering	100	192	92%
Engineering	150	430	187%
Art	-	100	
Interdisciplinary Studies	-	35	
Education	-	50	
Honors College 01-02	25	25	0%
Honors College 02-03	100	100	0%
Honors College 03-04	-	167	
Pharmacy	-	250	
PSU			
Student Service Fee - All	-	5	
Business Undergraduate	50	100	100%
MBA	150	350	133%
Engineering	170	250	47%
Fine & Performing Arts	50	50	0%
Speech & Hearing Graduate	-	250	
SOU			
MBA Resident	100	100	0%
MBA Nonresident	150	150	0%
M Management	160	160	0%
M Mental Health Counseling	333	333	0%
M Group Facilitation & Training	300	300	0%
M Human Services	-	300	
Science Undergraduate	20	20	0%
Business Undergraduate	15	15	0%
MA Teaching	180	120	-33%
UO			
Pre-Business	-	50	
Business	125	125	0%
MBA	550	550	0%
Architecture	50	50	0%

Programmatic Resource Fees

<u>Per Term</u>	<u>2002-03</u>	<u>2003-04</u>	<u>% Change</u>
Arts & Science Undergraduate	40	40	0%
Science Undergraduate	70	70	0%
Computer Science	125	125	0%
Pre-Journalism & Journalism	75	75	0%
Multimedia Undergraduate	40	50	25%
Music	60	75	25%
Education	50	50	0%
Honors College 00-01	50	50	0%
Honors College 01-02	150	100	-33%
Honors College 02-03	400	150	-63%
Honors College 03-04	-	500	
UO Law	2,770	3,170	14%

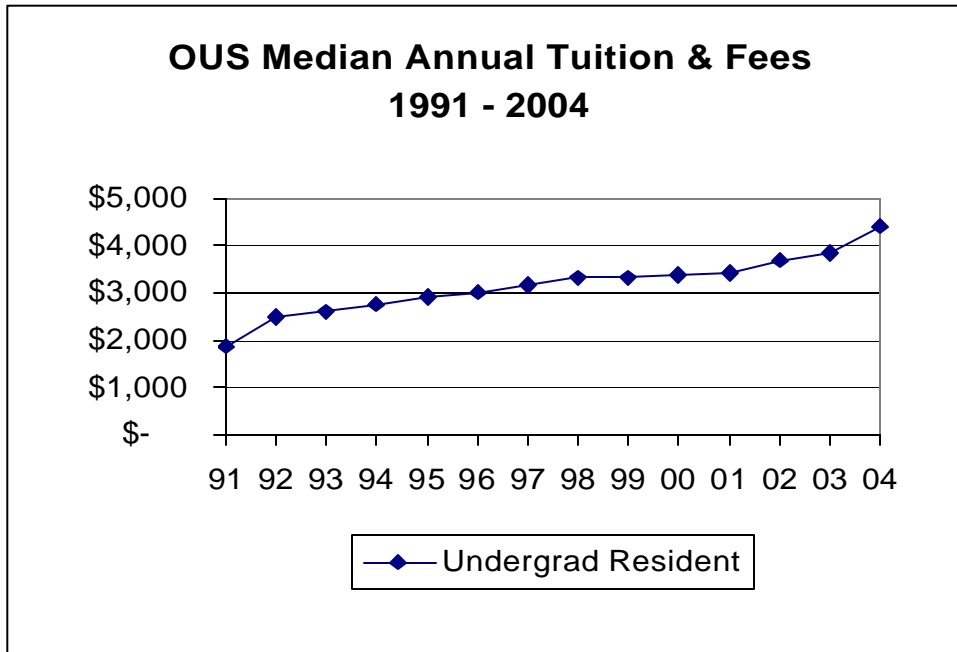
Table 3: Planned Increases for 2004-05

Planned Tuition Increases for 2004-05							
Approved by the State Board in April 2003							
	<u>EOU</u>	<u>OIT</u>	<u>OSU</u>	<u>PSU</u>	<u>SOU</u>	<u>UO</u>	<u>WOU</u>
Resident Undergraduate	10%	9%	5%	8%	12%	12%	6%
Nonresident Undergraduate	10%	9%	5%	4%	8%	3.5%	3.5%
Resident Graduate	10%	9%	5%	8%	12%	12%	6%
Nonresident Graduate	10%	9%	5%	8%	8%	3.5%	3.5%

Note: Campuses are also considering changes in the tuition plateaus

Revenue estimates provided to the Legislature in June 2003 included the projected percentage increases above, which were approved by the Board in April 2003. Campuses are currently in the process of refining their tuition and fee proposals for 2004-05 based on current financial projections.

Table 4: OUS Median Annual Tuition and Fees 1991-2004



The chart above shows that tuition and fees increased sharply in 1991-92 in response to Measure 5 state budget reductions, rose moderately through the 1990's, and then increased dramatically over the past two years in response to state funding reductions.

Table 5: 2003-04 Tuition and Fee Comparisons with Peer Universities

Annual Tuition and Fees - OUS and Peer Institutions - 2003-04	
Ranked by 2003-04 Average Tuition & Fees compared with Peer Group Resident Undergraduate Full-time Students	
<u>Large Universities</u>	
University Of Illinois At Chicago	\$6,934
Indiana University-Bloomington	6,517
Purdue University-Main Campus	5,860
SUNY At Buffalo	5,856
University Of California-Davis	5,853
Indiana University-Purdue University-Indianapolis	5,703
University Of California-Santa Barbara	5,639
University Of Wisconsin-Milwaukee	5,104
Iowa State University	5,028
University Of Iowa	4,993
University Of Washington-Seattle Campus	4,968
University Of Oregon	4,959
Oregon State University	4,719
Portland State University	4,443
University Of Memphis	4,234
University Of Colorado At Boulder	4,020
University Of North Carolina At Chapel Hill	3,993
North Carolina State University At Raleigh	3,889
University Of Arizona	3,603
<u>Regional Universities</u>	
SUNY College At Fredonia	5,362
University Of Michigan-Flint	5,274
Southeast Missouri State University	4,755
Mary Washington College	4,688
Eastern Oregon University	4,426
Western Oregon University	4,305
Southern Oregon University	4,153
University Of Wisconsin-Parkside	4,072
Eastern Washington University	3,812
Southern Utah University	2,794
California State University-Stanislaus	2,503

OIT Peers

SUNY College Of Technology At Alfred	5,280
Purdue University-North Central Campus	4,712
Oregon Institute Of Technology	4,543
East Tennessee State University	3,839
West Virginia University Institute Of Technology	3,802
University Of Southern Colorado	3,242
Western Carolina University	2,799
Weber State University	2,634
California State Polytechnic University-Pomona	2,505

Source: Chronicle of Higher Ed Survey 2004

**OREGON STATE BOARD OF HIGHER EDUCATION
REGULAR MEETING OF THE STATE BOARD OF HIGHER EDUCATION
VALLEY FOOTBALL CENTER, 3RD FLOOR BANQUET ROOM
OREGON STATE UNIVERSITY
MARCH 5, 2004**

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OSU, M.B.E., Construction Engineering Management

Oregon State University proposes to offer an instructional program leading to the Master's of Business and Engineering (M.B.E.) in Construction Engineering Management (CEM), effective immediately. The proposed program, offered through the Department of Civil, Construction, and Environmental Engineering, would be the only one of its kind in the state. Currently, Portland State University offers the M.S. in Engineering Management, and OSU offers the CEM option in its Civil Engineering master's degree program. OSU, PSU, and the University of Oregon offer business programs leading to the M.B.A.

Graduates of the proposed program will have an improved understanding of the links between construction engineering management and business and will be prepared for construction engineering management careers in industry, regulatory agencies, consulting firms, and municipalities.

The proposed program was developed with assistance from the Oregon-Columbia Chapter of the Associated General Contractors of America and the industry advisory board of the CEM program. Students will complete a total of 45 graduate credits, including 18 credits from the College of Business (e.g., Financial and Cost Analysis, Information Management, Financial Markets and Institutions, Building Customer Relationships), 20 credits in construction engineering management (e.g., Risk Management in Construction, Construction Business Management, Project Controls), a 4-credit internship, and a final oral examination. The internship topic will be approved for its academic content by the student's major professor prior to beginning the activity. The remaining credits may be from business, CEM, or any other approved courses. A total of six new CEM courses are proposed to support the program. No new College of Business courses are proposed.

Admission to the program will be limited to those with a current civil engineering, construction engineering management, or equivalent baccalaureate degree; or three years of professional construction industry experience and any undergraduate degree. OSU anticipates that many students will work towards their M.B.E. degree while continuing employment with construction firms. These individuals will be expected to implement academic concepts from their coursework in the workplace, measure and analyze the outcomes, and publish results through the internship capstone process. To allow working students to pursue the degree, the program is designed to be completed over two years on a part-time basis, or one year if enrolled full time. OSU anticipates 36 graduates of the CEM program over a five-year period.

The construction industry is a significant segment of Oregon's economy, responsible for the design, construction, and renovation of all homes and multi-family housing, public works, and manufacturing and retail businesses. Although the proportion of construction industry managers with bachelor's degrees similar to OSU's CEM program has grown over the last 30 years, significant numbers of construction industry managers have no formal education in project management or business principles.

The proposed program offers an example of leveraging industry/donor funds through university partnership efforts. Funded primarily through an endowment developed by retired contractor Robert C. Wilson, the faculty member hired for a new endowed chair will serve as program director. In accepting the Wilson donation, the OSU College of Engineering agreed to contribute additional funds annually to fully support the Wilson Chair and to meet the objectives of the program. No additional faculty are required to implement the program. All current staff, facilities, equipment, and resources are sufficient to offer the program.

An external review team composed of Larry Grosse, professor, Manufacturing Technology and Construction Management, Colorado State University; J. Mark Taylor, Burns School of Real Estate and Construction Management, Daniels College of Business, University of Denver; and Howard Bashford, associate professor, Del E. Webb School of Construction, Arizona State University, conducted a site visit and evaluation of the proposed program in October 2003. The review team concurred with OSU's assessment that demand for this program and its graduates is high, that faculty numbers and expertise are appropriate, and that this program will provide a unique offering in the U.S. by providing both construction engineering and business management instruction in equal measure.

The team offered several recommendations, largely around administration and growth of the program, to which OSU has responded. For example, the team recommended creation of an advisory board that combined business and construction industry members. OSU agreed to create such a board within the first year of the program. The team's recommendation to "investigate the opportunity to create a partner program in Portland" had already been considered by OSU. A liaison with PSU had previously been developed by OSU, including conversations with the deans of the Colleges of Engineering and Business.

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

Staff Recommendation to the Board

Staff recommends that the Board authorize Oregon State University to establish a program leading to the M.B.E. in Construction Engineering Management. The program would be effective immediately, and the OUS Office of Academic Affairs would conduct a follow-up review in the 2009-10 academic year.

(Board action required.)

2005-2007 Biennial Budget: Process/Schedule

Staff Report to the Board

The OUS Budget and Management Office develops the Agency Request and Capital Construction budgets based on the requirements of Oregon Department of Administrative Services instructions.

The presentation focuses on the information contained in the 2005-2007 OUS Budget Process document and the Budget Development Schedule, both attached. The Agency Request Budget, comprised principally of Current Service Level and Policy Package components, and the Capital Construction Budget, including information on project requests by campus by building category and by program goals, are both scheduled for discussion at the May and June Board meetings and for adoption at the July 16 Board meeting.

2005-2007 OUS Budget Process

The Oregon University System (OUS) Budget and Management Office develops the Agency Request and Capital Construction budgets according to Department of Administrative Services (DAS) instructions.

The Agency Request Budget process is comprised principally of the following elements:

- Current Service Level (CSL): DAS requires a biennial budget for OUS in aggregate based on CSL. CSL represents the amounts necessary to continue authorized programs adjusted to reflect 1) the 24-month cost of salary and benefit increases awarded during the current biennium; 2) the 24-month cost of programs implemented during the 2003-2005 biennium; 3) the incorporation of inflation factors (DAS approved); and 4) adjustments for one-time funding.
- From March through May 2004, the Budget Office will develop the 2005-2007 CSL in conjunction with the campuses. Results of CSL development will be presented to the Board as part of the Agency Request Budget at the July 16, 2004, meeting.
- Policy Package Development: Program changes and policy initiatives requiring an increase in budget are submitted to DAS as Policy Packages. Most of these requests will be generated through the Board Committees this spring. The Budget Office will provide instructions and assistance in developing the requests.

Policy Package drafts will be one to two page concept papers that include a description of the request, how it supports the Governor's and Board's initiatives, expected outcomes, performance indicators, and a budget outline. The Board will review these drafts at the May 7th and June 4th meetings. Final Packages will be submitted as part of the Agency Request Budget for Board approval at the July 16, 2004, meeting.

- *Budget Reduction Proposal:* All state agencies are required by statute to submit 10 percent budget reduction proposals with agency request budgets. The OUS proposal will be submitted as part of the Agency Request Budget for Board approval at the July 16, 2004, meeting.
- The CSL plus Policy Package requests and the Reduction Proposal constitute the Agency Request Budget, which must be submitted to DAS and the Governor by September 1, 2004.

The Capital Construction Budget process is made up primarily of the following parts:

- *Scope:* DAS requires an OUS Capital Construction Budget that covers the ensuing three biennia.

The Budget Office will develop the 2005-11 Capital Construction Budget document based on campus requests during March and April 2004. The budget will be reviewed by the Board at the June 4, 2004, meeting and submitted for Board approval at the July 16, 2004, meeting.

- *Categories:* The budget request is compiled from a standard database that presents projects by campus by building category, as follows: Education and General, Auxiliary, Student Building Fee, and Systemwide projects.
- *Goals:* The request is defined by three capital program goals: Quality Facilities, Enrollment Growth, and Program Needs.

The Agency Request and Capital Construction budgets are subsequently modified through discussions with DAS and the Governor's Office and incorporated into the Governor's Recommended Budget, which the Budget Office must submit to DAS in December 2004 for presentation to the 2005 Legislative session.

Legislative Concepts are policy changes and initiatives that require changes in legislation. These concepts support the Governor's policy initiatives and must receive DAS approval. Drafts are due to DAS by April 15, 2004. Concepts with a fiscal impact must be linked to a Policy Package in the Agency Request Budget.

Budget Development Schedule
2005-2007 Biennial Budget

March 3, 2004	Campus Budget Officers Meeting Introduction to the 2005-2007 Biennial Budget Process.
March 4, 2004	Board Committee background discussion on tuition and fees
March 22, 2004	Campus Tuition and fee proposals due to OUS Budget Office
April 8, 2004	Board discussion of tuition and fee issues
April 15, 2004	Campus budget information due to OUS Budget Office Capital Project proposals due to OUS Budget Office Legislative Concepts due to DAS
April 30, 2004	Campuses submit COP Finance Request forms to OUS
May 7, 2004	Board review of draft Policy Packages
May 14, 2004	OUS submits COPS Requests to DAS
May 27, 2004	OUS Budget and Management to determine Systemwide 2005-2007 Current Service Level
June 4, 2004	Board approval of 2004-05 tuition and fees Board review of capital project proposals Continuing Board discussion of Policy Packages
July 5, 2004	Deadline for a July 9 th docket mail out to Board members for the July 16, 2004 meeting.
July 16, 2004	Presentation of 2005-2007 OUS Request Budget document to Board for approval and adoption.
September 1, 2004	Last date for OUS Budget and Management to submit 2005-2007 OUS Agency Request Budget document to DAS.
December 2004	Last date for OUS Budget and Management to submit 2005-2007 Governor's Recommended Budget document to DAS.
January 2005	Legislative Session begins
March 2005	Presentation of Governor's Recommended Budget to Ways and Means
June 2005	Legislature adopts a final 2005-2007 budget for OUS.



Oregon State Board of Higher Education

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March 5, 2004

Oregon State Board of Higher Education



**OREGON STATE BOARD OF HIGHER EDUCATION
AGENDA FOR THE EXECUTIVE COMMITTEE MEETING OF THE BOARD
TELEPHONIC CONFERENCE CALL**

FEBRUARY 10, 2004

1. CALL TO ORDER/ROLL CALL

President Neil Goldschmidt called the meeting of the Executive Committee of the State Board of Higher Education to order at 7:30 a.m.

The following Executive Committee members answered present:

Don Blair	Geri Richmond
Henry Lorenzen	Neil Goldschmidt

The following Board members were also present:

Bridget Burns	John von Schlegell
Kirby Dyess	Gretchen Schuette
Rachel Pilliod	Howard Sohn
Tim Nesbitt	

System Office staff present: Chancellor Richard Jarvis, Tom Anderes, Shirley Clark, Grattan Kerans, David McDonald, Ben Rawlins, Marcia Stuart, Virginia Thompson, and Susan Weeks.

Others: Peter Gilkey (IFS), Philip Conn (WOU), Martha Anne Dow (OIT), Dave Frohnmayer (UO), Dixie Lund (EOU), Ed Ray (OSU), Elisabeth Zinser (SOU).

Meeting attendees also included other institution representatives, members of the System Office staff, interested observers, and members of the press.

2. COMMENTS FROM THE CHAIR

President Goldschmidt welcomed the Board members to their first Executive Committee meeting.

3. ACTION ITEM

a. Measure 30: Implications for OUS

DOCKET ITEM:

Post Measure 30 – First Steps (Letter from Chancellor Jarvis to the Board)

As the dust, and reality, from Measure 30 settles we must begin the process of addressing the specifics of budgetary reductions. While Board President Goldschmidt and I have begun discussing overall options, it was agreed that a systematic process should be established to assist the Board (and Executive Committee) in its task.

First, the defeat of Measure 30 causes a \$7.5 million budget reduction for OUS. The Legislature passed House Bill (HB) 5077 identifying areas of budget cuts should the measure be defeated. The legislative intent, expressed in (HB) 5077, and interpreted for us by both the Department of Administrative Services (DAS) and the Legislative Fiscal Office (LFO), directs the HB 5077 reduction to the funds added for undergraduate education.

As we know, the support of undergraduate education and the current tuition charges are inextricably entwined. This interdependence was recognized and stressed by Governor Kulongoski in his recent post Measure 30 remarks:

“As for higher education, access remains my #1 priority. Though higher education faces a cut of \$7.5 million, we will look for additional operational and administrative reductions in the chancellor's office and campus by campus, and we will take those reductions before we resort to tuition increases.” (Press conference, February 4, 2004)

The necessity that the Chancellor's Office share in these budget reductions was emphasized by President Goldschmidt in his discussion with campus Presidents last Friday. We are also mindful that the Board has been charged with and is implementing the responsibility of conducting a review of the Chancellor's Office. This review will provide a vital link in supporting the necessary budget cuts with a thorough and reasoned analysis of programmatic functions.

While a thorough analysis is a necessity, time is in short supply for students and staff to make their plans for next year. Therefore, I request authorization from the Executive Committee, acting on behalf of the Board, to proceed with notification to all employees of the Chancellor's Office that, subject to program reduction, employment extension or contract renewal beyond the current contracted date of June 30, 2004, cannot be guaranteed. My plan is to communicate this decision to all Chancellor's Office staff by email today and to offer them an opportunity to meet with me in group meetings in Portland, Corvallis, and Eugene on Thursday.

BOARD DISCUSSION AND ACTION:

President Goldschmidt remarked that since Measure 30 failed, the System had been tasked with finding ways to reduce the budget. “We have guidance from the Governor, who made some remarks about what he would prefer us to do with regard to tuition increases. The Chancellor will be notifying all employees of the System Office that, subject to program reductions, employment extension or contract renewal beyond the current contracted date of June 30, 2004, cannot be guaranteed,” he indicated.

Director Blair asked the Chancellor how he expected to couch the language in the letter to employees. "Is it going to be just the facts as you laid it out in your letter or is it going to try to indicate the extent with additional cuts to follow later after the Board meets?"

The Chancellor indicated that the answer was "yes, to both parts of the question. I'll cover elements that are listed here, translated into this context and remind the members of my staff of our contractual situation and the way in which we will respond to any further end-reductions. So, it's just a way of letting people know that we're anticipating contributing to the response to Measure 30 and giving them a heads-up, both on the staff side and, as importantly, on the student side, so that they can see this process. This would initiate the process. The whole idea is to not put any specifics on it at this point," he concluded.

President Goldschmidt added that without reductions in the System office, the Board would be left with the campuses taking the entire burden on themselves for the reductions. "This is some number north of \$7.5 million," he said. Continuing, he observed that the Board work group on the review of the Chancellor's office had not had sufficient time yet to get a feel for the size or complexity of the System office.

Director Burns asked if there were any indication of the percentage of the cuts the System office would be dealing with. President Goldschmidt responded that the conversations had just started. "As the Chancellor pointed out, the legislative directive didn't include us (System office); we were sort of on the sidelines. I think after informal conversations with the chair, vice chair, and the Chancellor, we concluded that this actually ought to be something the Executive Committee looks at, and the more we looked at it the more we've concluded that we ought to be on the same playing field, the same circumstances as the universities are. So, that literally is as far as we've gone."

Vice President Richmond moved to authorize the Chancellor, acting on behalf of the Board, to proceed with notification to all employees of the Chancellor's Office that, subject to program reduction, employment extension or contract renewal beyond the current contracted date of June 30, 2004, cannot be guaranteed.

President Frohnmayer asked that it be made clear that the Executive Committee action would affect only the Chancellor's Office. "It does involve a very public giving of notice and my anxiety is that it will be viewed as Systemwide, including the institutions, rather than limited to the Chancellor's Office. And that the distinction is perhaps something the public won't fully grasp. I just hope that it's crystal clear in the communication of the action that you are about to take, that it is limited to administration, limited to the central office, and does not extend to the campuses and does not extend to our instruction or research faculty," President Frohnmayer concluded.

President Goldschmidt concurred that it was an important point to underscore. "I think, Chancellor, what we ought to do is say that it applies to, and put in the number of employees there are in the Chancellor's Office, essentially the headquarters of the

System, and that it has no impact on any teaching faculty, or however you and the presidents want to word it.”

Director Blair emphasized an earlier point he had made. “I think it is important for us to also indicate in the letter that this is only a preliminary heads-up and not a notice of lay-offs or any specific action. We’re not far enough along to determine what the actual cuts will be. So, I don’t think we want this to be interpreted as a lay-off notice.”

Director Nesbitt asked the Executive Committee what the time line was for clarifying and finalizing when the budget actions would be taken. Specifically, he asked if that would be done at the February 19th and 20th Board meetings.

Chancellor Jarvis indicated that the reduction packages being put together with the universities have to be ready for a mid-April submission to the Executive Department to be implemented by May 1, 2004.

There was further discussion concerning how the presidents and Chancellor would proceed to prepare materials for the February Board meeting. Chancellor Jarvis indicated “responses from the campuses would be fairly general at this point because they would be rethinking the impact, given the contribution from the System administration.”

President Goldschmidt urged the presidents to get involved in discussions about how the institutions would be handling the reductions and be as prepared as possible to discuss the strategies at the upcoming Board meeting.

Southern Oregon University President Zinser agreed that it was important to have discussion on timelines for implement changes in terms of timely notice to employees and other public issues. She reminded the Board that there are internal timelines to be met by the campuses.

In closing, President Goldschmidt urged Chancellor Jarvis to seek advice from the university people on the draft press release that would be going out regarding the budget reductions and implications for the institutions.

Those of the Executive Committee voting in favor of the motion were: Directors Blair, Lorenzen, Richmond, and Goldschmidt. Those opposed: none. Motion approved.

4. ADJOURNMENT

The meeting adjourned at 7:45 a.m.

Virginia L. Thompson
Secretary to the Board

Neil Goldschmidt
President of the Board



Oregon State Board of Higher Education

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Oregon State Board of Higher Education



**OREGON STATE BOARD OF HIGHER EDUCATION
ACADEMIC EXCELLENCE/ECONOMIC DEVELOPMENT WORK GROUP
ROOM 511, URBAN CENTER BUILDING
PORTLAND STATE UNIVERSITY**

FEBRUARY 9, 2004

1. CALL TO ORDER/ROLL CALL

Chair Kirby Dyess called the meeting of the Academic Excellence/Economic Development (AEED) work group to order at 3:00.

On roll call, the following AEED members were present:

Kirby Dyess	Greg Hamann
Neil Goldschmidt	John Von Schlegell

Absent: None.

Other Board Members Present: None.

Chancellor's Office staff present: Susan Weeks, Diane Saunders, and Charles Triplett.

Others: Melissa Unger, Legislative Director, Oregon Student Association; and Shelby Oppel, Report, *The Oregonian*

2. REPORT ITEMS

Board President, Neil Goldschmidt began the work session by providing an overview of the work group's top priorities and potential challenges. The group was instructed to revisit the Oregon Benchmarks, originally completed between 1987 and 1991, and to look for opportunities to support statewide economic goals.

President Goldschmidt suggested involving Jack Isselmann, Deputy Director for the Oregon Economic and Community Development Department (OECDD), as a way to provide insight into statewide economic development. He also identified Katy Coba, Department of Agriculture and Marty Brantley, OECDD as starting points in the conversations necessary to fulfill this group's mission.

President Goldschmidt used several examples of challenges currently impacting Oregon to illustrate opportunities for higher education to provide better support to existing and emerging industry clusters.

These suggestions come with an understanding that there is a limited amount of state money to invest. The end result of this committee's work is to identify areas where strategic investment will have the greatest economic impact.

A challenge for this group is to avoid the cliché, “economic drivers often cited but rarely successful.” The group must address traditional industries like agriculture and forestry, but also look for other opportunities currently off the radar. Another challenge, specifically mentioned by President Goldschmidt, is to insure that the benefits of these investments reach all 36 counties in Oregon.

Director Von Schlegell and President Goldschmidt discussed the timeframe scheduled to produce a set of 3 to 5 potential opportunity areas to the Governor. They agreed on 30 days to propose a schedule and to begin directing identified industries to “subcommittee” discussions.

Chair Dyess noted that the Work Group’s current task is to begin adding to the industry list (provided in meeting materials) already identified. She suggested looking into industry opportunities that may provide federal grants to support the work. This “matching” increases the impact of the state’s investment and provides a greater return. It also creates an easier sell to the Legislature if an investment guarantees a match from federal sources.

Director von Schlegell questioned the timeframe for opportunity areas selected by the group, and suggested that return on investments be prioritized into “low hanging fruit,” 5-year returns, and long term investments. He also asked how the group would approach sustainability.

President Goldschmidt once again stressed the importance of statewide benefits. Not all counties need to benefit in the same way but they all need to gain. Regarding sustainability, there are several places in Oregon to begin conversations: NIKE, Sokol Blosser, Department of Agriculture, and the Green Chemistry program at the UO.

President Goldschmidt identified a “brain drain,” or loss of the brightest Oregon high school graduates to out-of-state colleges, as a serious problem for the future talent pool needed to advance Oregon’s economic development. Dr. Hamann pointed out that the mission of community colleges is to provide education to larger portions of the population rather than focus on the “best and brightest students.” Their drive is the breadth of impact and the connection between economic health and average level of income.

Chair Dyess explained that one of the tasks identified in this project is to get an accurate picture of potential economic development connections at all of the community colleges in the state. Visits to the campuses will provide a better understanding of their impact on the state and local economies.

A start for this group’s work is to begin an inventory of resources, opportunities, and challenges currently influencing the economy. Conversations with key representatives of the Oregon Business Council, Oregon Economic and Community Development Department, and other organizations focused on economic development, should begin to provide some clarity on the scope of this project.

As the list of potential opportunity areas is developed, consideration should be given to the area's ability to generate excitement, the return on investment, its statewide impact, and opportunities to pull private funding into the mix.

Director von Schlegell pointed out that the appropriate mix of short, medium, and long-term investments would make this an easier total package sell to the Legislature.

Chair Dyess identified at least one vacant spot on the working group and opened an opportunity for discussing the size and structure of the final committee. She suggested better representation from outside Portland, and perhaps a president of a private college.

Director von Schlegell suggested including a president from one of the public campuses as well. This would bring the committee total to approximately seven members.

Dr. Hamann offered to contact Phil Creighton, president of Pacific University as the private college member, with the group's approval. Chair Dyess agreed.

President Ed Ray of Oregon State University was also identified and Chair Dyess volunteered to contact him.

Director von Schlegell volunteered to contact an agricultural businessperson from Hermiston as another possible member.

Chair Dyess concluded the meeting by asking Susan Weeks to follow up on committee member suggestions and to create a task list to be emailed to the group. Tasks identified include: create a listserv, complete committee membership, draft a group mission statement, and create a list of group member biographies.

Chair Dyess scheduled the next full work group meeting for March 1, 2004, from 3:00-5:00 p.m.

3. ADJOURNMENT

The meeting adjourned at 5:00 p.m.