Oregon
University
System

State Board of Higher Education
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PHONE: (541)-346-5749
http://www.ous.edu

July 27, 2012

TO: MEMBERS OF THE STATE BOARD OF HIGHER EDUCATION

Meetings of the State Board of Higher Education will be held on August 2-3, 2012.

On Thursday, August 2, the Board will convene in executive session pursuant to ORS 192.660(2)(i) to review and evaluate the employment-related performance of the chief executive officer of any public body, a public officer, employee, or staff member who does not request an open hearing for the purpose of discussing personnel matters. Pursuant to ORS 192.660(4), representatives of the news media are allowed to attend, but the Board requires that the discussions and any reports received in the executive session be undisclosed. Pursuant to ORS 192.660(6), no final action will be taken or final decision made in the executive session.

On Friday, August 3, the Board cordially invites faculty to join the Board for coffee and conversation at 7:30 a.m. in the University Center's conference room (rm 710).

Immediately following the faculty coffee, the Board will meet in open session in the Boardroom. Agenda items include consideration of the following: consent items (adoption of Optional Retirement Plan Fifth and Sixth Amendments, 2012-13 proposed General Fund allocations, two program proposals submitted by OSU for BFA in Graphic Design and BA/BS in Innovation Management, and June Board minutes). Action items include: 2013-2015 state budget process and round 2 submission, Board elections, presidential compensation, and OSU-Cascades proposal to expand into lower-level course offerings. Additionally, the Chancellor, Board Committee chairs, the president of the Interinstitutional Faculty Senate, and the chair of the Oregon Student Association will provide informational reports to the Board.

Following the Board meeting, the Board will convene in executive session pursuant to ORS 192.660(2)(i) to review and evaluate the employment-related performance of the chief executive officer of any public body, a public officer, employee, or staff member who does not request an open hearing for the purpose of discussing personnel matters. Pursuant to ORS 192.660(4), representatives of the news media are allowed to attend, but the Board requires that the discussions and any reports received in the executive session be undisclosed. Pursuant to ORS 192.660(6), no final action will be taken or final decision made in the executive session.

These meetings will be held in accordance with the time, location, and schedule listed below:

Thursday, August 2, 2012

3:30-5:00 p.m.	Board executive session (Boardroom)

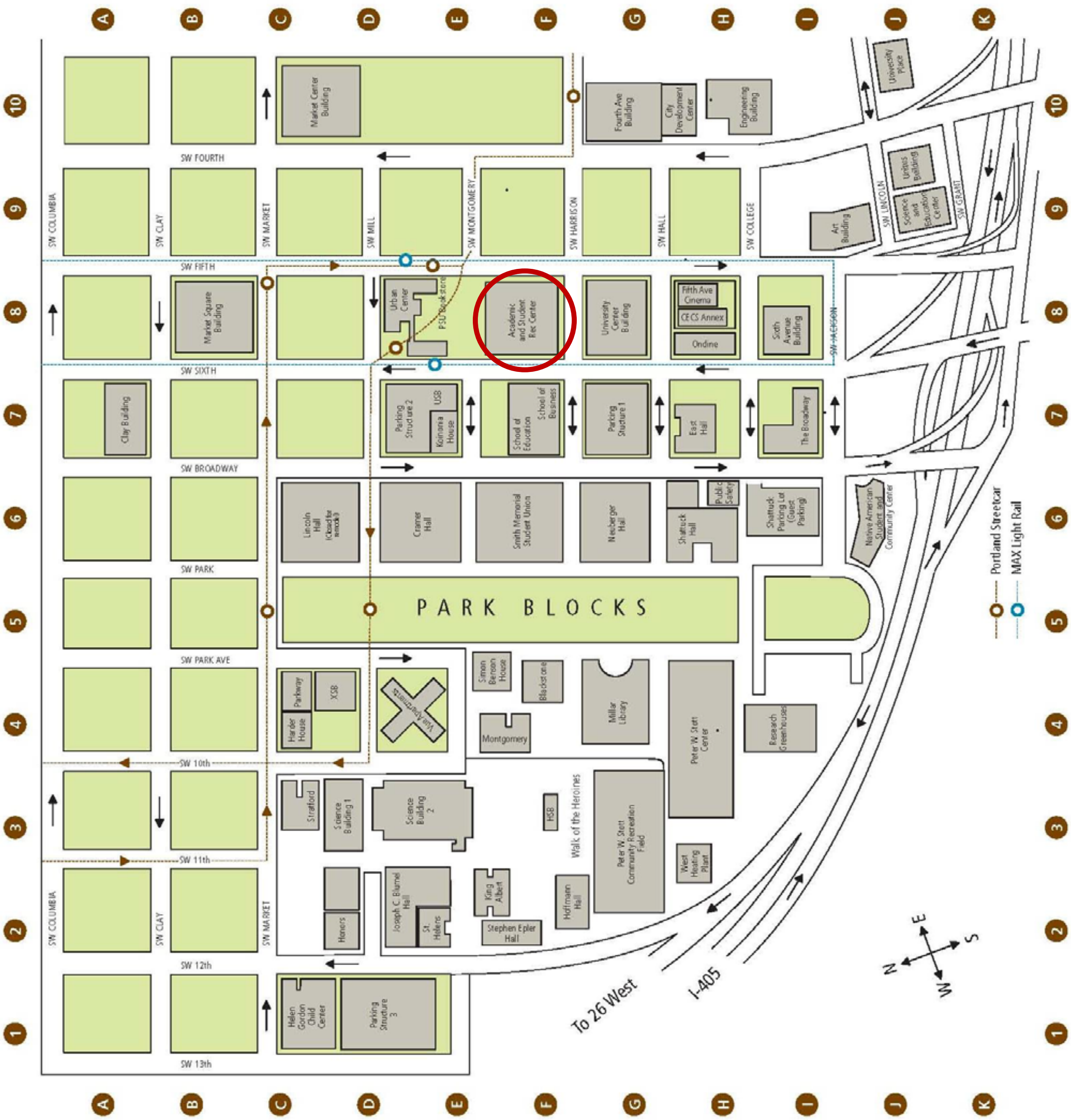
Friday, August 3, 2012

7:30 a.m. – 8:30 a.m.	Faculty Coffee (UC 710)
9:00 a.m. – 1:00 p.m.	Full Board meeting (webcasting will be available)
1:30 - 4:30 p.m.	Board executive session (Boardroom)

The OSBHE Boardroom is located in the Academic and Student Recreation Center (ASRC), suite 515, which is located at 1800 SW 6th Avenue. Telephone messages for Board members and institution officials attending the meetings may be called to (503) 725-5700. If special accommodations are required, please contact the Board's Office at (541) 346-5749 at least 72 hours in advance.

Cordially,

Charles L. Triplett III
Board Secretary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SW FIFTH
SW SIXTH
SW BROADWAY
SW PARK
SW PARK AVE
SW 10th
SW 11th
SW 12th
SW 13th
SW COLUMBIA
SW CLAY
SW MARKET
SW MILL
SW MONTGOMERY
SW HARRISON
SW HALL
SW COLLEGE
SW JACKSON
SW LINCOLN
SW GRANT
Market Center Building
Fourth Ave Building
City Development Center
Engineering Building
University Place
Urban Center
PSU Bookstore
Academic and Student Rec Center
University Center Building
Fifth Ave Cinema
CECS Annex
Ondine
Sixth Avenue Building
Market Square Building
Clay Building
Parking Structure 2
USB
Koinonia House
School of Education
School of Business
Parking Structure 1
East Hall
The Broadway
Lincoln Hall
Cramer Hall
Smith Memorial Student Union
Neuberger Hall
Shattuck Hall
Public Safety
Shattuck Parking Lot (Guest Parking)
Native American Student and Community Center
Parkway
XSB
Harder House
Simon Benson House
Blackstone
Montgomery
Millar Library
Peter W. Stott Center
Research Greenhouses
Stratford
Science Building 1
Science Building 2
HSB
Walk of the Heroines
Peter W. Stott Community Recreation Field
West Heating Plant
Joseph C. Blumel Hall
St. Helens
Honors
King Albert
Stephen Epler Hall
Hoffmann Hall
Helen Gordon Child Center
Parking Structure 3
To 26 West
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Oregon University System

Oregon State Board of Higher Education

Committee Assignments, 2012-13

Academic Strategies Committee

- Francesconi (Chair)
- Coulombe
- Eiland
- Middleton
- Plec
- Yaden

Governance & Policy Committee

- Kelly (Chair)
- Ford
- Ganjifard
- Schueler
- Yaden

Finance & Administration Committee

- Schueler (Chair)
- Ciuffetti
- Forbes
- Ford
- Ganjifard

Delegation Assignments

State

College Savings Board

- Kelly

Education

OHSU Board

- Yaden

Executive Session of the Board

August 2, 2012
3:30-5:00 p.m.

AGENDA

1. **Call to Order/Roll Call**

2. **Presidential Conversation with the Board**

   a. Eastern Oregon University

The Board will convene in executive session pursuant to ORS 192.660(2)(i) to review and evaluate the employment-related performance of the chief executive officer of any public body, a public officer, employee, or staff member who does not request an open hearing for the purpose of discussing personnel matters. Pursuant to ORS 192.660(4), representatives of the news media are allowed to attend, but the Board requires that the discussions and any reports received in the executive session be undisclosed. Pursuant to ORS 192.660(6), no final action will be taken or final decision made in the executive session.

3. **Recess**

Meeting of the Full Board

August 3, 2012
9:00 a.m.–1:00 p.m.

AGENDA

1. **Reconvene/Roll Call/Welcome**

2. **Reports**

   a. Chancellor's Report

   b. Committee Action Reports 1
      i. Academic Strategies (Francesconi)
      ii. Finance & Administration (Schueler)
      iii. Governance & Policy (Kelly)

c. Oregon Student Association (OSA) Chair

3. Consent Items

4. Action Items

5. DISCUSSION ITEM

a. OUS, Achievement Compact Targets (Kieran)

At the March 2, 2012 meeting, the State Board of Higher Education approved the OUS and Institutional Achievement Compacts and forwarded them to the OEIB for approval. The OEIB approved the Compacts on March 13, 2012. The State Board of Higher Education then approved 2010-11 actuals, 2011-12 projections, and 2012-13 targets during the June 1, 2012 meeting. This discussion will focus on 2013-14 and 2014-15 preliminary compact numbers.

6. PUBLIC INPUT

7. BOARD COMMENTS

8. RECESS INTO EXECUTIVE SESSION

Executive Session of the Board

August 3, 2012
1:30-5:00 p.m.

AGENDA

1. CALL TO ORDER/ROLL CALL

2. PRESIDENTIAL CONVERSATION WITH THE BOARD

a. Oregon Institute of Technology

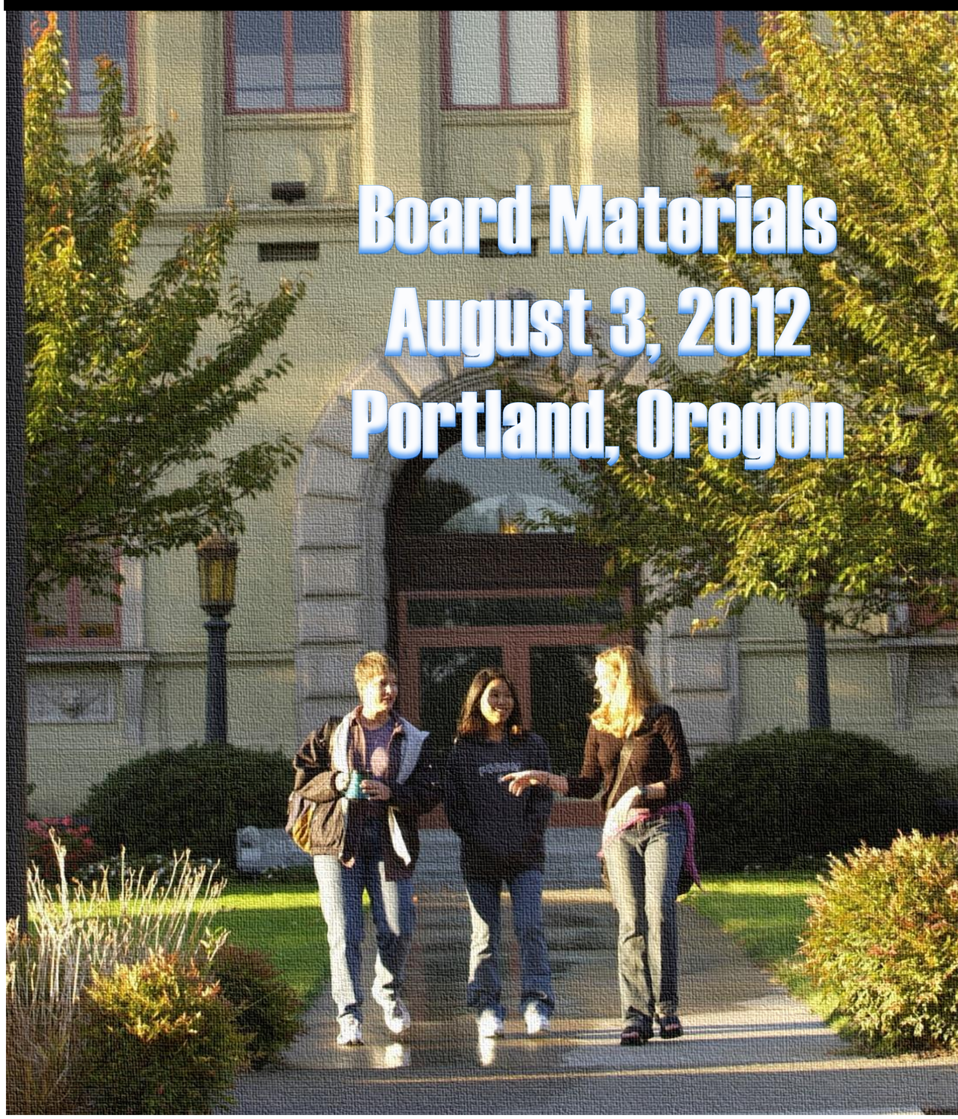
b. Portland State University

The Board will convene in executive session pursuant to ORS 192.660(2)(i) to review and evaluate the employment-related performance of the chief executive officer of any public body, a public officer, employee, or staff member who does not request an open hearing for the purpose of discussing personnel matters. Pursuant to ORS 192.660(4), representatives of the news media are allowed to attend, but the Board requires that the discussions and any reports received in the executive session be undisclosed. Pursuant to ORS 192.660(6), no final action will be taken or final decision made in the executive session.

3. ADJOURNMENT

Note: All docket materials are available on the OUS website at: http://www.ous.edu/state_board/meeting/dockets. Please contact the Board's office at (541) 346-5749 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



Regular Meeting #856 of the Oregon State Board of Higher Education
OSBHE Boardroom, Portland State University
1800 SW Sixth Avenue, ASRC Suite 515
Portland, Oregon
August 3, 2012

Page

Contents

*Appendices A-D following the minutes.

Committee Action Reports

Academic Strategies Committee

Convened June 7, 2012

Actions
- Approved OSU B.A./B.S. in Social Science
- Approved May 3, 2012 meeting minutes
- Approved Rogue Community College Dual Credit Program and forwarded to Board for consideration on June 15, 2012
- Approved Statewide Advanced Placement/International Baccalaureate Policy Revisions and forwarded to Board for consideration on June 15, 2012
- Approved Associate of Science Oregon Transfer – Business Degree Revisions and forwarded to full Board for consideration on June 15, 2012
- Endorsed System participation in the "Reverse Transfer" concept

Discussion
- Achievement Compact targets
- Legislative Budget Proposals
- Committee priorities and work plan

Finance and Administration Committee

Convened June 22 and July 13, 2012

Actions
- Approved May 11, 2012 meeting minutes
- Approved fiscal year 2012-13 operating budget allocations and recommends Board approval on August 3, 2012
- Approved Special Procurement Process for Phase II of classroom expansion at UO Straub Hall and Earl Hall
- Directed Vice Chancellor for Finance & Administration to work with campuses to develop a standard five-year projection framework and to schedule campus presentations to the committee
- Approved June 22, 2012 meeting minutes
- Directed staff to prepare Round 2 Funding Team Proposal and Agency Budget Request for Board consideration on August 3, 2012
- Approved July 2012 Quarterly Internal Audit Division (IAD) Progress Report

Discussion
- Committee on Health and Welfare Insurance (HWI) Plan Options
- Optional Retirement Plan (ORP) Review Committee

- OUS Risk Management Program
- Employee Hotline expansion project

Governance and Policy Committee

Convened June 22 and July 13, 2012

Actions

- Approved Board Officer nominations and forwarded to Board for consideration on August 3, 2012

Discussion

- Board Committee structures, authorities, and communication
- Board meeting locations
- Analysis of Shared Services
  - External audit
  - Financial statements – accounting and reporting
  - Banking – investment management and treasury operations
  - Payroll processing and reporting
  - Employee benefits

OUS, Adoption of Optional Retirement Plan Fifth and Sixth Amendments

SUMMARY

The adoption of two amendments to the Optional Retirement Plan (ORP) is recommended to meet a requirement of the Internal Revenue Service and to conform the plan document to Oregon state law regarding the participation of unclassified police officers commissioned by a public university.

BACKGROUND

The 2008 restatement of the Optional Retirement Plan was issued a favorable determination letter by the Internal Revenue Service on May 30, 2012, subject to the adoption of the Fifth Amendment of the plan. The amendment responds to direction from the Service that the plan document must provide an express formula to determine employee benefits which does not involve employer discretion and which must be definitely determinable. OUS' retained pension counsel developed and submitted the amendment to the IRS for review on January 13, 2011. The amendment has been accepted by the Service and must be adopted without modification for reliance on the determination letter that documents the tax-qualified status of the Optional Retirement Plan.

The Sixth Amendment conforms the Optional Retirement Plan to ORS 352.383 enacted by passage of Senate Bill 405 of 46th Legislative Assembly – 2011 Regular Session that permits a university, as authorized by the State Board of Higher Education, to establish a police department and to commission one or more police officers. Specifically, the amendment adds unclassified commissioned police officers as employees who are eligible to participate in the Optional Retirement Plan as of January 1, 2012.

The purpose of the 1995 authorizing statute ORS 243.800 was to allow unclassified employees of the Oregon University System to elect the Optional Retirement Plan in lieu of the Oregon Public Employees Retirement System (OPERS). Since 1996, the plan has been available to academic and administrative employees who would have been General Service members of OPERS, but did not include unclassified employees who would have been Police and Fire members of OPERS. With the addition of commissioned police officers, ORS 243.800(9) requires adding a new contribution rate equivalent to OPERS' Police & Fire contribution rates for this new class of eligible employees.

The Sixth Amendment defines unclassified commissioned officers and states the applicable employer contribution rate that funds their ORP accounts at an OPERS-equivalent Police and Fire rate. The definition is based on the procedure established in ORS 352.383 to commission an officer and on exemption provisions of the Public Employee Collective Bargaining Act, ORS 243.650-243.782 that confers unclassified status on officers with management and supervisory duties.

These Fifth and Sixth Amendments are necessary to document the plan's tax-qualified status, and to apply provisions of the Optional Retirement Plan authorizing statute ORS 243.800 to an employer contribution rate equivalent to the OPERS Police and Fire contribution rate.

STAFF RECOMMENDATION TO THE BOARD

1) Adoption of the Fifth Amendment to the 2008 Restatement of the OUS Optional Retirement Plan; and
2) Adoption of the Sixth Amendment to the 2008 Restatement of the OUS Optional Retirement Plan.

(Board action required.)

Appendices:

A. Fifth Amendment to the 2008 Restatement of the OUS ORP
B. Sixth Amendment to the 2008 Restatement of the OUS ORP
C. Blackline showing Fifth and Sixth Amendment material changes to the 2008 Restatement of the OUS ORP.

OUS, Proposed Fiscal Year 2012-13 Operating Budget Allocations

The proposed Fiscal Year 2012-13 Budget Allocation follows the guiding principles established for the 2011-2013 biennium as previously recommended by the Finance and Administrative Committee and subsequently approved by the Board at its October 7, 2011 meeting. After consideration at the Finance and Administration Committee at its June 22, 2012 meeting, the Committee is now recommending the following 2012-13 Budget Allocation to the full Board for approval.

PROPOSED ALLOCATION OF STATE FUNDING FOR FY 2013

Table 1 includes the proposed allocation of the state appropriation for General Fund and Lottery Funds. Table 2 details the Resource Allocation Model allocations of General Fund by program areas within the campuses and the System Office.

GUIDING PRINCIPLES FOR 2011-2013 ALLOCATIONS

The proposed allocation of the 2011-2013 General Fund budget to the seven campuses, the Statewide Public Services, and the Chancellor's Office will be in accordance with legislative directives, Board policies, and agreed-upon principles and processes as expressed in the following guiding principles:

Guiding Principles for the 2011-2013 Budget Allocation Process

1. Compliance with the OUS Board's expectations and progress toward the Board's priorities, including:
   - Increasing the education level of Oregon's adults;
   - Providing high quality education;
   - Providing research for an innovative and successful Oregon; and
   - Contributing to the civic and economic success of communities throughout Oregon
2. Compliance with Legislative expectations and representations, including specific directives regarding targeted programs;
3. Focus on access to education and affordability for all qualified students, with incentives to improve retention, increase graduates, and improve student success;
4. Use of the Resource Allocation Model (RAM) to provide a basis of distributing General Fund support among campuses, including modifications to support recommendations made in the 2011-2013 Governor's Balanced Budget to prioritize undergraduate education and graduate programs directly related to state workforce goals such as health care, engineering, and teacher education and to maintain research funding in areas that support economic development;
5. Acknowledge campus differences while striving to maintain the financial integrity of all campuses within OUS;

6. In determining the campus allocations, reserve a portion of State General Fund for regional funding to meet campus' financial sustainability requirements as well as achievement of campus-specific board goals; and
7. If final appropriations are sufficient, reserve funds for initiatives to advance student success goals or to recognize specific campus achievements in student success.

SPECIFIC ELEMENTS OF THE PROPOSED FY 2013 ALLOCATION TO NOTE

- The FY13 allocation presented to the Finance and Administration Committee represented the distribution of state appropriations of General Fund and Lottery Funds only. Institutions' projections of their other revenue sources and are now incorporated into the "all sources" view in Table 1. (With the passage of Senate Bill 242 and related elimination of the expenditure limitation requirement, the "other funds" category now constitutes a revenue estimate and no longer represents a legal limitation as to when a campus can utilize those resources.)

- This allocation represents 51 percent of the 2011-2013 biennial appropriations. Senate Bill 5532, the original budget bill for the OUS biennial operating budget, allowed for expending 54 percent of the biennium budget in fiscal year 2011-12 – Year 1 of the biennium. However, during the February 2012 legislative session, that option was repealed and the FY 2012 allocations were reduced to 49 percent, effectively reinstating the customary state allocations of 49 percent in Year-1 and 51 percent in Year-2 of the biennium.

- In April and May, Institutional Research worked with all the institutions to refine their enrollment projections for 2012-13. This allocation utilizes those projections for the enrollment based funded. Concurrently, a "settle-up" calculation was done for 2011-12 using actual enrollment data for the summer through winter terms and with spring term estimated based on winter actual enrollment. This adjustment (lines 7, 19, and 27 of Table 3) is netted against the 2012-13 allocations for enrollment based funding.

- Funding for Incentives for Student Success also continues, with a reserve of $3.25 million to be distributed by the Academic Strategies Committee in the fall (line 4 of Table 3). For FY 2012, the incentive funding was distributed according to two criteria: the total number of resident degree recipients and the number of declared underrepresented resident degree recipients plus rural resident degree recipients (for both undergraduate and graduate students). It is anticipated that the same or similar criteria will be adopted for the FY 2013 allocation.

- The special addition to regional funding that was established for 2011-2013 in both the Governor's recommendation and the Legislatively Adopted Budget continues in this allocation (see line 6 of Table 3).

- For 2011-2013, modifications to the RAM were made to support recommendations made in the Governor's Balanced Budget. This included prioritization of undergraduate education and graduate programs directly related to state workforce goals such as healthcare, engineering, and teacher education and to maintain research funding in areas that support economic development. In response to concerns from campus' administration, any campus negatively impacted by the updated prioritization received transition funding in FY 2012. Transition funding continues for FY 2013 (see lines 6 and 14 of Table 3). ETIC and research targeted programs, in addition to supplemental end-of-session allocations for LERC, Dispute Resolution, and Clinical Legal Education were not subject to the 3.5 percent legislative holdback.

- A new allocation line was established to support those institutions who are hosting one of the Governor's Regional Solutions Centers on their campus (line 15 of Table 3). Regional Solutions Centers (RSCs) are places for state agencies to collaborate with each other, with local governments, and with other public, private, and civic interests to solve problems and seize opportunities. Initially, RSCs focus on completing priority projects to bring new jobs or retain existing ones. The centers are funded by existing budgets with no increase in costs. The $12,000 per-campus is intended to defray costs associated with providing those facilities.

- A General Fund reduction due to retention of interest earnings was allocated based on daily average cash balances in affected accounts from July 2009 to June 2011 (see line 60 of Table 3). Per SB 242, OUS began retaining interest earnings in January 2012 that are then allocated to the campuses based on their actual cash balances.

- During the February 2012 legislative session, Sports Lottery funding was reduced by $232,960 to assist with an additional $260,577 in lottery debt service requirements. This Sports Lottery reduction was specified to be applied to the athletics portion for the University of Oregon ($118,613) and Oregon State University ($114,347) in recognition that both "are on track to experience significant increases in athletic revenues in the 2012-13 fiscal year." At the time of the legislative action, it was anticipated that the reductions would not take effect until FY 2013 and therefore no adjustments were made to the Sports Lottery budgets for FY 2012. However, the final quarterly distribution of lottery funding from the state in FY 2012 did initiate that reduction. Therefore, lottery receipts for FY 2012 will be slightly less than budgeted and the FY 2013 lottery budget is adjusted to both reflect overall reduction for the biennium and the timing difference between the fiscal years.

COMMITTEE RECOMMENDATION TO THE BOARD

The Finance & Administration Committee approved the proposed allocation of state funding for the Fiscal Year 2012-13 on June 22, 2012 (as reflected in Tables 1 and 2) and forwards same to the full Board for approval.

(Board action required.)

ATTACHMENTS

Table1

TABLE 1
PROPOSED FISCAL YEAR 2012-13 OUS OPERATING BUDGET
ALL SOURCES

	Allocation of State Funding		Estimated Campus Revenues		Total All Funds
	General Fund	Lottery Funds[1]	E&G Other Funds[2]	Other Funds[3]	
Education and General Program					
EOU	13,358,765	337,750	20,336,385	20,092,000	54,124,900
OIT	15,503,192	337,750	22,679,823	21,919,968	60,440,733
OSU - Corvallis	75,011,439	949,828	295,654,093	402,500,638	774,115,998
OSU-Cascades	4,249,500	-	4,993,015	550,000	9,792,515
PSU	54,286,290	847,060	274,560,556	218,159,946	547,853,852
SOU	13,164,346	337,750	38,116,000	43,599,288	95,217,384
UO	46,268,462	985,336	381,756,267	436,415,000	865,425,065
WOU	13,690,509	430,936	40,492,800	54,328,400	108,942,645
System Office	5,589,996	-	4,250,000	18,557,000	28,396,996
Industry Affairs/OMI/ETIC/Other[4]	7,163,851	-			7,163,851
Subtotal Education and General Program	248,286,350	4,226,410	1,082,838,939	1,216,122,240	2,551,473,939
Statewide Public Services:					
Agricultural Experiment Station	26,414,682		5,900,000	58,000,000	90,314,682
Extension Service	19,106,335		12,048,899	5,300,000	36,455,234
Forest Research Laboratory	2,906,329		4,300,000	12,000,000	19,206,329
Subtotal Statewide Public Services	48,427,346		22,248,899	75,300,000	145,976,245
2012-13 Total Operating Budget	**296,713,696**	**4,226,410**	**1,105,087,838**	**1,291,422,240**	**2,697,450,184**
2012-13 Debt Service	43,419,460	7,506,769		106,209,945	157,136,174
2012-13 Capital Construction[5]					-
2012-13 Total Budget	**340,133,156**	**11,733,179**	**1,105,087,838**	**1,397,632,185**	**2,854,586,358**

1) SB 5702 directed specific reductions to the athletics portion of UO and OSU Sports Lottery funding:

Original Biennial Lottery Funding		8,825,680
Less specific reductions in SB 5702:		
UO	(118,613)	
OSU	(114,347)	(232,960)
Less FY12 distributions		(4,366,310)
Available for FY13		4,226,410

2) Education & General Other Funds include tuition and fees, indirect cost recovery on sponsored projects and lesser amounts of other income. Prior to the passage of SB 242, this category was know as Other Funds Limited (OFL) and subject to legislatively established expenditure limitation.

3) Estimates of Other Funds include designated operations, service departments, auxiliary enterprises, restricted funds (gifts, grants, contracts) and student loan funds. Prior to the passage of SB 242, this category was known as "Other Funds Non-Limited" to distinguish this source from Other Funds "Limited" which were subject to legislative expenditure limitation.

4) Includes $3.25 million incentive funding in reserve for later allocation to campuses

5) Capital has historically been reflected in the first year of the biennium. Therefore, the 2011-13 Capital Budget was reflected in 2011-12 with nothing in 2012-13.

Table 2

Oregon University System
State General Fund Appropriations
2012-13 Detail Allocation (includes - 2012 Enrollment Settle-up Adjustments)

		EOU	OIT	OSU	OSU-CC	PSU	SOU	UO	WOU	Total Campuses	Operations	Other	E & G	Statewides	OUS
1	Undergraduate Funding	6,752,124	6,161,545	34,348,555	887,041	35,545,724	7,418,275	24,564,848	9,380,213	125,058,325	-	-	125,058,325	-	125,058,325
2	Graduate Funding	668,779	50,065	22,561,454	300,113	12,625,804	1,217,700	13,679,387	1,082,963	52,186,265	-	-	52,186,265	-	52,186,265
3	**Enrollment Funding**	**7,420,903**	**6,211,610**	**56,910,009**	**1,187,154**	**48,171,528**	**8,635,975**	**38,244,235**	**10,463,176**	**177,244,590**	**-**	**-**	**177,244,590**	**-**	**177,244,590**
4	Incentives for Student Success	-	-	-	-	-	-	-	-	-	-	3,249,233	3,249,233	-	3,249,233
5	**Total Enrollment & Incentive Funding**	**7,420,903**	**6,211,610**	**56,910,009**	**1,187,154**	**48,171,528**	**8,635,975**	**38,244,235**	**10,463,176**	**177,244,590**	**-**	**3,249,233**	**180,493,823**	**-**	**180,493,823**
6	*2012-13 Transition Funding* [1]	-	-	-	-	-	-	*2,200,000*	-	*2,200,000*	-	-	*2,200,000*	-	*2,200,000*
7	*2011-12 Settle-up - Enrollment Funding*	*(158,495)*	*144,933*	*143,614*	*48,964*	*(841,104)*	*83,764*	*1,052,946*	*(474,622)*	-	-	-	-	-	-
8	**Total Enrollment, Incent. &Settle-up Funding**	**7,262,408**	**6,356,543**	**57,053,623**	**1,236,118**	**47,330,424**	**8,719,739**	**41,497,181**	**9,988,554**	**179,444,590**	**-**	**3,249,233**	**182,693,823**	**-**	**182,693,823**
9	**Targeted Programs**														
10	**Regional Support**														
11	Retrenchment	182,097	182,188	-	121,447	-	182,182	-	182,148	850,062	-	-	850,062	-	850,062
12	Retention & Graduation	318,669	318,828	-	212,532	-	318,818	-	318,759	1,487,606	-	-	1,487,606	-	1,487,606
13	Underpinning	318,669	318,828	-	212,532	-	318,818	-	318,759	1,487,606	-	-	1,487,606	-	1,487,606
14	11-13 Regional Support[1]	824,486	824,486	152,591	-	-	984,461	-	630,154	3,416,178	-	-	3,416,178	-	3,416,178
15	Regional Solutions	12,000	-	-	12,000	12,000	-	12,000	-	48,000	-	-	48,000		48,000
16	**Regional University Funding**														
17	Statewide Access	-	776,567	-	-	-	-	-	-	776,567	-	-	776,567	-	776,567
18	Regional University Support Adjustment	2,565,330	2,829,933	-	2,535,317	-	1,492,447	-	1,283,557	10,706,584	-	-	10,706,584	-	10,706,584
19	*Regional University Support Adj FY 12 Settle-up*	*22,713*	*(100,088)*	-	*(80,641)*	-	*8,128*	-	*149,888*	-	-	-	-		-
20	Regional Access	792,939	341,383	-	-	-	256,030	-	85,330	1,475,682	-	-	1,475,682	-	1,475,682
21	Collaborative OUS Nursing Program	22,054	15,180	-	-	-	33,352	-	19,795	90,381	-	-	90,381	-	90,381
22	**Regional Funding**	**5,058,957**	**5,507,305**	**152,591**	**3,013,187**	**12,000**	**3,594,236**	**12,000**	**2,988,390**	**20,338,666**	**-**	**-**	**20,338,666**	**-**	**20,338,666**
23	**Engineering**														
24	Industry Affairs / OMI	-	-	-	-	-	-	-	-	-	-	658,279	658,279	-	658,279
25	ETIC Allocations	175,480	539,532	7,498,884	-	2,924,844	204,418	1,129,108	288,545	12,760,811	-	1,206,850	13,967,661	-	13,967,661
26	Engineering Technology Undergraduate	-	1,005,823	381,105	8,813	4,485	-	-	-	1,400,226	-	-	1,400,226	-	1,400,226
27	*Eng. Tech UG - FY 12 Settle-up*	-	*(11,899)*	*21,827*	*(8,618)*	*(1,310)*	-	-	-	-	-	-	-		-
28	Engineering Graduate	-	-	2,038,710	-	638,718	-	-	-	2,677,428	-	-	2,677,428	-	2,677,428
29	*Eng. Graduate - FY 12 Settle-up*	-	-	*(19,186)*	-	*19,186*	-	-	-	-	-	-	-	-	-
30	**Engineering Funding**	**175,480**	**1,533,456**	**9,921,340**	**195**	**3,585,923**	**204,418**	**1,129,108**	**288,545**	**16,838,465**	**-**	**1,865,129**	**18,703,594**	**-**	**18,703,594**
31	**Research**														
32	Sponsored Research	40,127	15,294	1,963,484	-	325,557	30,588	966,549	115,319	3,456,918	-	-	3,456,918	-	3,456,918
33	Faculty Salaries - Research	36,131	60,250	548,785	-	472,503	85,686	643,214	62,914	1,909,483	-	-	1,909,483	-	1,909,483
34	Signature Research	-	-	209,270	-	22,029	-	209,291	-	440,590	-	44,071	484,661	-	484,661
35	**Research Funding**	**76,258**	**75,544**	**2,721,539**	**-**	**820,089**	**116,274**	**1,819,054**	**178,233**	**5,806,991**	**-**	**44,071**	**5,851,062**	**-**	**5,851,062**

Table 2 (continued)

Oregon University System
State General Fund Appropriations
2012-13 Detail Allocation (includes - 2012 Enrollment Settle-up Adjustments)

		EOU	OIT	OSU	OSU-CC	PSU	SOU	UO	WOU	Total Campuses	Operations	Other	E & G	Statewides	OUS
36	**Institutes / Programs**														
37	Campus Public Service Programs	197,182	-	-	-	698,201	87,970	816,116	1,355	1,800,824	-	-	1,800,824	-	1,800,824
38	Dispute Resolution	-	-	-	-	410,159	-	761,768	-	1,171,927	-	-	1,171,927	-	1,171,927
39	Natural Resource Institute (incl Nat Heritage)	-	-	185,887	-	45,710	-	-	-	231,597	-	-	231,597	-	231,597
40	Oregon Solutions	-	-	-	-	1,051,435	-	-	-	1,051,435	-	-	1,051,435	-	1,051,435
41	Climate Center	-	-	145,708	-	-	-	-	-	145,708	-	-	145,708	-	145,708
42	Leadership Institute	-	-	-	-	60,660	-	-	-	60,660	-	-	60,660	-	60,660
43	Health Professions Programs	255,759	2,097,732	-	-	-	352,875	-	285,312	2,991,678	-	-	2,991,678	-	2,991,678
44	Rural Access	234,493	-	-	-	-	-	-	-	234,493	-	-	234,493	-	234,493
45	Clinical Legal Education[2]	-	-	-	-	-	-	-	-	-	-	162,409	162,409	-	162,409
46	Veterinary Diagnostic Lab	-	-	1,136,033	-	-	-	-	-	1,136,033	-	-	1,136,033	-	1,136,033
47	AES	-	-	-	-	-	-	-	-	-	-	-	-	26,414,682	26,414,682
48	ES	-	-	-	-	-	-	-	-	-	-	-	-	19,106,335	19,106,335
49	FRL	-	-	-	-	-	-	-	-	-	-	-	-	2,906,329	2,906,329
50	Bldg. Maintenance / SWPS	-	-	1,653,740	-	-	-	-	-	1,653,740	-	-	1,653,740	-	1,653,740
51	IT Fifth Site/OCATE/Southwest Oregon/OWEN	104,439	-	2,063,337	-	540,062	-	374,757	-	3,082,595	-	-	3,082,595	-	3,082,595
52	**Institutes / Programs Funding**	**791,873**	**2,097,732**	**5,184,705**	**-**	**2,806,227**	**440,845**	**1,952,641**	**286,667**	**13,560,690**	**-**	**162,409**	**13,723,099**	**48,427,346**	**62,150,445**
53	**Central Services**														
54	System Office Operations	-	-	-	-	-	-	-	-	-	5,862,611	-	5,862,611	-	5,862,611
55	Systemwide Expenses / Programs	87,742	84,736	1,043,884	-	490,192	218,290	950,957	189,084	3,064,885	-	1,843,009	4,907,894	-	4,907,894
56	Central Services Funding	87,742	84,736	1,043,884	-	490,192	218,290	950,957	189,084	3,064,885	5,862,611	1,843,009	10,770,505	-	10,770,505
57	**Subtotal Targeted Programs**	**6,190,310**	**9,298,773**	**19,024,059**	**3,013,382**	**7,714,431**	**4,574,063**	**5,863,760**	**3,930,919**	**59,609,697**	**5,862,611**	**3,914,618**	**69,386,926**	**48,427,346**	**117,814,272**
58															
59	Interest Earnings	(93,953)	(152,124)	(1,066,243)	-	(758,565)	(129,456)	(1,092,479)	(228,964)	(3,521,784)	(272,615)	-	(3,794,399)	-	(3,794,399)
60	**Targeted Programs/Other Total**	**6,096,357**	**9,146,649**	**17,957,816**	**3,013,382**	**6,955,866**	**4,444,607**	**4,771,281**	**3,701,955**	**56,087,913**	**5,589,996**	**3,914,618**	**65,592,527**	**48,427,346**	**114,019,873**
61	**Enrollment/Targeted Programs/Other**	**13,358,765**	**15,503,192**	**75,011,439**	**4,249,500**	**54,286,290**	**13,164,346**	**46,268,462**	**13,690,509**	**235,532,503**	**5,589,996**	**7,163,851**	**248,286,350**	**48,427,346**	**296,713,696**
62	Debt Service	-	-	-	-	-	-	-	-	-	-	43,419,460	43,419,460	-	43,419,460
63	**Total (Net Appropriation)**	**13,358,765**	**15,503,192**	**75,011,439**	**4,249,500**	**54,286,290**	**13,164,346**	**46,268,462**	**13,690,509**	**235,532,503**	**5,589,996**	**50,583,311**	**291,705,810**	**48,427,346**	**340,133,156**

1) FY13 allocations to UO and SOU include transitional funding but originating from different sources: Enrollment Funding ($2.2M) and 2011-13 Regional Support ($~160K), respectively

2) Clinical Legal Education funding is distributed by statutory formula to applicant institutions - UO will receive $136,338 and Lewis & Clark will receive $26,071

Table 3

TABLE 3

FTE Data Used in FY13 Enrollment Funding

Institution	2011-12 Estimated FTE[1]			2012-13 Projected FTE			Annual Change		
	Fundable (Resident)	Nonfundable (Nonresident)	Total	Fundable (Resident)	Nonfundable (Nonresident)	Total	Fundable (Resident)	Nonfundable (Nonresident)	Total
EOU	3,162	-	3,162	3,257	-	3,257	3.0%		3.0%
OIT	2,244	497	2,740	2,280	540	2,820	1.6%	8.8%	2.9%
OSU	17,870	5,660	23,530	17,930	6,399	24,329	0.3%	13.1%	3.4%
OSU-Cascades	463	20	483	493	19	512	6.4%	-3.1%	6.0%
PSU	18,705	3,836	22,542	19,106	4,054	23,161	2.1%	5.7%	2.7%
SOU	3,662	1,254	4,916	3,722	1,309	5,032	1.7%	4.4%	2.4%
UO	15,333	9,278	24,611	15,371	9,623	24,995	0.2%	3.7%	1.6%
WOU	4,403	882	5,284	4,476	902	5,377	1.7%	2.3%	1.8%
Totals	65,842	21,426	87,268	66,636	22,847	89,483	1.2%	6.6%	2.5%

1) Actual FTE through Winter 2012, Spring 2012 estimated based on Winter enrollment

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OSU, BFA in Graphic Design

New Academic Program Proposal

Oregon State University seeks Board approval to offer an instructional program leading to a Bachelor of Fine Arts (BFA) degree in Graphic Design.

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

   The Department of Art in the College of Liberal Arts at Oregon State University (OSU) is proposing a new Bachelor of Fine Arts (BFA) in Graphic Design degree program. The mission of the degree program is to prepare students to take an influential role in the variety of disciplines that constitute the contemporary practice of Graphic Design. The disciplinary foundations are rooted in visual problem solving, design theory, and history, as well as professional practices that tie into business and marketing for specific audiences. Examples of the work graphic designers engage in include both printed and electronic media such as: books, magazines, newspapers, catalogs, posters, brochures, annual reports, graphic identities and logos, exhibitions, packaging, environmental graphics and signage, CD covers, movie titling, on-air television graphics, interactive websites, and multimedia programs. The programmatic focus includes: typography, design processes, branding and visual identity systems, packaging, time-based design (animation, web design), collaboration skills, and writing.

   OSU's Graphic Design program meets the curriculum requirements for a professional degree, but currently Graphic Design students graduate with a BFA in Applied Visual Arts with only an option in Graphic Design. The Graphic Design program at OSU proposes to terminate the Graphic Design option in the Applied Visual Arts major and instead, create a new BFA degree in Graphic Design. The BFA degree is the professional degree offered to students who plan to practice design professionally. The BFA differs from a B.A. or B.S. in that there are a higher number of required design credits than would be required of a B.A. or B.S. degree. The current Graphic Design curriculum at OSU has the requisite number of credits to change the degree from an option to a BFA in Graphic Design major.

   The proposed BFA in Graphic Design is aligned with the goals of OSU's mission and goals for access, student learning, research and/or scholarly work and service. In addition, the Graphic Design program at OSU fits well into one of OSU's signature areas of promoting economic development and social progress (Healthy Economy). By its very nature, graphic design is an applied discipline, with designers typically working with clients on visual communication solutions. Though working with organizations and businesses is a primary result of graphic design, design students are also taught that the designer of the future has the responsibility of knowing how their work can and should have a social impact to better local, regional, and global communities. Students in the OSU Graphic Design program are made aware of the impact they can have as designers and that the content for their work can fall into any subject, including the three OSU signature areas of Advancing the Science of Sustainable Earth Ecosystems, Improving Human Health and Wellness, as well as Promoting Economic Growth and Social Progress.

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

OSU's Graphic Design program combines design history, theory, and practice with traditional and new technologies and, as such, prepares students to be a part of the creative workforce that is vital to Oregon. Students in this intensive and highly competitive program graduate with a solid understanding of the many ways design can make a social, economic, and environmental impact both locally and globally.

Graphic Design is a discipline with a high market demand. This is primarily due to the fact that it is a discipline with broad-based applications and most businesses need some form of visual communication to be profitable. Whereas 20 years ago the demand was for printed materials such as brochures, magazines, and posters, today's digital world has created many more opportunities for designers, including websites and interactive media projects. Graphic Designers in the 21st century work in tandem with clients in both public and private sectors on business and marketing strategies within the framework of graphic design. Examples of where students graduating with a BFA degree in Graphic Design will be qualified to work include: a graphic design studio, an advertising agency, an in-house design department at a corporation, a freelance designer or consultant for profit or non-profit organizations.

3. *Are there similar programs in the state? If so, how does the proposed program supplement, complement, or collaborate with those programs?*

The existing Graphic Design option is a highly respected program in the state of Oregon. The offering of a BFA degree in Graphic Design, rather than a BFA degree in Applied Visual Arts, will continue to define the focused quality of the curriculum. The two OUS institutions that offer Graphic Design/Communication/Digital Design academic programs are the University of Oregon and Portland State University. The private schools that offer Graphic Design degrees are Pacific Northwest College of Art and The Art Institute. Although there are courses offered in similar subjects at all of these institutions (for example, typography), there is no overlap in the philosophy and structure of the OSU Graphic Design program with other institutions within the Oregon University System or with private institutions in Oregon.

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

No new faculty members will be needed to offer a BFA in Graphic Design degree program. The proposed program is in the process of being merged with the new School of Design and Human Environment (a reorganization proposal submitted separately). As such, Graphic

Design students in the future will be advised by advisors being hired as part of the School proposal. Funds for services and supplies for the Graphic Design program will come from differential tuition and from the reallocation of funds within the School of Design and Human Environment. Course fees will be used for consumables in specific Graphic Design courses. The budget indicates that additional revenue will be needed to fund services and supplies, including resources for advising and marketing materials needed for the new major. These new resources will, in part, be derived from internal reallocations within the School and the College. Other funding support will come to the proposed Graphic Design program from private donations, industry support, grants, contracts, and the OSU Teaching Resource Fee (TRF).

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

RECOMMENDATION TO THE BOARD

The OUS Provosts' Council recommends that the Board authorize Oregon State University to establish an instructional program leading to a Bachelor of Fine Arts (BFA) in Graphic Design, effective Fall 2012. With Board approval, a five-year follow-up review of this program will be conducted in 2017-18.

(Board action required.)

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OSU, BA/BS in Innovation Management

New Academic Program Proposal

Oregon State University seeks Board approval to offer an instructional program leading to a B.A./B.S. degree in Innovation Management.

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

   The College of Business at Oregon State University (OSU) is proposing a new B.A./B.S. in Innovation Management degree program. The proposed new undergraduate major is specifically designed for non-business majors wishing to earn a second degree. This is a proposal to establish a new double-degree program at OSU and as such this major is not available to students who are already majoring in Business or who already have a Business degree (bachelors or higher). This new double-degree program is designed to provide non-business students access to a curriculum in innovation and commercialization that complements their primary degree program.

   The Innovation Management degree aligns with: (a) OSU's land grant status and its mission to educate the citizens and workforce of Oregon; (b) OSU's focus on professional programs; and (c) OSU's *Strategic Plan*. Graduates from a program such as the one that is proposed would fill an identifiable need for the state of Oregon in that it fits within OSU's objective to "help attract and invest the public and private resources necessary to build academic programs and infrastructure that address the emerging economic and social needs of the people of Oregon." Further, the proposed degree program is consistent with OSU's divisional structure to help the University focus its resources, to make strategic investments for the future, and to better serve its students. Students from the College of Engineering will be particularly attracted to this proposed major, which will naturally increase the integration of the two colleges in the Division of Business and Engineering. Finally, the development of this program is the result of funding from the Provost's Faculty Investment Initiative. Through the investment in a new faculty line required to deliver this program, the Provost has expressed a commitment to this program and has asserted that it is consistent with the University's mission and vision.

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

   The need for skills and knowledge in innovation in the state of Oregon has never been greater. In his FY 2009-2010 state budget, the Governor earmarked $20.5 million for the *Innovation Plan* developed by the Oregon Innovation Council (Oregon InC). This plan includes an innovation-based economic development strategy that will enable Oregon's businesses to stay competitive in a global economy. This plan also recognizes that Oregon's success is dependent on the ability to market the newest and best products and services. Oregon InC stressed the need for innovation in traditional industry sectors, such as engineering, agriculture, and forestry, where innovation can help maintain and increase the number of good, family-wage jobs. According to Oregon InC's Oregon Business Plan, "… we must invest in future opportunities that will enable us to emerge from the economic downturn more diversified and in a stronger position to remain a national leader in the innovation economy.… However, major impediments to innovation exist in Oregon. Poor access to seed and venture capital, the lack of top managerial talent, and continued disinvestment in higher education put Oregon's innovation economy at risk."

Faculty and students from across the University, including faculty in the College of Engineering, College of Forestry, College of Agricultural Sciences, and the College of Public Health and Human Sciences, were surveyed. Based on these responses, demand for the program is anticipated to be strong and its graduates will have a competitive edge in the workplace. Further, external constituents from local employers (such as Hewlett Packard and Tektronix) were also surveyed. The responses of the practitioners closely mirrored those gathered from OSU faculty and students.

The program anticipates graduating 45 students per year over the next five years. The students are expected to come primarily from technical and professional programs such as Engineering, Forestry, Agriculture, and Design and Human Environment. Forty-five has been determined to be the capacity of the Innovation Management program given the College of Business's current personnel and budget. There are no plans at the present time to extend or expand the delivery mode of the Innovation Management program. In the future, the College of Business would like to offer some or all of the courses associated with this degree program on-line through E-Campus. Funding and availability of personnel prevent the College from offering this delivery mode option at the present time.

3. *Are there similar programs in the state? If so, how does the proposed program supplement, complement, or collaborate with those programs?*

   The University of Oregon has an undergraduate Business Administration degree leading to an option in Entrepreneurship. The Entrepreneurship program, however, is directed toward College of Business students whereas the proposed OSU Innovation Management program focuses on non-business majors. Oregon Institute of Technology (OIT) offers a B.S. in Management with an option in Entrepreneurship/Small Business. This program, however, is also directed toward College of Business students. Because the Innovation Management proposal has been developed as a double degree from OSU, it would not compete with the OIT Entrepreneurship/Small Business program.

   Resources from other institutions, or resources shared with other programs, will be unaffected by the creation of this undergraduate degree program. As such there are no plans for complementary/cooperative activities and no projected impacts on other Oregon University System institutions or programs are anticipated.

4. *What new resources will be needed initially and on a recurring basis to implement the program? How will the institution provide these resources? What efficiencies or revenue*

enhancements are achieved with this program, including consolidation or elimination of programs over time, if any?

This proposed degree program includes no new courses. Thus, current OSU Library resources have been evaluated as being sufficient to support this program. No new cost allocations from outside the College are necessary. The proposed program has been funded by a new faculty position from the Provost. Beyond the one new faculty member who will help offer the courses associated with this degree program, no new faculty positions will be required to initiate the proposed program. In addition, no changes are expected in the number and type of support staff. The slight budgetary shortages anticipated during the first two years will be covered by the College of Business from profits from Summer Term and ECampus (distance education).

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

RECOMMENDATION TO THE BOARD

The OUS Provosts' Council recommends that the Board authorize Oregon State University to establish an instructional program leading to a B.A./B.S. in Innovation Management, effective Summer 2012. With Board approval, a five-year follow-up review of this program will be conducted in 2017-18.

(Board action required.)

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OSU, Expansion into Lower Division Courses at Oregon State University–Cascades

BACKGROUND
Oregon State University launched OSU-Cascades as an upper-division branch campus in 2001, with Central Oregon Community College (COCC) providing lower-division coursework. That partnership has met some of Central Oregon's higher education needs and enrollment growth has been strong, increasing by more than 50 percent over the last five years. OSU would like to expand into lower-division courses at the campus in order to address four critical issues: its role within OUS to support Oregon's 40-40-20 education priorities, its obligation to support Central Oregon's growth and development, its current growth trajectory and consequent need for facilities, and the need for an efficient and sustainable business model.

OREGON'S 40-40-20 EDUCATION PRIORITIES
To join OUS institutions in fulfilling 40-40-20 goals, OSU will be required to provide capacity for and educate 35,000 to 40,000 students by 2025. To increase enrollment in Corvallis, now at 25,000, OSU will need to significantly expand its teaching infrastructure. OSU also will have to work with the City of Corvallis to manage future growth effectively for the campus and city. By moving a portion of its enrollment obligation to Central Oregon, OSU can relieve pressure on the Corvallis campus and deliver on OUS' 40-40-20 goal by providing capacity in a growing region where there is a need for workforce development and post-secondary educational opportunities. In addition to absorbing some of the demand for OSU, OSU-Cascades can independently help OUS meet the 40-40-20 goals by providing unique programs in a unique setting. Degree programs in energy engineering, tourism, and hospitality are actively involved with local businesses and industry, and our natural resources degree takes advantage of the incredible natural "laboratory" that surrounds Bend. These are valuable resources to attract students and retain them through graduation.

For OSU-Cascades to appeal to more students interested in an OSU degree, it must offer lower division courses. While 2+2 programs appeal to some students, many others want to attend a 4-year university. A WSU-Vancouver survey shows that STEM (science, technology, engineering, and mathematics) students, in particular, are less willing to start at a community college. Within Central Oregon, 60 percent of Bend/LaPine School District students going to college choose a 4-year university; these students do not have the option of a regional 4-year university where housing and transportation costs would be reduced and leave Central Oregon to pursue a degree at a higher cost. Many of these students never return.

OSU-Cascades and COCC can thrive together in close proximity to meet the 40-40-20 goal as do LBCC and OSU, LCC and UO, PCC and PSU, and WSU-Vancouver and CCC[1]. OSU's intent is not for lower division courses at OSU-Cascades to replace the 2+2 program, it is to add an option for those seeking a 4-year university. To appeal to a wide audience of degree-seeking students,

[1] Linn-Benton Community College, Lane Community College, Portland Community College, Washington State University, and Clark Community College.

OSU-Cascades must offer 4-year programs in addition to 2+2 programs.

SUPPORTING CENTRAL OREGON'S GROWTH AND DEVELOPMENT

While Central Oregon has been hard hit by the recent economic downturn, particularly in the real estate sector, it remains one of the most promising regions in Oregon. Most significantly, the region and its technology sector attracted national attention with a 2010 Forbes ranking for Best Small Places for Business. The Bend Venture Conference draws entrepreneurs and venture capitalists from throughout the west and Facebook's datacenter has created interest from other datacenter developers. Focusing on the entrepreneurial potential of the region, the Oregon Entrepreneurs Network and Oregon Community Foundation established VentureBox, a local business accelerator. Despite these developments, *Economic Development for Central Oregon* reports that the lack of a 4-year university prevents faster growth in traded sectors and discourages outside businesses from moving to the region.

As OSU plans for OSU-Cascades' future growth, it looks to Central Oregon's industries and the region's strengths for economic relevance. For example, OSU-Cascades' energy engineering degree was developed by OSU's College of Engineering with significant input from local energy-related companies. The hospitality management option in the business program was planned with the College of Business and feedback from area tourism, resort, and lodging sectors. Similarly, the tourism and outdoor leadership degree is improved through input from regional recreation companies. A proposed computer science degree focuses on web and mobile-web software development in response to area technology companies. Because of the campus' presence, many of these companies (together with VentureBox) have formed strategic relationships with OSU's Research and Commercialization Office. The expansion to a 4-year university can help OSU expedite economic growth in an increasingly important region in the state.

GROWTH TRAJECTORY AND NEED FOR FACILITIES

With 935 students (including at COCC) in 2011 and an FTE (full-time equivalent) increase of 14.5 percent, OSU projects a student body of 2,000 by 2019 at OSU-Cascades—driving a pressing need for facilities. OSU-Cascades is currently housed in a single, leased building on the COCC campus. In October 2011, OSU-Cascades purchased an additional building three miles from COCC's campus using state bonds (House Bill 3627), a private donation, and internal funds. In Fall 2012, this second building—the OSU-Cascades Graduate & Research Center—will house administrative staff and graduate programs, as well as the Governor's Regional Solutions Center. Despite this, OSU projects that the full contingent of its Bend facilities will be at capacity in 2014. Any subsequent expansion will require significant philanthropy, which must be motivated by a compelling vision. Central Oregon's strong desire for a 4-year university can help to motivate the necessary private philanthropy in a way that the current 2+2 arrangement does not.

OSU-Cascades' capital request for expansion includes $4 million in private philanthropy to leverage the $16 million requested in state bonds. In mid-May, OSU-Cascades embarked on Phase I of a capital campaign to demonstrate the willingness of the local community to financially support a 4-year campus. The goal was to have 40 individuals or businesses pledge $25,000 each, contingent upon the approval of a 4-year campus. In six weeks, OSU-Cascades received 54 pledges totaling over $1.5 million, providing a great start toward the $4 million goal.

EFFICIENT AND SUSTAINABLE BUSINESS MODEL

While OSU-Cascades' tuition and fees are the lowest in the University System and its 2+2 model offers lower-level credits at community college rates, its cost structure is the least efficient and unsustainable. OSU-Cascades' financial distinctions are: 1) having the burden of a 30-year lease for Cascades Hall and 2) offering only upper division, higher cost-per-student courses. This makes the Bend campus increasingly reliant on a decreasing source of support—state funds. While other universities have turned to out-of-state tuition to replace declining state support, OSU-Cascades' 2+2 format is less attractive to out-of-state students. Expansion to 4-year programs will diversify revenue streams and reduce costs.

The branch campus model also offers significant savings over a stand-alone regional university. OSU provides many administrative functions for OSU-Cascades, such as financial aid processing, legal services, contracts, academic committees, international visa services, diversity programs, marketing, and student support programs. In addition, the OSU Foundation supports all fundraising activities at OSU-Cascades and provides $150,000/year in scholarships. The OSU brand helps to recruit and retain top-notch faculty and students, despite the young history. OSU proposes a sustainable funding model and a phased approach to the branch campus' transition to offering 4-year programs. This phased approach allows OSU to expand the Bend campus incrementally and in conjunction with immediate increased tuition revenue.

PHASE I - 2012-2014 Initiate Limited Lower Division	**PHASE II - 2015-2018** Launch Three 4-Year Pilot Programs	**PHASE III – 2018-2025** Stabilize Into 4-Year University
■ Four 200-level courses offered for INTO OSU international business students to meet their visa requirements	■ Select lower-level Baccalaureate Core courses offered for requirements of pilot degree programs ■ Freshman/sophomore cohorts will increase engagement and retention	■ Lower-level offerings expanded to meet emerging needs ■ Continue to rely on some COCC courses to complement offerings
PROJECTED FY 2014 ENROLLMENT 961	PROJECTED FY 2018 ENROLLMENT 1,525	PROJECTED FY 2025 ENROLLMENT............ 3,000-5,000

MOVING FORWARD

With support from the State Board of Higher Education, the expansion plan will be implemented to address four critical issues facing the branch campus and the state: Oregon's 40-40-20 education priorities, untapped economic potential in Central Oregon, growing enrollment, and an efficient and sustainable business model. Marketing to, and recruiting of, students will remain a priority for OSU-Cascades, with further integration into OSU's Admissions Office efforts. Phase II of the capital campaign will raise an additional $2.5 million to meet the $4 million goal.

STAFF RECOMMENDATION TO THE BOARD

Staff recommends that the Board endorse OSU-Cascades' plan to expand its programs and enrollment, including offering lower-division coursework in Central Oregon, while continuing to work cooperatively with COCC in areas of mutual benefit. This recommendation is predicated on OSU-Cascades following standard approval processes for new degrees in the future and its continued financial viability. Staff further recommends that the Academic Strategies and Finance Committees periodically assess the impact this decision has on OSU-Cascades comprehensive program offerings and finances.

(Board action required.)

Attachment A

OSU-Cascades

Development History, Process, and Timelines

July 1998 – The Oregon State Board of Higher Education met jointly with the Board of Central Oregon Community College (COCC) to discuss regional growth and educational needs. During this meeting, both boards agreed to work on a long-term vision and strategic plan.

December 1998 – The Oregon State Board of Higher Education began serious exploration of the option to expand higher educational services in Central Oregon. Three months later, Chancellor Cox appointed the Central Oregon Regional Advisory Board (CORAB) to study alternatives and to fashion a more definitive proposal to be considered as part of the OUS' legislative request planning for 2001-2003.

December 1999 – CORAB recommended that OUS develop a separate, upper-division "capstone" university for the region. Using this report as a starting point, OSBHE President Tom Imeson requested that the Chancellor's Office conduct a more elaborate study of the issues and report its findings.

January 2000 – Governor Kitzhaber, citing the cooperation among OUS, COCC, and the participating independent institutions, declared that he would "direct the Board of Higher Education to develop a proposal and a budget to build on this partnership and expand – on a stable and permanent basis – 4-year degree offerings in Bend as a prototype for other community colleges around the state."

July 2000 – The State Board of Higher Education, realizing the need for greater higher education services in Central Oregon, charged the CORAB with supporting the work of the Chancellor, the Oregon State Board of Higher Education (OSBHE), and the university sponsoring the branch campus in Central Oregon by providing community input and support for the development of OUS services in Central Oregon.

Summary Purposes of the Central Oregon Regional Advisory Board:

- Hold the long-term vision for postsecondary education in Central Oregon;
- Be responsible for articulating the mission of higher education in Central Oregon;
- Support the implementation of the "Strategy for Expanding Higher Education Opportunities in Central Oregon: 2000-2015;"
- Connect with regional constituencies for change, innovation, and responsiveness;
- Advocate for Central Oregon higher education, OUS, and OUS programs; and
- Work with the president of the university on the development of specific action plans for the implementation of a branch campus.

OUS staff and consultants analyzed four models for delivery of expanded higher education services in Central Oregon, including:

- Expansion of Central Oregon University Center;
- Establishment of an upper-division or capstone university;
- Creation of a branch campus; and
- Conversion of COCC into a 4-year university with a community college division.

When subjected to financial analysis, the branch campus model was chosen because it provided the most cost-effective approach; it offered academic and marketing advantages (e.g., accreditation and brand-name recognition), as well as relative ease of implementation. The OSBHE endorsed the branch campus model at the June 16, 2000, meeting, and subsequently approved the inclusion of an additional state funds request in the 2001-2003 OUS biennial budget (which was included in Governor Kitzhaber's recommended budget to the 2001 legislature).

September 2000 – OUS issued a request for proposals (RFP) to establish a branch campus in Central Oregon. Two institutions, Oregon State University and the University of Oregon, submitted proposals. The proposed administrative structures follow from the distinctive designs of the proposals. The UO structure fitted the college model and reflected its more fundamental integration with COCC. The OSU structure fit a new university model by assuming a name and administrative titles suggestive of the direction of development of the branch. Staff concluded, however, that it is premature to designate the branch as a (separate) university, per se, and that positions/titles should reflect prevailing national practice regarding branch campuses. Staff advised the OSBHE to fully support the robust development of the branch in the initial five-year period and defer decisions about the implied stand-alone status of the future of the branch to follow an evaluation five years after its implementation as approved in OSBHE actions on June 16, 2000. In addition, staff strongly recommended that a full-time interim chief executive officer be appointed and on the job at the branch by September 2001 in order to confront the substantial and immediate responsibilities of initiating a new model.

February 2001 – The Board of Higher Education chose OSU to lead this endeavor subject to coming to an agreement with the UO to provide assistance and collaborations.

March 2001 – OUS (tenant) and COCC (landlord) enter into a 30-year lease agreement for COCC to design and build a building to be known as "Cascades Hall" on the COCC campus to be used by OSU-Cascades for expanding educational programs in Bend. Permitted uses included in the lease are "for any lawful purpose, including general classroom and office space for the primary purpose of conducting instructional and administrative programs associated with, or in support of, delivery of upper-division and graduate-level postsecondary education and other programs, and activities consistent with the mission of the Oregon University System. Tenant may not use premises for delivery of lower-division college credit courses in the Premises without the prior consent of the Landlord." Rent is comprised of fixed rent equivalent to debt service on the COCC bonds used to finance the facility plus operating costs, including maintaining a maintenance and repair fund for the facility.

2001 and annually thereafter – OSU and COCC also entered into an "Education Affiliation Agreement" regarding many aspects of operations of joint programs on the COCC campus. This agreement contains a section regarding lower division courses and degrees that states: "COCC will support the lower-division program needs of OSU-Cascades. OSU-Cascades and its partners will not compete with COCC in the provision of lower-division courses for OSU-Cascades students. In the event that OSU-Cascades requires a lower-division course that COCC does not currently offer, COCC will work with OSU-Cascades to identify and develop a course that meets this need. With mutual agreement, consultation, and written consent from COCC, OSU-Cascades may offer lower-division courses at its facility at OSU-Cascades tuition rates. Such agreements shall be determined based on the interest of student need, success, and/or in the spirit of innovative programming." This agreement also states that OSU-Cascades will not include lower-division distance offerings in the OSU-Cascades Schedule of Classes or Handbook.

April 2009 – The Legislative Ways and Means Committee's consideration of possibly eliminating the OSU-Cascades campus concerned and mobilized Central Oregonians. Prior to the scheduled hearing, committee members received countless letters and e-mails encouraging their support of OSU-Cascades. More than 550 people attended the hearing and about 70 people testified, demonstrating Central Oregonian's strong desire for a university.

July 2010 – Higher Education Assessment Team (HEAT), a subcommittee of the Board of Higher Education, issued a report entitled, "**Expanding Higher Education Access and Success in Central Oregon:** *Innovating for Current and Future Needs."* The goal of HEAT was to determine the short-, mid-, and long-term higher education needs and resource commitments required to increase educational attainment in Central Oregon and to meet the urgent demand for education and training options and workforce and economic development needs in one of the state's fastest growing regions. **The long-term higher education vision** developed through the HEAT process supported the region's desire for a stand-alone university (separate from COCC, not OSU) while maintaining a strong Central Oregon Community College (COCC). The report stressed that in order to remain economically competitive and to ensure equity in service to region's residents, that, in the long-term, Central Oregon must have a degree-granting, stand-alone institution of higher learning offering bachelor's and graduate degrees, and having a research agenda aligned with regional business and industry needs and drivers. As part of the HEAT process and report, the UO and OSU agreed that the UO would cease collaborative operations in Bend and transfer its students, faculty, and programs to OSU.

January–June 2011 – OSU-Cascades, being at capacity in Cascades Hall, sought legislative approval to purchase a building in the Mill Point district in Bend for its Graduate & Research Center. A Bend legislator initiated the request and it was approved by the legislature and signed by the Governor leading to OSU buying and renovating a facility in the Mill Point development in Bend.

February 2012 – meeting between OSU, OUS, and COCC officials determined expansion has strong community support and began making plans for OSU-Cascades to: 1) contemplate offering lower-division courses, 2) expand programmatic offerings, 3) move off the COCC campus to a new location to be determined, and 3) maintain a joint communications strategy regarding these plans.

April 5, 2012 – OSU briefed the Provosts' Council on plans to begin offering lower-division coursework leading to 4-year degrees with expanded enrollment at OSU Cascades. No objections were noted.

April 5, 2012 – Chancellor Pernsteiner and President Ray briefed the OUS Presidents Council on OSU-Cascades plans to begin offering lower-division courses, move off the COCC campus, and expand enrollment in Bend. No objections were noted other than comments about the financial sustainability of the OSU-Cascades campus, to which President Ray responded that this would be OSU's responsibility to ensure.

April 18, 2012 – Meeting with OSU leadership, OSU-Cascades Advisory Board members, three OUS Board members and staff, and COCC Board and staff to discuss expansion plans and expectations. OUS/OSU and COCC agreed that it makes sense that OSU offer lower-division courses needed for expanded 4-year degree programs in Bend at a location off the COCC campus. Despite this move, all agreed that strong collaborations and the sharing of resources between the institutions should continue. The parties agreed that, to set this in motion, OSU and COCC need to modify the existing Memorandum of Understanding to allow OSU-Cascades to deliver lower division courses, and OSU needs to submit a capital request to the 2013-2015 capital budget process. COCC is seeking legislative funding for Cascades Hall (the facility located at COCC currently leased by OSU) possibly in lieu of building a new classroom building. OSU-Cascades is seeking $16 million in state funding to purchase additional buildings in Bend, possibly at its new Mill Point location. It was also strongly recommended that OSU-Cascades seek additional financial support from the community to demonstrate widespread community support (something that had been lacking in previous attempts to establish a 4-year campus in Central Oregon).

May-June 2012 – In the first six weeks of the capital campaign for the OSU-Cascades expansion, over $1.5 million in pledges were secured from 54 business and individuals who support the expansion of OSU-Cascades, including the local Chamber of Commerce.

June 2012 – Becky Johnson, vice president for OSU-Cascades, and Jim Middleton, president of COCC, agreed on points to include in a new letter of intent regarding the expansion at OSU-Cascades (see the attached draft agreement signed by OSU and COCC [Appendix D]). Key points include:

- OSU-Cascades plans to transition to four-year programs (including offering lower-division courses) by Fall 2015;
- Identification of programs that will remain in a 2+2 format for the short-term;
- Exploring options for collaborations involving student housing options;
- Developing a process for coordinating course offerings;

- Continued partnerships pertaining to shared usage of COCC's facilities, such as gymnasiums, library, etc., for the near future;
- Identification of partnership opportunities for shared student services;
- Working on transportation alternatives for students and faculty who need to move between the two campuses;
- Development of a new applied baccalaureate degree to expand opportunities for students with a 2-year technical degree to obtain a bachelor's degree;
- Creating opportunities for faculty to teach at both institutions;
- Working on a plan for COCC to assume financial responsibility for Cascades Hall by Fall 2015; and
- An assessment of other areas for potential collaboration.

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OUS, 2013-2015 Biennial Budget Request

STATUS OF BUDGET DEVELOPMENT – ROUND 2 SUBMISSIONS

The Governor's 10-Year Plan and new budgeting process established Funding Teams to advise the Governor on how to allocate state resources to best achieve desired outcomes. In Round 1, detailed information about OUS' programs that receive state funding was provided to the Education Funding Team as well as to the Economy & Jobs Funding Team. Subsequent to providing this information and meeting with the teams, OUS received feedback and questions from the funding teams. The Economy and Jobs Funding team had some general questions for all the entities but specifically has asked for more details on how AES and FRL (OSU Agricultural Experiment Station and Forest Research Laboratory) work with Oregon InC (Oregon Innovation Council) to leverage public dollars. The Education Funding Team emphasized documenting improved outcomes and return on investment. There were specific questions on a number of programs related to metrics, which we will specifically address in the Round 2 proposal submissions. The Dispute Resolution proposal was noted as having "exemplary measures of program performance" and the team commended the "decreased time to degree" measure in the Student Success and Retention proposal, noting they would like to see that measure in more proposals.

After Round 2 proposals are submitted on August 31, 2012, the funding teams will then make allocation recommendations to the Governor. The Governor's final decisions will be incorporated into the Governor's Recommended Budget that will become public on December 1, 2012.

Department of Administrative Services (DAS)

On July 3rd, DAS held a meeting for agency directors and budget managers to discuss some of the technical aspects of preparing both the Round 2 proposals for the funding teams and the Agency Request Budget (ARB). While OUS is engaging with the funding teams in the new process for the 10-Year Plan for Oregon, the traditional budget building process coordinated by DAS continues. Post-Senate Bill 242, some of the detailed data entry will be eliminated but the OUS budget request still requires submission in an Agency Request Budget (ARB) binder, using the prescribed DAS format and transcribing the funding team forms onto the Agency Request forms.

Current Service Level

The new process does not use the Current Service Level concept for budget development, but that will be a continuing aspect of the ARB in order to provide the legislature with traditional budget data. DAS, in coordination with the Legislative Fiscal Office (LFO), has provided a calculation of a Current Service Level budget. It begins with the 2011-2013 Legislatively Approved Budget and includes the following elements (General Fund and Lottery combined), also detailed in Table 1:

- Adjustments to cover increases in debt service obligations.

- Adjustments to the base for one-time actions in the 2011-2013 budget:
    - Add back of $19.7 million of General Fund that was shifted to tuition in 2011-2013.
    - Additional $14.6 million phase out of General Fund due to retention of interest earnings established with SB 242; in the 2011-2013 budget, General Fund was reduced $7.4 million for that same purpose, bringing the cumulative impact to $22 million.
- Restoration of the 2011-2013 legislative holdback of $25.2 million.
- General Inflation factor of 2.4 percent of $14.6 million. With the transition from state agency status, OUS is no longer eligible for certain standard cost increases such as anticipated increases in PEBB and PERS, which are replaced by a general inflation factor determined by DAS.

Upper Limit of Budget Request
In prior biennia, there was not a dollar limit on budget requests. As part of the new budget process, DAS provided the upper dollar limit of the amount OUS will be allowed to request for General Fund and Lottery Funds. The upper limit was calculated using the 2011-2013 Legislatively Approved Budget of $691.3 million plus 20 percent ($138.3 million of which $76.9 million is used to fund CSL as noted above) for all budgeted programs and distributed according to funding team assignment. While the System request can move funding between programs, funding cannot be moved across funding teams. Table 1 illustrates how the upper limits were calculated. The funding teams will also have limits on the total they can recommend to the Governor. The funding team limits will be closer to CSL levels. So just as the upper limit for the OUS request will force prioritization of which OUS proposals to advance, the funding teams will also have to prioritize their recommendations. At this time, there is no limit on capital requests.

TABLE 1 illustrates both the calculation of Current Service Level and Request Limits

TABLE 1							
Fund/Program	2011-13 LAB (Legislatively Adopted Budget)	DAS - CSL Build-Up		EDUCATION FUNDING TEAM		ECONOMY & JOBS FUNDING TEAM	
				Request Limit (LAB + 20%)	DAS CSL	Request Limit (LAB + 20%)	DAS CSL
State General Fund							
E&G	486,520,696	35,946,837	*(b, c, d, e)*	583,824,835	522,467,533	-	-
AES	51,793,494	3,093,858	*(d, e)*	-	-	62,152,193	54,887,352
ES	37,463,402	2,237,831	*(d, e)*	44,956,082	39,701,233	-	-
FRL	5,698,684	340,368	*(d, e)*	-	-	6,838,421	6,039,052
Subtotal Operations	581,476,276	41,618,894		628,780,917	562,168,766	68,990,614	60,926,404
Debt Service	86,788,277	9,148,673	*(a)*	104,145,932	95,936,950	-	-
Total General Fund	668,264,553	50,767,567		732,926,849	658,105,716	68,990,614	60,926,404
Lottery Funds							
Sports Lottery	8,592,720	1,718,544	*(d)*	10,311,264	10,311,264		
Debt Service	14,394,033	24,394,654	*(a)*	17,272,840	38,788,687		
Total Lottery	22,986,753	26,113,198		27,584,104	49,099,951	-	-
Grand Total	691,251,306	76,880,765		760,510,953	707,205,667	68,990,614	60,926,404
Available for New Initiatives					**53,305,286**		**8,064,210**

Note: Per DAS instructions, upper limits are per funding team

CSL Build-Up Components

a)	Increases in Debt Service Obligations (E&G and Lottery)	33,543,327
b)	Base Additions (E&G only)	
	Add back 2011-13 fund shift to tuition	19,660,000
c)	Base Deductions (E&G only)	
	Phase out add'l interest retention	(14,603,000)
	Phase out remaining DAS assessments	(886,076)
	One-time funding-LERC	(150,000)
	One-time funding-Dispute Resolution	(500,000)
d)	Restoration of Holdback (E&G, ES, AES, FRL, Sports Lottery)	25,212,719
e)	General Inflation of 2.4% (E&G, ES, AES, FRL)	14,603,795
		76,880,765

NEW INITIATIVES

Campus proposals for new initiatives that were reviewed and advanced by the Academic Strategies and Finance & Administration Committees were approved for inclusion in the Round 1 proposal package by the Board at its June 1 meeting. Because the request limits were calculated according to funding team assignments, there were insufficient proposals with direct connections to Oregon State's AES and the FRL to utilize the full request limit of $8 million for the Economy & Jobs funding team. AES and FRL subsequently provided additional proposals involving areas of significant relevance to the state. Feedback from the Education Funding Team greatly encouraged efforts to work collaboratively with other education sectors. In support of that vision, the *Eastern Promise* proposal has expansion potential and other cross-sector proposals have been developed: *Common Core State Standards Plan for Action* (OUS, ODE, and CCWD) and *P-20 Education Research Unit* (OUS, ODE, CCWD and OSAC). Executive summaries of these proposals are provided in Attachment A.

Table 2 illustrates all proposals being recommended to advance to Round 2 submissions

DRAFT

Table 2 - Budget Request by Funding Team

PROGRAM/PROPOSAL	Education Funding Team	Economy & Jobs Funding Team	Funding Teams Combined	Incorporated in Capital Request
2011-13 Legislatively Adopted Budget	$ 633,759,128	$ 57,492,178	$ 691,251,306	
Debt service (General Fund and Lottery)	$ 33,543,327	$ -		
CSL for enrollment to achieve 40-40-20, etc.	$ 35,946,837	$ -		
CSL for Statewide Public Services	$ 2,237,831	$ 3,434,226		
CSL for Sports Lottery	$ 1,718,544	$ -		
	$ 73,446,539	$ 3,434,226	$ 76,880,765	
NEW INITIATIVES-EDUCATION FUNDING TEAM				
Affordability for Oregon Students - 1% Tuition Buy Down [1]	$ 12,000,000			
Student Success				
Eastern Promise (with Community Colleges, ESD/ODE) [1,3]	$ 1,100,000			
Degree Progress (Retention) [1]	$ 2,739,000			
Innovative Practices in Teacher Prep[1]	$ 12,487,286			
Pre-college Initiatives [1]	$ 441,000			
Common Core State Standards (with ODE, CCWD, OSAC) [3]	$ 800,000			
21st Century Research Collaboratory [1]	$ 7,480,000			$ 5,000,000
ETIC [1]	$ 8,000,000			
STEM [1, 3]	$ 4,500,000			
WOU Forensic Science [1]	$ 2,158,000			
P-20 Education Research (with ODE, CCWD, OSAC) [3]	$ 600,000			
Related continuation of work and support of longitudinal data base	$ 1,000,000		$ 53,305,286	
NEW INITIATIVES-ECONOMY & JOBS FUNDING TEAM				
National Center for Innovations in Seafood Safey [1]		$ 1,200,000		
Invasive Species Identification, Modeling, and Management [2]		$ 1,600,000		
Biomass Innovation and Development [2]		$ 2,000,000		
Irrigation Water Management [2]		$ 1,400,000		
Fermentation Sciences and Value Added [2]		$ 1,064,210		
FRL Working Forest Institute [2]	$ -	$ 800,000	$ 8,064,210	
Total Requests By Funding Team	**$ 833,957,492**	**$ 72,424,840**	**$ 829,501,567**	
Available Per Funding Team Limit	*$ 760,510,953*	*$ 68,990,614*	*$ 829,501,567*	
(Over) Under Limit	*$ -*	*$ -*	*$ -*	

1) Proposals previously recommended by Academic Strategies and Finance & Administration Committees and subsequently approved for inclusion in Round 1 proposals by the Board at its June 1, 2012 Board meeting

2) Additional proposals due to budget segregation by funding teams (see narrative in Appendix A)

3) Additional proposals/enhanced proposals due to feedback from funding team (see narrative in Appendix A)

CAPITAL REQUEST

During further review of the proposals, it was determined that the $5 million of capital outlay in the 21st Century Research Collaboratory proposal would more appropriately be associated with our capital request; therefore, $5 million of that proposal will be a request for State Supported XI-Q Bonds. This investment would support the construction and fit-out needed for the IT infrastructure (including hardware, operating systems, high-speed cable), dedicated tele-presence, computing and visualization capabilities (e.g., state of the art videoconferencing facilities, cloud computing, and high tech video display/information integration); software engineering (invention of next-generation decision support models and algorithms); dedicated, professional support technicians to operate, maintain the infrastructure and provide outreach training for campus and community users. The construction may include but not be limited to the physical space for the technology backbone, space for staff and technicians, as well as meeting and instructional space. The fit-out will include the IT equipment and associated power, cooling and other infrastructure, furnishings, fixtures and equipment necessary to meet the operational needs of the Collaboratory.

Additionally, $20 million for financing agreements was added as a placeholder in the event our legislative concept pertaining to financing agreements is not legislatively adopted.

Tables 3 & 4 illustrates those projects as previously approved by the Board and amended to include the capital portion of the 21st Century Research Collaboratory.

TABLE 3 - 2013-15 Proposed Capital Budget

Evaluation July 23, 2012

Capital Renewal and Deferred Maintenance Projects Shaded

										Board Priority								Leverage					
Revised Ranking *	Campus Priority	Campus	Project Name	Class	Type	Project Total	GSF	$/SF	Evaluation	Capacity	PK-20	Research	Financial Viability (Proforma + Cost/SF/FTE)	$Savings	Need	Campus Priority	Finish What we Start	% Other	% Pledged/in-hand	Sustainability	State Funding	Campus Funding	State Funding Running Summation
Education and General Projects									**100**	**15**	**5**	**5**	**5**	**10**	**10**	**20**	**5**	**8**	**7**	**10**			
1	1	PSU	SBA - Addition/Renovation	E&G	Add/Reno/DM	$50,000,000	148,353	$337	**87**	15	3	4	4	9	10	20	5	6	4	7	$39,000,000	$11,000,000	$39,000,000
2	1	UO	Straub Hall and Earl Halls Classroom Expansion	E&G	Add/Reno	$22,000,000	51,000	$431	**86**	15	5	3	5	7	10	20	5	8	0	8	$11,000,000	$11,000,000	$50,000,000
3	2	UO	Chapman Hall Renovation, Seismic Upgrade and DM	E&G	Renov/DM	$10,250,000	23,050	$445	**86**	15	4	3	4	10	10	16	5	5	6	8	$7,375,000	$2,875,000	$57,375,000
4	1	SYS	Capital Renewal Code and Saftey	E&G	DM	$40,000,000			**85**	15	5	5	5	10	10	20	5	0	0	10	$40,000,000	$0	$97,375,000
5	2	OSU	Center for Clean Energy and Green Materials/CBEE	E&G	New	$80,000,000	140,000	$571	**81**	15	4	5	4	5	9	16	5	8	6	4	$40,000,000	$40,000,000	$137,375,000
6	2	PSU	Peter Stott Center Renovation and Expansion	E&G/Aux.	Add/Reno/DM	$44,000,000	221,935	$198	**81**	10	3	3	5	10	10	16	5	8	3	8	$22,000,000	$22,000,000	$159,375,000
7	1	OSU	Classroom Building and Quad	E&G	New	$65,000,000	130,000	$500	**80**	15	5	3	5	5	10	20	5	8	0	4	$32,500,000	$32,500,000	$191,875,000
8	2	OIT	OIT - Cornett Hall Renovation - Def. Maint.	E&G	DM/Renov	$2,000,000	94,969	$21	**77**	13	5	5	5	10	8	16	5	0	0	10	$2,000,000	$0	$193,875,000
9	2	SYS	Research Collaborative	E&G	New	$5,000,000			**77**	15	5	5	5	6	10	16	5	0	0	10	$5,000,000	$0	$198,875,000
10	1	WOU	College of Education - New Facility	E&G	New	$18,600,000	57,000	$326	**76**	15	5	3	5	5	10	20	5	4	0	4	$17,200,000	$1,400,000	$216,075,000
11	3	OSU	OSU Cascade Campus Expansion	E&G	Acq/Renov.	$24,000,000	87,833	$273	**76**	15	4	3	5	5	9	20	5	6	0	4	$16,000,000	$8,000,000	$232,075,000
12	3	UO	Science Library Expansion and Remodel	E&G	Add/Reno	$16,750,000	39,550	$424	**75**	13	5	5	4	7	9	12	5	8	2	5	$8,375,000	$8,375,000	$240,450,000
13	1	EOU	Technology Center - Phase 1 (Live/Learn)	E&G	New	$2,000,000	20,000	$100	**72**	15	5	3	5	5	10	20	5	0	0	4	$2,000,000	$0	$242,450,000
14	1	SOU	Theatre Expansion - match	E&G	Addition	$5,500,000	32,639	$169	**72**	14	5	2	5	7	10	20	5	0	0	4	$5,500,000	$0	$247,950,000
15	3	PSU	PSU - Neuberger Hall - Def. Maint.	E&G	DM	$42,500,000	237,879	$179	**70**	13	4	3	5	10	8	12	5	0	0	10	$41,100,000	$1,400,000	$289,050,000
16	5	UO	Huestis Hall 2nd Floor Renovation	E&G	Renov	$8,000,000	13,530	$591	**69**	15	5	5	4	8	9	2	5	8	0	8	$4,000,000	$4,000,000	$293,050,000
17	2	SOU	Co-Generation Power Plant	E&G	New	$12,000,000			**68**	13	3	3	4	8	8	16	5	0	0	8	$12,000,000	$0	$305,050,000
18	4	UO	Global Studies Building	E&G	New	$18,250,000	37,000	$493	**68**	15	5	4	5	5	8	8	5	8	0	5	$9,125,000	$9,125,000	$314,175,000
19	3	SOU	SOU - McNeal Hall - Def. Maint.	E&G/SBF	DM	$15,875,000	96,216	$165	**67**	10	5	3	4	10	8	12	5	0	0	10	$9,375,000	$6,500,000	$323,550,000
20	3	EOU	EOU - Inlow Def. Maint. - Phase 2	E&G	DM/Renov	$4,000,000	13,760	$291	**66**	10	5	3	4	10	8	12	5	0	0	**9**	$4,000,000	$0	$327,550,000
21	5	PSU	City Tower Purchase and Renovation	E&G	Acq/Renov	$27,000,000	165,267	$163	**64**	15	5	4	5	5	9	4	5	8	0	4	$13,500,000	$13,500,000	$341,050,000
22	4	PSU	East Hall - Def. Maint.	E&G	Renov/DM	$3,500,000	28,656	$122	**61**	10	3	3	5	10	9	8	5	0	0	8	$3,500,000	$0	$344,550,000
23	6	UO	UO - Condon Hall - Def. Maint.	E&G	DM	$16,500,000	42,495	$388	**59**	10	5	3	3	10	9	4	5	0	0	10	$16,500,000	$0	$361,050,000
24	6	UO	Museum of Natural and Cultural History, Phase 3	E&G	Addition	$7,250,000	15,582	$465	**58**	10	5	5	5	5	8	2	5	8	0	5	$2,000,000	$5,250,000	$363,050,000
25	7	OSU	OSU - Fairbanks Hall - Def. Maint.	E&G	DM	$8,363,600	37,946	$220	**58**	10	5	3	5	10	8	2	5	0	0	10	$8,363,600	$0	$371,413,600
26	3	EOU	Campus Accessibility & Circulation - Hist. Pres.	E&G	Renov/DM	$5,250,000	300,000	$18	**56**	5	3	1	4	10	8	12	5	6	0	2	$3,412,500	$1,837,500	$374,826,100
27	5	UO	Architecture and Allied Arts - Phase 1	E&G	New	$58,000,000	104,815	$553	**56**	10	5	4	4	5	7	4	4	8	0	5	$29,000,000	$29,000,000	$403,826,100
28	4	EOU	Athletic and Recreation Field House	AUX/E&G	New	$1,580,000	11,250	$140	**49**	10	4	1	2	5	7	4	4	8	0	4	$474,000	$1,106,000	$404,300,100

State funding 2007-09 = $233.5M

2009-11 = $261.4M

	State Funding	Campus Funding	Total
21 Projects requesting State funding	$ 341,050,000	$ 171,675,000	$ 512,725,000
13 Projects without State funding	$0	$ 304,380,000	$ 304,380,000
Subtotal	$ 341,050,000	$ 476,055,000	$ 817,105,000

Priority	Project Name	Class	Type	General Fund	XI-G Bonds	XI-F Bonds	Lottery Bonds	SELP	XI - M Bonds Seismic	Revenue Bonds	XI-Q Bonds	Other	Project Total	
	TABLE 4 - 2013-15 Proposed Capital Budget													
	In Priority Order by Campus													
	DM Shaded													
Projects	**Requesting State Funding**													
	SYS													
1	Capital Renewal Code and Saftey	E&G	DM	$0	$0	$0	$0	$0	$0	$0	$40,000,000	$0	$40,000,000	
2	Research Collaboratory	E&G	New	$0	$0	$0	$0	$0	$0	$0	$5,000,000	$0	$5,000,000	
				$0	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$45,000,000**	**$0**	**$45,000,000**	
				State Funding	$45,000,000									
	EOU													
1	Live-learn- Technology Center - Phase 1 +2	E&G	New	$0	$1,000,000	$0	$1,000,000	$0	$0	$0	$0	$0	$2,000,000	**Planning + Tech**
2	EOU - Inlow Def. Maint. - Phase 2	E&G	DM/Renov	$0	$1,600,000	$0	$1,600,000	$400,000	$400,000	$0	$0	$0	$4,000,000	
	Subtotal			$0	$2,600,000	$0	$2,600,000	$400,000	$400,000	$0	$0	$0	$6,000,000	
				State Funding	$5,600,000									
	OIT													
2	**OIT - Cornett Hall Renovation - Def. Maint.**	**E&G**	**DM/Renov**	**$0**	**$1,000,000**	**$0**	**$1,000,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$2,000,000**	**Planning + DM**
				State Funding	$2,000,000									
	OSU													
1	Classroom Building and Quad	E&G	New	$0	$32,500,000	$0	$0	$0	$0	$32,500,000	$0	$0	$65,000,000	
2	Center for Clean Energy and Green Materials/CBEE	E&G	New	$0	$40,000,000	$0	$0	$0	$0	$0	$0	$40,000,000	$80,000,000	
3	OSU Cascade Campus Expansion	E&G	Acq/Renov.	$0	$10,000,000	$4,000,000	$6,000,000	$0	$0	$0	$0	$4,000,000	$24,000,000	
	Subtotal			$0	$82,500,000	$4,000,000	$6,000,000	$0	$0	$32,500,000	$0	$44,000,000	$169,000,000	
				State Funding	$88,500,000									
	PSU													
1	SBA - Addition/Renovation	E&G	Add/Reno/DM	$0	$22,000,000	$0	$12,000,000	$1,000,000	$5,000,000	$0	$0	$10,000,000	$50,000,000	
2	Peter Stott Center Renovation and Expansion	E&G/Aux.	Add/Reno/DM	$0	$20,000,000	$2,000,000	$0	$0	$2,000,000	$0	$0	$20,000,000	$44,000,000	
3	PSU - Neuberger Hall - Def. Maint.	E&G	DM	$0	$12,050,000	$0	$20,550,000	$1,250,000	$8,500,000	$0	$0	$150,000	$42,500,000	
5	City Tower Purchase and Renovation	E&G	Acq/Renov	$0	$13,500,000	$0	$0	$0	$0	$13,500,000	$0	$0	$27,000,000	
	Subtotal			$0	$67,550,000	$2,000,000	$32,550,000	$2,250,000	$15,500,000	$13,500,000	$0	$30,150,000	$163,500,000	
				State Funding	$115,600,000									
	SOU													
1	Theatre Expansion - match	E&G	Addition	$0	$0	$0	$5,500,000	$0	$0	$0	$0	$0	$5,500,000	
2	Co-Generation Power Plant	E&G	New	$0	$0	$0	$12,000,000	$0	$0	$0	$0	$0	$12,000,000	
3	*SOU - McNeal Hall - Def. Maint.**	*E&G/AUX*	*DM*	*$0*	*$3,250,000*	*$6,500,000*	*$3,250,000*	*$875,000*	*$2,000,000*	*$0*	*$0*	*$0*	*$15,875,000*	
	Subtotal			$0	$3,250,000	$6,500,000	$20,750,000	$875,000	$2,000,000	$0	$0	$0	$33,375,000	
				State Funding	$26,000,000									
	UO													
1	Straub Hall and Earl Halls Classroom Expansion	E&G	Add/Reno	$0	$11,000,000	$0	$0	$0	$0	$0	$0	$11,000,000	$22,000,000	
2	Chapman Hall Renovation, Seismic Upgrade and DM	E&G	Renov/DM	$0	$3,687,500	$0	$3,687,500		$0	$0	$0	$2,875,000	$10,250,000	
3	Science Library Expansion and Remodel	E&G	Add/Reno	$0	$8,375,000	$0	$0	$0	$0	$0	$0	$8,375,000	$16,750,000	
4	Global Studies Building	E&G	New	$0	$9,125,000	$0	$0	$0	$0	$0	$0	$9,125,000	$18,250,000	
7	Huestis Hall 2nd Floor Renovation	E&G	Renov	$0	$4,000,000	$0	$0	$0	$0	$0	$0	$4,000,000	$8,000,000	
	Subtotal			$0	$36,187,500	$0	$3,687,500	$0	$0	$0	$0	$35,375,000	$75,250,000	
				State Funding	$39,875,000									
	WOU													
1	College of Education - New Facility	E&G	New	$0	$9,300,000	$0	$7,900,000	$0		$0	$0	$1,400,000	$18,600,000	
				State Funding	$17,200,000									
23	**Totals for E&G Projects**			**$0**	**$202,387,500**	**$12,500,000**	**$74,487,500**	**$3,525,000**	**$17,900,000**	**$46,000,000**	**$45,000,000**	**$110,925,000**	**$512,725,000**	

Table 4 (continued)

Projects without State Funding													
	SYS												
3	Misc. Student Building Fee Projects	Aux	SBF	$0	$0	$20,000,000	$0	$0	$0	$0	$0	$0	$20,000,000
4	Commercial Paper (Short Term Financing pre-bonding)	E&G	All	$0	$0	$50,000,000	$0	$0	$0	$0	$0	$0	$50,000,000
5	Financing Agreements	E&G	All	$0	$0	$0	$0	$0	$0	$0	$20,000,000	$0	$20,000,000
				$0	$0	$70,000,000	$0	$0	$0	$0	$20,000,000	$0	$90,000,000
	OIT												
1	Wilsonville Campus - renovation	E&G	Acq/Renov	$0	$0	$10,000,000	$0	$0	$0	$0	$0	$0	$10,000,000
	OSU												
4	Modular Data Center Facilities	E&G	New	$0	$0	$0	$0	$0	$0	$0	$7,000,000	$0	$7,000,000
5	Underground Communications Infrastructure	E&G	New	$0	$0	$0	$0	$0	$0	$0	$10,000,000	$0	$10,000,000
6	Real Estate Acquisitions	E&G	Acq.	$0	$0	$0	$0	$0	$0	$5,880,000	$0	$0	$5,880,000
7	Housing and Dining: 5 projects to upgrade dorms	Aux	Renov	$0	$0	$9,500,000	$0	$0	$0	$0	$0	$0	$9,500,000
	Subtotal			$0	$0	$9,500,000	$0	$0	$0	$5,880,000	$17,000,000	$0	$32,380,000
	PSU												
6	Land Acquisition - UCB	Aux	Acquistion	$0	$0	$10,000,000	$0	$0		$0	$0	$0	$10,000,000
	SOU												
5	Student Recreation center	SBF	New	$0	$0	$20,000,000	$0	$0		$0	$0	$0	$20,000,000
4	Cascades Hall Replacement	Aux	New	$0	$0	$7,000,000	$0	$0		$0	$0	$0	$7,000,000
	Subtotal			$0	$0	$27,000,000	$0	$0		$0	$0	$0	$27,000,000
	UO												
	Student Recreation Center Expansion and Renov.	SBF	Add/Renov	$0	$0	$50,250,000	$0	$0		$0	$0	$0	$50,250,000
	University Housing Expansion	Aux	New	$0	$0	$84,750,000	$0	$0		$0	$0	$0	$84,750,000
	Subtotal			$0	$0	$135,000,000	$0	$0		$0	$0	$0	$135,000,000
	Total Auxiliary Projects			**$0**	**$0**	**$261,500,000**	**$0**	**$0**	**$0**	**$5,880,000**	**$37,000,000**	**$0**	**$304,380,000**
				General Fund	**XI-G Bonds**	**XI-F Bonds**	**Lottery Bonds**	**SELP**	**XI - M Bonds Seismic**	**Revenue Bonds**	**XI-Q Bonds**	**Other**	**Project Total**
	Total All Projects (E&G + Aux. + Def. Maint. + SYS)			**$0**	**$202,387,500**	**$274,000,000**	**$74,487,500**	**$3,525,000**	**$17,900,000**	**$51,880,000**	**$82,000,000**	**$110,925,000**	**$817,105,000**

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NEXT STEPS

Upon Board approval of the approach laid out in this document, staff will proceed to accomplish the following tasks by the August 31st deadlines:

- Prepare Round 2 proposal forms in accordance with Funding Team requirements, including finalizing budgets for the new initiative.
- Prepare ARB documents in accordance with DAS requirements.

Due to the compressed timeline for this budget building cycle, some of the finalization of new initiative budgets may require adjustments across proposal categories, but will remain within the total request limits. Also, the recent new initiatives will need to be transcribed into the required funding team formats.

STAFF RECOMMENDATION TO THE BOARD

Staff recommends that the Board approve the approach to the 2013-2015 Budget Request, including the new initiatives, as set forth in Table 2 and the capital requests in Tables 3 and 4 and authorize the Chancellor, or designee, to adjust proposal budgets within the prescribed total request limit if needed and to submit the final budget request and related DAS and funding team forms.

(Board action required)

ATTACHMENT A—ADDITIONAL/EXPANDED NEW INITIATIVES

Eastern Promise

Much has been discussed about the Eastern Promise and the goals it has set forth. A lot of the focus has been on creating new opportunities for high school students to gain college credit. Even more amazing to some is the fact that a university, two community colleges, two ESDs (Education Service Districts), numerous school districts, and a multitude of schools are working together for a common goal. Others are amazed that college professors and high school teachers are working together and learning from each other through the creation of Professional Learning Centers.

These are all important outcomes, but the true essence of the Eastern Promise is thinking about the educational spectrum differently. It is about focusing on learning and the learners. It is about focusing on students as unique individuals with their own personal histories that have formed their own perspectives, goals, and ambitions. It is about creating individualized opportunities for them to succeed. It is about instilling in them the zest for learning and discovery—not just the regurgitation of facts

While Eastern's focus is on the students, the Eastern Promise is also about the teachers and professors. The Eastern Promise, through the Professional Learning Communities and the multitude of other interactions with college professors and their peers, instills a new level of professionalism and mastery of not only the content knowledge, but new methods of pedagogy, the use of technology, and sets a new level and standard of professionalism.

The Eastern Promise also extends beyond the classroom and into the community. The Eastern Promise aims to engage families and other support groups of our young men and women, starting in the elementary school environment and continuing through and after high school. Because many of the students come from families where neither parent went to college, Eastern must instill a trust and understanding with them. EOU must inform them about basic information to plan for—from college savings plans, the use of financial aid, etc. Just as importantly, in working with the parents and other family and influencers, we must instill a new way of looking at the importance of reading, writing, and mathematics—the building blocks of education and how they can influence the environment of their son or daughter for success.

The Eastern Promise is about thinking anew, about creating a new culture with K-20 that it is not about three different segments—K-12, community colleges, and four-year institutions; rather it is three phases of a beam working together by focusing on the learners wherever they are, removing barriers to their dreams, and ensuring that they have the best prepared mentors to assist them in their journeys.

The Eastern Promise is a K-20 program. Eastern has submitted its proposal to assist in these efforts. At the Eastern Promise Executive Meeting on July 23, 2012, EOU will be discussing forthcoming proposals from the community colleges (spearheaded by Blue Mountain and Treasure Valley Community Colleges) as well as a comprehensive K-12 (led by the

Intermountain ESD) proposal. The components of these proposals will be geared to providing access to technology, teacher preparation, necessary localized staffing to support on-going and sustainable efforts, funding for continual training, scholarships based on financial need, providing access to students of courses, among other essentials from their particularly sectors. In addition, because the Eastern Promise has been so well received in other areas across the state that the opportunity to expand this approach and include other partners, K-12 as well as community colleges, to serve other regions is already receiving serious consideration. We have informally called this a "franchising opportunity" and this too will be discussed and addressed in these proposals.

We, the founding members of the Eastern Promise, two years ago, accepted a monumental challenge—to change the way a college degree is thought of in our region. We have seen enormous early successes. Now, we accept the next challenge offered to us through the legislative funding process—to truly make K-20 seamless in all of our thoughts and actions. While technically these may be seen as separate proposals, they are and remain unified in our goal of focusing on the future by increasing educational attainment.

STEM (Science, Technology, Engineering, and Mathematics)

The Round 1 STEM proposal included specific elements for Oregon Tech and UO. Round 2 will expand to include other universities and increase capacity in high demand, upper division engineering courses.

P-20 Education Research

The purpose of developing a P-20 education research unit is to improve educational outcomes for students at all levels of education in Oregon in pursuit of Oregon's 40-40-20 education goals. Progress toward that goal will improve the life outcomes of Oregon students and will improve the performance of Oregon's economy by creating a more productive workforce. It is likely to also improve the efficiency of resource use so that the state can meet its educational goals at a lower cost.

A collaborative unit representing all sectors of public education would provide research and analysis of educational issues in Oregon in order to assist policymakers in making sound policy decisions. This proposal is for a research unit for the P-20 education continuum. It is a joint proposal from four agencies: the Oregon University System (OUS), the Oregon Department of Community Colleges and Workforce Development (CCWD), the Oregon Student Access Commission (OSAC), and the Oregon Department of Education (ODE). Each of those entities will be submitting a Policy Option Package (POP) for this proposal.

Over the past decade, Oregon's education institutions have dramatically increased both the amount and quality of data they collect about Oregon students and schools. The state has not, however, significantly increased its capacity to use those data to guide policy decisions. The research unit proposed here would help fill that void). The unit would both conduct research to assist policymakers and act in a coordinating role for analysis by other entities (universities, legislative staff, consultants) that would require the expertise and data that the research unit possesses. The progress Oregon has made in its data systems, particularly in K-12, is impressive, but more work is required to build a longitudinal data system, to make the data across post-secondary institutions more consistent, and to integrating the data systems. The quality and usefulness of the analysis that the research unit can accomplish will be greatly improved by a fully integrated longitudinal data system, but the research unit would still have much to contribute even before the data system work is complete.

Oregon is in the process of integrating all levels of its public education system into a coherent whole. Successfully accomplishing that will require leadership and cooperation across educational sectors, and it will also require some in-depth analysis of how to best structure the newly integrated system in a way that promotes the desired student outcomes and provides incentives for efficient resource use. The research unit proposed here would be the ideal entity to provide that analysis: it would have the expertise at all levels of the education continuum and would also have access to the data required to do the analysis.

As part of the 2013-2015 budget request, this proposal would be coordinated with EOU's educational partners. The initial proposals for the research unit include:

- ODE – 3 FTE (manager, support position, researcher)
- CCWD – 2 FTE (professional development, IT/software)
- OUS – 2 FTE (related supplies and services)

The OUS proposal will be presented as two components. The first component requires a stable, secure hardware and software platform with Business Intelligence tools and processes that continue to integrate new data and information into the data system, and the funding to maintain that data system through the continuation and completion of Project ALDER; the second component requires qualified educational researchers to analyze the data, which is the operational portion referenced above.

Common Core State Standards Plan for Action (New Joint Program with ODE/CCWD)

EXECUTIVE SUMMARY

Oregon is preparing for a landmark shift in expectations for students as we transition to a more robust set of standards of what students must understand and be able to do for college- and career-readiness in today's world. The Common Core State Standards (CCSS), as these new expectations are known, grew out of a process led by governors, educators, and public school leaders to establish norms across states of how best to prepare students for the demands of postsecondary education and modern workplaces. This state-led effort was coordinated by the National Governors Association Center for Best Practices (NGA Center) and the Council of Chief State School Officers (CCSSO). The CCSS represent a different approach to teaching, learning, and testing that focuses on giving students a deep understanding of the most important concepts in the subjects they are studying so that they can apply the knowledge, understanding, and skills to other subjects and in the real world. The transition to the CCSS is both immediate—as it must be implemented in the next two years—and lasting, as it affects virtually every aspect of public school curriculum, instruction, and assessment.

Oregon joins 45 other states in adopting the CCSS and has committed to implementing the CCSS in English/Language Arts and Mathematics in all public schools. The CCSS will be fully implemented in Oregon's K-12 schools in 2014-15, when new assessments of students' knowledge and skills in English/Language Arts and Mathematics will be employed. Oregon's adoption of the CCSS requires collaboration across ODE, CCWD, and OUS to focus on grades 11-14 and college and career transitions. In particular, regional collaborations will need to capitalize on existing partnerships to align expectations, provide quality education for pre-service and in-service teachers/instructors in the implementation of CCSS, and to help ensure success for students. The CCSS provides an unprecedented opportunity for Oregon's K-12 school districts, community colleges, and universities to increase the percentage of students prepared to succeed in college and careers, reduce the percentage of students who need remediation in college, and align high school and college curricula to better support student persistence and success.

However, the landmark shift in expectations of outcomes must be supported by policy, advocacy, and resources. OUS proposes funding an **Oregon CCSS Plan for Action**; a collaboration between the Oregon University System, the Oregon Department of Community Colleges and Workforce Development, and the Oregon Department of Education. The goal is to work together to ensure that teachers are prepared to teach to the CCSS and that supports are in place to ensure students are college and career ready when they graduate from high school. Activities include:

- Advocating for a policy agenda around college and career readiness that includes state-level leadership
- Building CCSS leadership capacity
- Building educator capacity (at all levels, especially 11-14) to enact the CCSS
- Using technology to connect teachers in remote areas of the state
- College and career readiness advising in response to CCSS assessment results
- Effective actions in response to CCSS assessments, including support for students who do not pass the 11^{th} grade assessment and secondary intervention programs designed for students who are not on track to meet college and career ready goals by 12th grade
- Research and evaluation of the CCSS implementation and alignment efforts in Oregon

PROGRAM FUNDING REQUEST

OUS contribution: $800,000, includes 1.25 FTE ($60,000 + $30,000 OPE) per year, $200,000 professional development, meetings, and travel per year, and $100,000 professional/contract services (research and evaluation) per year.

PROGRAM DESCRIPTION

The Oregon CCSS Plan for Action is a six-pronged approach to supporting the implementation of the CCSS and CCSS assessments in Oregon.

1. CCSS Grades 11-14 Leadership Team will ensure seamless continuation of the work of initiated with Core to College grant funds. The Leadership Team will ensure instructional leadership development and succession in order to successfully implement the CCSS by setting Systemwide routines to track progress, identify actions needed to stay on track or get back on track, uncover key issues, and sustain a consistent focus on CCSS. The CCSS Grades 11-14 Leadership Team (2.0 FTE) will:

- Seek external funding sources in addition to state funding
- Form partnerships to leverage resources
- Coordinate professional development opportunities
- Assist with professional development service providers vetting process
- Monitor performance and progress of CCSS implementation
- Develop an evaluation plan
- Provide technical assistance

2. Professional Development for K-12 teachers and postsecondary faculty, including technology-enhanced professional development for teachers in remote areas of the state. District, regional, and statewide resources, including postsecondary institutions, must be aligned to provide a coherent professional learning system that will improve teaching and ensure each student has the best opportunities for academic success in every classroom.

3. Design of new 12th grade curricula that address students' deficiencies as indicated by the 11th grade CCSS assessment: Similar to California's Early Assessment Program, Oregon postsecondary faculty will work with high school teachers to develop modules and learning programs that match with students' needs, not with seat-time requirements.

4. Alignment of high school writing and mathematics courses with entry level college writing and mathematics courses. The work of aligning high school writing and mathematics courses has already begun in Oregon, but the alignment process has both short and long-term goals. In the short-term, the goal will be to ensure that students graduating high school with assessment level indicators that they are college ready will not need remediation in postsecondary institutions. A long-term goal is the transformation of the entry-level courses in writing and mathematics at the postsecondary level.

5. Development of regional and local K-12 and higher education CCSS leaders. Leadership at the school, district, community college, and university levels will be essential to sustaining the vision of the CCSS beyond 2015. As such, a cadre of K-12 teacher-leaders, K-12 administrators, and postsecondary faculty and administrators must continue to be developed to lead the CCSS work throughout the state.

6. Research and evaluation of the CCSS implementation and alignment efforts in Oregon. The implementation of the CCSS must be monitored and evaluated for its impact on students, teachers, curriculum, teaching practices, and policies. Without careful study of the implementation and impact of the CCSS, the state will not be able to make data-informed decisions about the continued CCSS implementation. There will also be opportunities for research across states.

PROGRAM JUSTIFICATION AND LINK TO 10-YEAR OUTCOMES

The Common Core State Standards will play a central role in helping Oregon become a top performing state in college participation, college completion, student-learning, and career preparation. The Oregon CCSS Plan for Action addresses a number of strategies in the Governor's *10-Year Plan for Education*. It directly speaks to the need to implement a coordinated and aligned set of standards and assessments and to focus on the critical transition point of grades 11-14. The *Plan for Action* will support the work to align the CCSS for K-12, new teacher preparation standards, participation in the Smarter Balanced Assessment Consortium, and participation in the Core to College initiative. Currently, Oregon is not fully supporting the implementation of these CCSS-related initiatives in funding, policy, or leadership. The state must insist on collaboration, integration, and consistency in standards and assessments—we agree. The activities described in this *Plan for Action* will help ensure the successful implementation of aligned standards and assessments and support collaboration to eliminate the impact of the current 11-14 transition point on student success. Further, the *Plan for Action* includes research and evaluation into the effectiveness of the CCSS implementation and alignment efforts. Such research and evaluation efforts will provide information about what is working across the 11-14 continuum. By partnering with ESDs and Teacher Education programs, results of research and best practices will be disseminated to teachers, administrators, faculty, and other stakeholders throughout the state.

This proposal supports the OEIB goals and the state's 40-40-20 targets and will enhance educational attainment in the entire continuum for students in high schools, community colleges, and universities.

PROGRAM PERFORMANCE

These activities will result in:

- Increased numbers of K-12 teachers implementing teaching practices aligned with the CCSS in English/Language Arts and mathematics
- New 12th grade courses or course modules in English/Language Arts and mathematics
- Increased alignment of higher education writing and mathematics placement policies with the CCSS-aligned curricula at the high school level
- Increased percentage of K-12 students prepared for college and careers as measured by the Smarter Balanced Assessments
- Decreased percentage of students enrolling in remedial/developmental college writing and mathematics courses (long-term)
- Increased community college and university persistence and completion
- Increased university enrollment
- Support of all three facets of 40-40-20

ENABLING LEGISLATION/PROGRAM AUTHORIZATION
The Common Core State Standards are mandated by Oregon law.

FUNDING STREAMS
Currently, Oregon is the recipient of a Lumina-Hewlett-Gates Foundations grant to support the work of aligning high school CCSS assessments with higher education placement practices. It is anticipated that state funding will increase the ability to be nationally competitive for additional federal and private funding for CCSS-related activities.

Agricultural Experiment Station & Forest Research Laboratory Initiatives:

Creation of a National Center for Innovations in Seafood Safety in Oregon

Oregon State University is proposing to create a National Center for Innovations in Seafood Safety. The center will be primarily located at the Astoria Seafood Research and Education Center. The Center is envisioned as a world-class seafood science research, education, and outreach center based on a partnership between Oregon State University, the State of Oregon, the seafood industry and federal agencies (e.g., FDA, NOAA, USDA). The Center will focus on the enormous challenges of providing American consumers with safe seafood. Current direction and leadership nationally is scattered amongst many federal agencies, contributing to inertia. Scientists at the Center will work collaboratively to identify and address critical and emerging seafood safety issues encompassing pathogen reduction, parasite controls, foreign materials, and chemical and environmental contamination.

Though envisioned as a national center, the Center would have direct impact on the economy of Oregon. The total personal annual income in Oregon due to the seafood industry (fishing, vessels making deliveries, primary processing, supporting businesses) is estimated at $518 million. The center would support this industry by ensuring the safety of seafood products. The Center would also attract higher paying jobs, particularly from federal agencies, to the state. The Center is also expected to spawn an industry focused on safe seafood including biosensors, nanoparticles with antimicrobial properties, advanced engineered processing equipment, and novel antimicrobials. The funds requested for the Center would be invested in faculty positions, support positions (research associates, graduate students), and services and supplies.

Invasive Species Identification, Modeling, and Management

Invasive species are a major and ongoing threat to agriculture and natural resources in Oregon. Invasive species include plants, animals, and microbes that are not native to Oregon, but when introduced, either intentionally or accidentally, can outcompete native or cultivated species for available resources and diminish yields of agricultural products. Invasive species relevant to agriculture include weeds (e.g., knapweed), detrimental insects (e.g., gypsy moth, spotted wing drosophila), and microbes (e.g., potato cyst nematode, whirling disease). Managing invasive species requires science-based approaches that include early detection and identification of detrimental species and development of effective and environmentally safe methods of control. Additional work is needed to understand how species become invasive and to model their spread: why do some introduced species, often after lengthy latent periods, rapidly proliferate in their new environment? Scientists studying invasive species would be integrated into departments at OSU with interests in agricultural production and natural resources protection.

The farm gate value of agricultural products in Oregon was over $5 billion in 2011. Fostering and supporting that industry requires management of the invasive species that threaten to diminish quality and quantity of our diverse portfolio of agricultural products. Funds would be invested in faculty positions at OSU, in support positions (research assistants and graduate students), and in services and supplies. Based on current returns on investment, each new dollar invested in this area should attract an additional $2.50 in federal and private grant dollars. Those investments would protect a robust agricultural and natural resources industry in Oregon. Furthermore, the investments in this area would also lead to new jobs associated with the development of new products for the control of invasive species (e.g., biological control), detection of species (e.g., remote imaging), and services to control invasive species.

Biomass Innovation and Development

Oregon is well positioned to emerge at the forefront of a new national bioeconomy due to abundant and diverse agricultural production, a well-established forest and forest products industry and access to transportation infrastructure that serves the West Coast and the Pacific Rim and Asia. Agricultural crops grown specifically for bioproducts production, agricultural wastes and residues, forest waste and forest residue, and leading edge research to produce biofuels, resins, polymers, adhesives, plastics, pharmaceuticals, and other bioproducts can combine to create the necessary supply chain and value chain for bioeconomy to prosper.

As one element of moving toward a bioeconomy in Oregon, OSU's Western Sun Grant Regional Center is working with Portland General Electric in support of their efforts to convert PGE's 600MW Boardman Coal Fired Power Plant to a 100 percent renewable biomass powered facility by 2020 (PGE has agreed to quit using coal by 2020). Successful conversion of the coal fired power plant to torrefied biomass supports the Governor's 10-year energy plan and will preserve 110 high-paying jobs, 100 seasonal positions and create as many as 60 new direct jobs to operate new torrefaction facilities. Re-purposing of the existing Boardman facility can also ensure that base load power remains available, which is critical for continued expansion of regional renewable wind and solar installations that will result in additional construction and ongoing operational jobs.

PGE is proposing to use a variety of torrefied, local sources of biomass including dedicated biomass crops (e.g., Arundo donax), agricultural residues (e.g., corn stover, wheat straw, etc.), forest residues, and western rangeland restoration biomass produced from the removal of invasive western juniper and Russian olive. Research is needed to validate the viability and efficacy of growing, harvesting, transporting and torrifying Arundo donax (aka Giant Cane) and potentially other dedicated energy crops (e.g., Napier grass) in rotation with other crops such as corn and alfalfa. Similarly, research is needed to assess the availability and develop systems for collecting and transporting other sources of available biomass including agricultural residues, forest residues, and biomass produced from rangeland restoration projects. Requested funds would be invested in faculty positions, support positions (research associates, graduate students), and services and supplies.

Irrigation Water Management

The Governor's 10 Year Plan for Economy and Jobs goals include implementing the state's Integrated Water Resources Strategy and developing place-based regional water resource plans and water supply projects that lead to at least 20,000 additional acres of irrigated agriculture. Irrigated agriculture is a major economic driver for the state (agriculture had a farm gate value of over $5 billion in 2011) and irrigation water use accounts for approximately 80 percent of out-of-stream water use in Oregon. Existing surface water supplies are over-appropriated in most basins and ground water depletion is a serious problem, particularly in the Columbia basin near Hermiston. Over-appropriation of surface water also impacts water quality and fish habitat. These issues come together in sharpest relief in the Governor's current Columbia River-Umatilla Solutions Task Force effort to "meet the region's shared water needs, strengthen the rural economy and address environmental challenges."

Meeting the Governor's objectives in the Umatilla and other basins throughout the state will require implementation of state-of-the-art irrigation and water quality monitoring and management. Research and development is needed to enhance and expand use of existing site-specific, real-time, weather forecasting systems, fiber optic and electronic soil, plant, and stream sensors, and irrigation control systems as a means of increased irrigation efficiency and enhancing water quality. Fundamental research is also needed to enhance the drought-tolerance of crops as a means of reducing agricultural water use and feeding a rapidly growing world population. A third research need includes evaluating options (e.g., aquifer storage and recovery, enhancing natural storage in wetland and stream systems, surface storage) for enhancing water supplies for both in-stream enhancement and economic development. Finally, research is needed to assess how best to mitigate the impacts of water withdrawals on stream water quality and fish. Requested funds would be invested in faculty positions, support positions (research associates, graduate students), and services and supplies.

Fermentation Sciences and Value Added

Fermentation sciences underlie Oregon's fastest growing value-added agricultural sectors including wine, artisan cheeses, and microbrews. For example, over the last two decades production of winegrapes has expanded dramatically, growing at a rate of 7 percent annually in quantity and 12.5 percent annually in value. Winegrapes had a farmgate value in 2011 of almost $82 million and on farm production of wine increases the agricultural value of the crop approximately five-fold. Approximately 20,000 acres of winegrapes are currently grown in Oregon. Each 100 acres requires 10 vineyard workers, a vineyard manager, and supports three winery jobs. At the current rate of expansion, winegrape acreage would double in the next decade leading to an additional 2600 direct jobs. Similarly, the number of artisan cheese producers has exploded from two producers 10 years ago to nearly 25 currently. Continued expansion of these value-added wine, cheese, and microbrew industries depends on fundamental and applied research not only in fermentation (i.e., enology, cheese-making, and brewing) but also to support increased sustainable production of high quality core ingredients (i.e., viticulture, dairy, hops, barley, etc.). Increased production requires meeting the challenges posed by changing climate (e.g., changing temperature and rainfall regimes) as well as evolving pest and disease complexes (e.g., spotted wing drosophila, short-shoot syndrome). Requested funds would be invested in faculty positions, support positions (research associates, graduate students), and services and supplies.

Forest Research Laboratory – Working Forest Institute

Timber dependent counties in Southwestern and Eastern Oregon have experienced significant job losses in the past two decades due to conflict and litigation associated with forest management, especially on federal lands. At the same time, there has been an increase in large forest fires and insect infestations, at least in part due to past management practices and policies. There is now a real danger that the region could lose the vital infrastructure necessary to harvest and process timber, which will further drive job losses and reduce rural community viability. These challenges have been widely recognized by the Oregon Congressional delegation and by Governor Kitzhaber.

The Forest Research Laboratory seeks to create a research, education, and outreach institute focused on working forests, defined as those that produce revenue and social benefits simultaneously. The goal of the Working Forest Institute (WFI) will be to promote a strong economy and high environmental quality while actively managing public and private forests in the Pacific Northwest. The WFI will focus research activities at a large landscape scale (~50,000 acres) that includes a mix of private and public forestlands in both Eastern and Western Oregon. In cooperation with federal, state, and private land managers, experiments will develop innovative management practices aimed at improved employment stability in rural communities and enhanced long-term environmental performance. The ultimate goal is to provide for human needs while maintaining and enhancing land health. The WFI will communicate results and facilitate public dialogue on potential implementation of new approaches on a regional scale.

Funds will be invested in three faculty positions that will provide Institute leadership and science capacity in forest management and policy, community forestry and public participation, and in ecological restoration and fire ecology.

Presidential Compensation Proposal, 2012-13

Except for longevity adjustments granted to Presidents Ray and Cullinan for 2011-12 and a deferred compensation adjustment from the PSU Foundation for President Wiewel in 2010, salaries for Oregon University System campus presidents last were increased for the year beginning in July 2008. Presidents saw pay reduced temporarily during the 2009-2011 biennium. Between July 2008 and December 2011, the Portland consumer price index increased by 4.6 percent.

In 2005-06, the Board began tying the salaries of its university presidents to national norms. Data prepared by a consultant was used for a time and publicly available information was used for the 2008 adjustments. Salaries for the presidents of the smaller universities have been pegged to the average of presidential salaries in the Administrative Compensation Survey prepared by the College and University Professional Association for Human Resources (CUPA). The most recent CUPA survey is for 2010-11. The compensation for the presidents of the larger campuses has been compared with those of peer universities reported in the Chronicle of Higher Education each year. The most recent data from this source also is for 2010-11.

In 2011-12, faculty at all OUS universities saw average increases in pay that ranged from about 2 percent (at OIT) to more than 5 percent (at SOU and UO). As with the presidents, OUS faculty typically had not seen salaries increase from 2008 until 2011. Faculty typically might be expected to see increases in 2012-13 similar to those they received in 2011-12. (Except for the members of the newly formed union at the University of Oregon, all of the unionized faculty are operating under contracts that have increases that will be effective in 2012-13, based on fully satisfactory performance. Presidents of the other universities have suggested that increases will be granted to faculty at those campuses, as well.)

The CUPA data for 2010-11 show an average salary for presidents of public masters universities with budgets of less than $50 million, the category that best characterizes the smaller campuses, of just over $220,000. Inflation for the year ending in December 2011 was 2.9 percent. That suggests that $226,000 would be about the national average for presidential salaries for public universities of the size and scope of the smaller OUS campuses. Current OUS presidential salaries include President Davies at $185,460, President Maples at $200,100 (OIT's peers typically pay more than do the peers of other small campuses), President Weiss at $185,460, and President Cullinan at $195,460.

Except for the longevity payment for President Cullinan, none of these presidents received an increase in 2011-12 even when faculty did receive increases. The Chancellor does not intend to request increases for presidents for 2012-13 at any other time, meaning that most presidents (unlike most faculty) will receive one increase in 2011-2013 instead of two.

No university's faculty received an average increase in 2011-12 of more than about 5 percent. Although most might be granted an increase in 2012-13, the total increase over the biennium for the campuses is expected to range from 4 percent to about 8.2 percent. Hence, the

Chancellor is recommending that the salaries of the four presidents of smaller universities be increased for 2012-13 by 5 percent for fully satisfactory performance. This will mean that presidents will receive lesser increases for the biennium than will faculty in most cases. That is not intended to be any reflection their performance. This recommendation also does not address auto or housing allowances which apply in some cases but not all. Those amounts are recommended to remain at present levels for 2012-13.

The recommended increases will result in salaries for presidents as follows:

President Davies	$194,736
President Maples	$210,108
President Weiss	$194,736
President Cullinan	$205,236

For the larger campuses, the Chronicle data suggest that the 2010-11 salaries plus deferred compensation for presidents of universities generally comparable to the University of Oregon and Oregon State University presidents averaged about $555,000. Using a 2.9 percent inflation adjustment would raise that average amount to $570,000.

In 2005-06, the Board chose to compensate the president of Portland State University in a manner similar to that used for the presidents of the University of Oregon and Oregon State University. That, rather than a comparison with peer institutions, became the basis for the compensation of PSU. President Wiewel elected in 2011-12 to accept less pay than the presidents of the UO and OSU. However, the Board in the prior year had authorized receipt of supplements from the PSU Foundation that would have placed President Wiewel's compensation at the same level as that paid to the presidents of the other two large universities. The total salary plus deferred compensation for President Ray for 2011-12 was $587,705, while that for President Wiewel was $468,994, even though $540,000 would have been the amount that President Wiewel could have received if he had elected to do so.

Faculty at the three larger universities generally will see increases over the biennium of at least 5 percent and as much as 8.2 percent based on raises already granted or negotiated. OSU expects to make further faculty pay adjustments in 2012-13 to deal with compression issues, which will mean that some faculty members will see increases over the biennium in excess of the average 5 percent granted last January. Many of the UO faculty will now bargain collectively regarding general salary adjustments, a process that has yet to begin. The outcome of such bargaining cannot be predicted. The PSU faculty will see an increase of about 4 percent in 2012-13 (in addition to increases in 2011-12), based upon a collective bargaining agreement.

The Chancellor is recommending that the compensation for President Ray of Oregon State University be increased by 5 percent over approved 2011-12 amounts plus an additional amount from the OSU Foundation of $6,295. The Chancellor further recommends that the Board again authorize a maximum compensation for President Wiewel of $540,000. Because President Gottfredson will only have started his presidency on August 1, it is recommended that his pay not be increased for 2012-13 but that the question of the appropriate base pay for him be reconsidered after his first evaluation.

In each of the past several years, the Board has accepted payments from the foundations affiliated with each of the three larger universities to supplement the salaries of the presidents and to provide deferred compensation payments. This practice was not continued for Interim President Berdahl or for President Gottfredson. However, because the compensation packages for Presidents Ray and Wiewel already include supplements from affiliated foundations and both contracts run through June 30, 2013, the Chancellor recommends that the Board continue to gratefully accept such contributions in 2012-13. It is recommended, further, that the Chancellor determine the distribution of the payments between current salary and deferred compensation within the total amount authorized by the Board. The question of the use of foundation supplements in future contracts should be addressed by the Committee on Governance and Policy during 2012-13.

For 2012-13, the Chancellor is recommending the following amounts as total compensation (salary plus deferred compensation) for the presidents of the three larger universities:

President Gottfredson	\$540,000 (all from university sources)
President Ray	\$623,385 (\$273,744 from university funds and \$349,641 from foundation funds)
President Wiewel	\$540,000 (\$260,700 from university funds and \$279,300 from foundation funds)

The amount for President Gottfredson already has been authorized at the time of his hiring. The amount for Presidents Ray and Wiewel will be effective retroactive to July 1, 2012.

(Board action required.)

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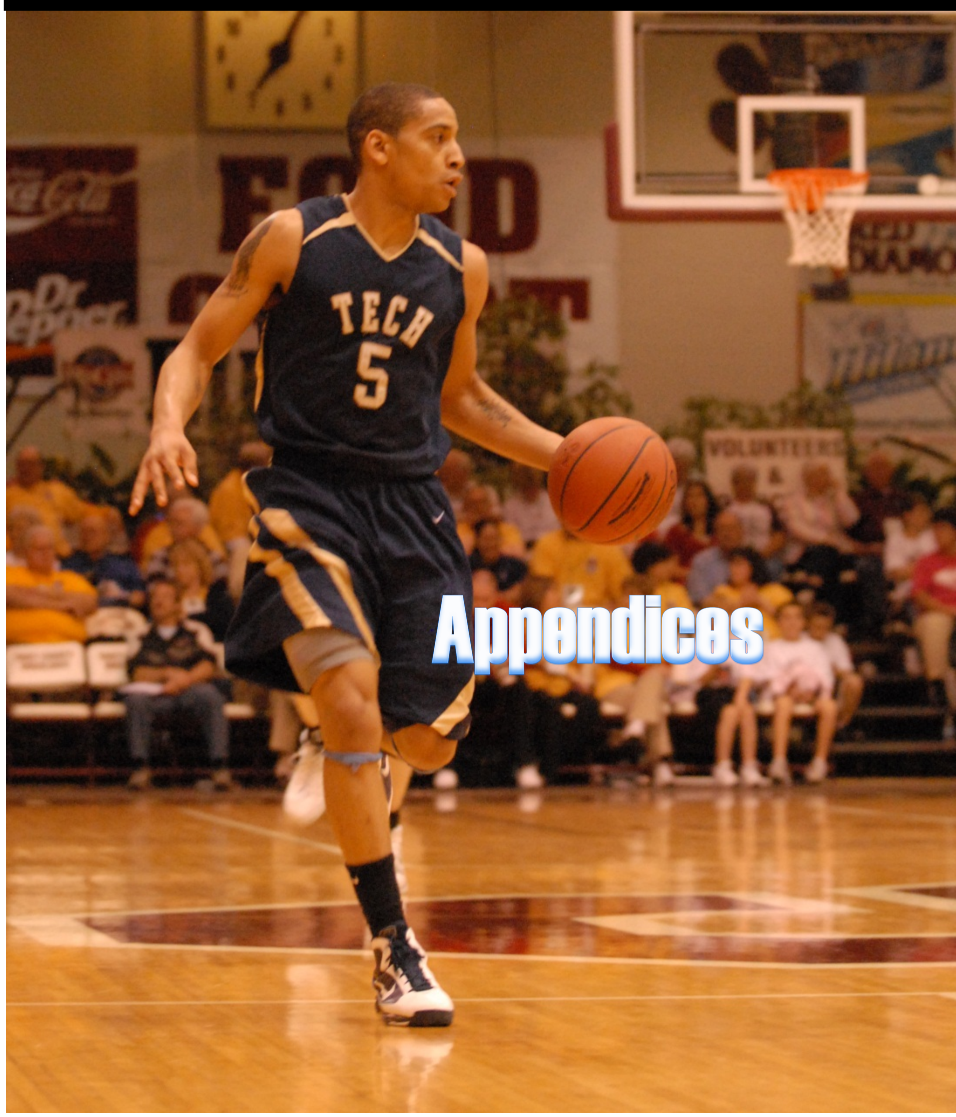
Oregon State Board of Higher Education



Appendices

Appendices:

A ....Fifth Amendment to the Optional Retirement Program
B ....Sixth Amendment to the Optional Retirement Program
C ....Blackline edition to Fifth and Sixth Amendments
D ....OSU-Cascades and COCC Draft MOU
E..........Minutes, June 1, 2012
F..........Minutes, June 15, 2012

Oregon University System

Full Meeting of the Full Board (#856)

June 1, 2012

Minutes

Board members participating in Eugene included President Matt Donegan and Directors Lynda Ciuffetti, Brianna Coulombe, Jill Eiland, Allyn Ford, Farbodd Ganjifard, Paul Kelly, Emily Plec, Kirk Schueler, and David Yaden. Director Jim Francesconi arrived at 9:05 a.m. Director Preston Pulliams was absent due to a business conflict.

Chancellor's staff present included: Chancellor George Pernsteiner, Sona Andrews, Bridget Burns, Michael Green, Ryan Hagemann, Jay Kenton, Jan Lewis, Di Saunders, Patricia Snopkowski, Charles Triplett, Denise Yunker, Alice Wiewel, and Marcia Stuart.

Campus personnel present included: Presidents Bob Davies (EOU), Mary Cullinan (SOU), Chris Maples (OIT), Ed Ray (OSU), Mark Weiss (WOU), and Wim Wiewel (PSU); others present included Provosts Sabah Randhawa (OSU) and Lorraine Davis (UO); Vice Presidents Jamie Moffitt (UO), Craig Morris (SOU), and Monica Rimai (PSU); Tiffany Dollar, Emily McLain, and Emma Kallaway (OSA); Sarah Andrews-Collier (IFS), and Dr. Rudy Crew (CEO) and Tim Nesbitt (Governor's Office).

1. CALL TO ORDER/ROLL CALL/WELCOME

President Donegan called the meeting to order at 7:35 a.m. and asked Secretary Triplett to call the roll.

2. CONSENT ITEM

a. Approval of Minutes, March 2, 2012

ACTION: With no amendments to the minutes proposed, President Donegan called for a motion to approve the consent agenda. Directors Jill Eiland and Emily Plec made the motion and second, respectively. Motion carried.

3. Reports

a. Chancellor's Report

Chancellor Pernsteiner congratulated the graduating class of 2012 and the presidents and Board members for their contributions to ensuring the future success of these students. This wraps up a successful year in which the universities have enrolled more students and increased student success than ever before in the history of the System, granting over 19,000 degrees.

b. Committee Action Reports

i. **Academic Strategies Committee**
ii. **Finance & Administration Committee**
iii. **Governance & Policy Committee**

Vice Chancellor Andrews reported that the Academic Strategies Committee will be engaged, over the coming months, in establishing the targets for the achievement compact and moving forward new academic programs. The Committee is also working on its work plan for new initiatives for the 2012-13 year.

Chair Kirk Schueler, Finance & Administration Committee, shared that the Committee has been working on the capital and operating biennial budgets and the proposed tuition and fee rates. In the process of constructing the Round 1 submission of the 2013-2015 budget, ASC Chair, Jim Francesconi attended the May 11, 2012 F&A Committee meeting to outline the legislative proposals submitted to F&A by the ASC.

Chair Paul Kelly, Governance & Policy Committee, deferred the substance of his report to the G&P Committee's recommendation on institutional governing boards (action item). He noted that that item has been the focus of the work of the Committee over recent months.

c. UO Search Update

Director Ford, chair of the University of Oregon's presidential search committee, advised that the committee was impressed with the quality of the candidate pool provided for their review. The committee's recommendation should be provided within the next week, with the anticipated Board selection by June 15. At President Donegan's query, Director Ford described the search committee as being comprised of 23 participants from various campus constituencies (faculty, staff, students, alumni, and the business community) who were actively engaged in the process. The committee studied and discussed each candidate at length and Director Ford expressed his confidence that the committee will have consensus on the top candidates to be forwarded for Board consideration. President Donegan and Chancellor Pernsteiner thanked Chair Ford for his strong leadership over the past six months.

d. Interinstitutional Faculty Senate (IFS) President

Professor Sarah Andrews-Collier, IFS president, provided the senate's report. Of note, with the University of Oregon recently organized under a union, the IFS expressed concern of the rising costs, continuing reductions in public funding; continual pressure to increase productivity by raising the faculty/student ratio, expanding online learning, and enlarging research quotas; continued reductions the ratio of full-time tenured faculty to part-time hires; inflating the numbers of and expenses for university administrations; and escalating the athletics and campus amenities 'arms races.' From the opposite side, faculties are facing the pressures on their classrooms and instruction from rising tuition and student debt. They are witnessing their students arrive less prepared for college than in previous generations while shouldering a financial burden that inhibits them from doing their best work. The IFS pledged in this report to: support the State Board in its efforts to provide a quality education for every deserving Oregonian; support the Chancellor's concept of the central State Board and the role it plays in representing all students and the faculty who instruct them; the Chancellor's concept of a University System with the independence and freedom to set its own rules and rate, collect its own fees, and manage its own affairs; support the 40-40-20 education goals, with the caution that reductions in quality may result from the increased numbers of 4-year degrees awarded; and support the goal of a quality education.

e. Oregon Student Association (OSA) Chair

Ms. Tiffany Dollar provided the students' report to the Board; highlights include a report on the OSA's statewide vote drive (over 14,511 registered to vote in just 17 school days) and the preparation of candidate surveys on issues of utmost concern to students (budgets, tuition equity, student parent-childcare, cultural competency trainings for healthcare professionals, and a focus on schools not prisons). Ms. Dollar also provided comments on the proposed tuition and fee rate increases (her full report is available in the Board's Office). In conclusion, it was stated that OSA is collectively concerned about the state and budget notes, as a whole, explaining that "a dismissal of the importance of those budget notes does not speak well to what OUS will do with the new found freedoms allowed with the passage of Senate Bill 242…Please keep our tuition affordable and maintain an open process with the legislature so that we see a true reinvestment in higher education and a well-deserved trust of the Oregon University System. Moreover, let's work together on the same side to advocate for our school budgets and financial aid for students."

f. Chief Education Officer

President Donegan welcomed Dr. Rudy Crew as the newly appointed Chief Education Officer. Dr. Crew expressed his belief that in promoting change in the educational system to meet the challenges faced by Oregonians, "we must be constructive and adopt an attitude of improving, being flexible enough to change, and being smart enough to collaborate as we go along."
Dr. Crew noted that while he is familiar with issues faced by K-12 and community colleges, he looks forward to working with the State Board of Higher Education and the OUS universities in

better understanding Oregon higher education and helping to achieve Oregon's education goals.

The Chief Education Officer position was created by legislation passed in 2011 as part of a package of education reforms meant to ensure that by 2025, all Oregon students will graduate from high school, 40 percent will get at least two years of postsecondary education or training, and another 40 percent will earn a bachelor's degree or higher (40-40-20). The Oregon Education Investment Board (OEIB) conducted a nationwide search for the position, including public input on key job criteria.

4. ACTION ITEMS

a. OUS, 2013-2015 State Budget Process and Round 1 Submission

In anticipation of the 12:00 p.m. budget deadline and at the discretion of the Board president, the biennial budget process item was brought forward on the agenda. President Donegan called upon Vice Chancellor Jay Kenton and Associate Vice Chancellor Jan Lewis to present the item. Due to the new budget process, upon approval of the preliminary budget, it will be submitted to the two funding teams (Education and Economy/Jobs Funding Teams) for review by the team members, consultants, and Department of Administrative Services Budget & Management analyst. Ms. Lewis drew the attention of the Board to Appendix A, noting that it is primarily historical funding, background on the program, and the first attempt to link existing and proposed programs to the outcomes defined by the State. Although Round 1 submission does not include actual dollar requests, each proposed program has been reviewed and approved by the associated Board Committees. Once the funding teams have reviewed the proposals, feedback will be given to the System and further instructions for the submission of Round 2, which will constitute the Agency Request Budget (ARB) with appropriate funding amounts, and is tentatively scheduled for review and approval at the August Board meeting. Chancellor Pernsteiner pointed out that, in addition to the budget, targets for the Achievement Compacts will require "truing-up" with the budget request, having been placed within the framework of a 10-year plan to form a 10-year progression of achievements. In order for the new budget process to work, it must be tied to outcomes and the ensuring that the submission ties back to the outcomes that progress along the continuum.

> **ACTION:** Following the presentation, President Donegan called for a motion to approve the submission of Round 1 information as provided in Appendix A of the docket to the Department of Administrative Services in conjunction with the Governor's 10-Year Plan for Oregon budgeting process and authorize the Chancellor, or designee, to provide supplemental materials as may be subsequently requested by either the Education or Economy and Jobs Funding Team. Directors Kirk Schueler and David Yaden made the motion and second, respectively. Motion carried.

b. OUS, Recommendation of the Governance and Policy Committee Regarding Institutional Governing Boards

President Donegan called upon Director Paul Kelly, chair of the Governance & Policy (G&P) Committee, and Chancellor Pernsteiner to present the item. Director Kelly directed the Board's attention to the three documents included in the docket, the narrative describing the process, a matrix delineating the functions and/or powers that the State Board or the institutional board would exercise, and a summary of distribution of powers between the State Board and an institutional board, pursuant to the G&P Committee's recommendations. Before beginning his presentation, Chair Kelly thanked the Committee members, university presidents, System staff, and the myriad guests who participated in the process. He added a special 'thank you' to Directors Lynda Ciuffetti and Emily Plec, who gave of their time to attend and participate in these meetings, stating that their participation provided a scope of understanding that broadened the Committee's viewpoint.

The 2011 Legislature enacted Senate Bill 242, granting the University System greater autonomy and flexibility but the authority to create institutional governing boards was not included in the bill. At the Board's direction, the G&P Committee focused its work on this topic over recent months—reviewing research on the approaches taken by other state systems, reports and recommendations from consultants and experts with a national-scope, and specific proposals presented by the University of Oregon and Portland State (both of whom are advocating for institution-level governing boards). Also received were advice, guidance, and commentary from the remaining five System university presidents, none of whom seek institutional-governing boards on their campuses; the Oregon Student Association; the Institutional Faculty Senate; and from other constituents.

The fundamental questions addressed by the recommendation included: If institutional boards were to be established at one or more institutions, what should they look like? What powers and authority ought they have? How would they interconnect with the rest of the System? Premises underlying the recommendation include the following: 1) to devolve down to the institutions as much operating authority as is appropriate; 2) all seven universities remain devoted to their public purposes and in achieving the State Board's and the legislature's goals, including 40-40-20; 3) that the changes should be assessed in terms of how they further the public purpose and further the achievement of those goals; 4) to cause 'no-harm' to the other institutions in the System; and 5) that a system of higher education is retained, with institutional boards working within the Oregon University System structure. It is unknown, at this time, how the System structure will interconnect and relate to the Higher Education Coordinating Commission (HECC) and the Oregon Education Investment Board (OEIB).

Following Chair Kelly's detailed description of the Governance & Policy Committee recommendation, President Donegan thanked Director Kelly for his leadership and opened the floor for discussion.

President Wiewel expressed his concern with the concept of delegated authority as presented, stating that the proposal places the presidents in the position of reporting to two boards. On behalf of President Berdahl, Provost Lorraine Davis urged the Board to support institutional boards, with the expectation that a proposal be approved by the 2013 legislature for implementation by January 2014 (adding that the UO has an implementation plan in the ready). However, the UO stressed that another bureaucratic layer is not appropriate from both a financial and operational standpoint.

In response to a question pertaining to authority, Chancellor Pernsteiner advised that, with the exception of bonding debt and presidential compensation, it was the intention of the Committee that authority delegated to institutional boards would also be delegated to university presidents who choose not to have a local board; however, there are shared services responsibilities yet to be determined that could impact the delegated presidential authority. Several members remarked that, although they may not be comfortable with all points in the proposal, the proposal provided a solid framework for considering institutional governing boards.

> **ACTION:** Following discussion, Chair Kelly made a motion to endorse the recommendation of the Committee with respect to institutional governing boards and authorize the staff to forward the State Board of Higher Education's recommendation to the appropriate state legislative and executive officials, agencies, and bodies; Director Eiland seconded the motion and the motion carried.

c. OUS, Adoption of Optional Retirement Plan Amendment

President Donegan called upon Director Denise Yunker, OUS Human Resources, to present the item. She advised that the System received a compliance statement from the Internal Revenue Services to correct by plan amendment an error that was identified in 2010 and subsequently worked through to resolve on behalf of faculty who have tenure-relinquishment agreements. A draft amendment was proposed to the IRS and a compliance letter was received stating that if the Board adopts and enacts the amendment as presented, then the IRS approves the correction in a way that is entirely favorable to the participants, to the plan, and to the universities. Vice Chancellor Kenton explained that the ORP requires that once an employee retires, they are no longer eligible for subsequent contributions, even if hired back on a part-time basis. However, 29 employees erroneously received contributions after their retirement. Two methods were discussed to rectify the error: 1) recover the contributions with accrued interest or 2) file a plan amendment to allow those specific individuals to be eligible to retain the contributions. Following consultation with the impacted universities and legal counsel, the best course of action was determined to be the appeal to the IRS to accept said amendment.

> **ACTION:** Following discussion, President Donegal called for a motion to adopt the Fourth Amendment to the 2008 Restatement of the Oregon University System Optional Retirement Plan as presented in Appendix C of the docket materials. Directors Farbodd Ganjifard and Kirk Schueler made the motion and second, respectively. Motion carried.

d. OUS, Achievement Compact Targets

President Donegan called upon Director Jim Francesconi and Vice Chancellor Andrews to present the item. Francesconi thanked the provosts and the Academic Strategies Committee for their work. Chancellor Pernsteiner advised that K-12 and community colleges are similarly preparing 2012-13 targets with the assumption of the current budget as appropriated to set a baseline for the OEIB to use when looking at targets for 2013-2015 and beyond. This reference point demonstrates what has been achieved in the past and what is expected to be achieved in the coming year. There are no rewards for meeting or exceeding nor are there penalties for not reaching the target—this is the year to "set the base." As the budget process unfolds, the requested appropriations will be matched with the targets set for the future through the 10-Year Plan laid out by the Governor.

> **ACTION:** Following brief discussion, President Donegan called for a motion to approve the 2010-11 actuals, 2011-12 projections, and 2012-13 targets in the OUS and Institutional Achievement Compacts and forward them to the OEIB for their approval. Directors Emily Plec and David Yaden made the motion and second, respectively. Motion carried.

e. OUS, 2012-13 Proposed Tuition and Fee Rates and Policy Changes, Amendment of OAR 580-040-0004; 2012-13 Academic Year and 2013 Summer Session Fee Book

Vice Chancellor Kenton provided a background and a brief overview of the System compared to their peers. In 2011, the state General and Lottery Funds appropriation for higher education was $823.6 million; however, in 2011-2013, $691.3 million was received, a $132.3 million reduction, equating to a 16.1 percent decrease in funding. In comparison, the tuition base on all students—graduates, undergraduates, resident, nonresident—is approximately $800 million. An 8 percent increase on all students would be required in order to recoup the $132.3 million. In addition, increases have been incurred in costs—for example, PERS rates increased by 43 percent, costing the System $96 million this biennium; PEBB rates increased 5 percent per year with the System paying $190 million per year and each 5 percent increase equates to about a $10 million per year increase in healthcare costs; additionally, labor agreements were changed after many years of pay freezes and furloughs.

Of note, Dr. Kenton advised that, when he discussed the proposed Southern Oregon University tuition increase with their administration, they decided to submit the request to the Legislative Emergency Board (E-Board); however, the Legislative Fiscal Office's analysts viewed the increase, coupled with the proposed reduction of student fees, as complying with 'the spirit' of the legislative budget note and did not require E-Board consideration.

Ms. Lewis advised that the two tuition and fee processes (academic year and subsequent summer session) have been combined under the new annual fee plan and described the process that took place in the development of the proposed changes.

Director Schueler provided insight on the F&A Committee's review and discussion of the proposal. The issue with the increase at Southern must be viewed through the lens of a business strategy—how do campuses maintain viability, meet their financial obligations, and yet not break the backs of the students. An additional stress factor is the state's 40-40-20 goal, placed on the universities by the state without a viable funding structure to meet those requirements. Director Ciuffetti acknowledged the concerns presented at the Committee meeting and expressed her opinion that the elimination of health fees has the potential to disproportionally impact the most disadvantaged and vulnerable of the student body. She recommended keeping close attention to this issue. With respect to the increase in tuition, the Committee members were not in favor of the prospects of continued increases and acknowledged the hardships that many students and their families will experience with the increases; however, they are fully aware of the escalating costs to institutions to deliver the high-quality undergraduate and graduate education to Oregonians. Ciuffetti concluded by stating that, until the state commits to increasing its investment toward the actual cost of educating Oregonians, she believes the institutions, the F&A Committee, and the Board will "continuously find themselves between a rock and a hard place." Director Ganjifard added that student input at the F&A Committee meeting strongly encouraged the Board to take a more proactive and vocal role in the legislature and capitol to ensure that the state does not further reduce funding and to find better ways to meet the needs of students and campuses without "putting it on the backs of students."

Director Kelly expressed his concern with the symbolic impact of the proposed tuition increases at Southern, especially in light of the proposed institutional governing boards. What will be the message in the future with institutional governing boards who are seeking full-authority for residential tuition-setting, if a rate increase is approved that is substantially above the level previously set as the parameter? He then asked what the effect will be on Southern if the proposed increase is not approved by the Board.

President Cullinan expressed her appreciation for the Board's concern and noted that this was a very difficult decision, made following inclusive and thoughtful conversations with the campus community. This proposal endeavors to keep the reserves at or above the Board policy, to manage a $2.5 million reduction, and to create as much stability as possible into the future. Conservative enrollment, tuition, state-allocation projections were used in the process. Various scenarios were shared with the student body to fully inform them of the state of the campus. Students fully understand that the reduction in student fees will offset the increase in tuition, culminating in an overall increase of 3.2 or 4.2 percent rather than 9.9 percent.

Students were also aware that the student recreation center referendum, of which they had themselves proposed, was a major factor in the decision of student fees and understood the possible impact on the student rec project. President Cullinan also worked to budget an additional $250,000 to $300,000 in need-based remissions for 2012-13, with calculations showing that no needy Oregon student will be impacted by the tuition increase as financial aid will be back-filled with General Fund need-based support. A funding pool is also being created to assist needy students with needed healthcare. In conclusion, she explained that Southern remains second only to Eastern Oregon University as the least expensive institution in the System and remains a "very good deal."

Chancellor Pernsteiner advised that, during past year, SOU conducted an open budgeting process to review the next two years' budgets and they are trimming more than $2 million from operating costs going into the 2012-13 academic year and are planning for another reduction of $450,000 going into 2013-14—demonstrating that Southern Oregon has engaged in significant budget reductions over the past six years for a campus their size. Given the situation, the 9.9 percent tuition increase is necessary. The Chancellor also noted that an explanatory letter was submitted to the E-Board for approval. A significant concern is the impact of a 9.9 percent increase on enrollment; five-eighths of their graduates are Pell Grant eligible, putting them on the high-end range of the other System universities. However, juxtaposed to the tuition increase, they will continue to have the second lowest of the System tuition rates, which is appropriate for an institution given their demographic. Chancellor Pernsteiner emphasized that President Cullinan has promised the increased financial aid, over and above the kinds of financial aid that, historically, campuses have made available. The purpose is to help to buy-down the cost of the tuition increase.

President Ray commented that he appreciated the reminder that "we cannot govern ourselves out of a financial ditch" and that with the 16 percent decrease (8+8) in state revenue in this biennium compared to the last, his sense is that when looking at the total for all campuses—tuition charge increases—are within the legislative budget notes and, adding costs drivers to the mix that are not within the campuses' control, the notion that the campuses are being extravagant is very misguided. "This is not the case of someone not minding the store." The next conversation must be how to establish financial viability for the System that will deliver the System's portion of the 40-40-20 goal.

Public testimony:
Jonathan Farmer, 2011-12 president and president-elect, Associated Students of WOU and Ms. Milikaleakona Hopoi, 2011-12 president, Associated Students of OSU, provided testimony:

> Mr. Farmer thanked the Board for being advocates of students and asked that the directors be more aggressive at the legislature to make the "students voice clear." He asked for caution in regard to the tuition increase proposed at SOU.
>
> Ms. Hopoi stated that "tuition is not credit card, tuition is not a savings account—tuition has real debt and *we* carry that debt." Students at Oregon State University are fearful that tuition will increase beyond their means based on the past five-year trend; however, understand that there is shared sacrifice under shared governance. She stressed that "every single time we come to the table, we are the sacrifice." They are questioning, "Who else is sharing the burden?" The students advocate for clear, open communication and creative thinking. Students do not think of tuition increases in the abstract but in dollars—how will these increases affect our daily lives and the ability to put food on the table or buy textbooks. She stressed that the increase at Southern will

> affect *all* students, not just those at Southern, and asked that the Board not forget students. "Be fearless!"

The Board also acknowledged the letters and emails received from students on the tuition proposal.

Following public comment, Director Yaden asked if it is feasible to say "if we're willing to risk the reserves—for now" where would Southern be? Chancellor Pernsteiner stated that, if enrollment becomes flat at SOU, then another reduction will put their fund balances in the negative and, in his opinion, with their fragile financial condition, they will be unable to take the kind of risks taken at campuses with more robust fundraising capabilities. In years past, when a campus found themselves in a vulnerable financial condition, the System was able to assist by transferring funds from the Chancellor's Office fund balance; however, that option is no longer available as the Chancellor's Office no longer has the reserves to step into the gap.

President Cullinan stressed that the university community has had the opportunity to review and comment, and participate, in various planning scenarios. This decision of Southern to increase tuition by 9.9 percent and reduce student fees was not a capricious act but a well thought out plan. President Donegan recognized her comment and explained that the Board is not desirous of micromanaging the campuses and disregarding the work done by Southern, but suggesting a possible revisiting of the Board policy on reserves. Director Schueler agreed and noted the compounding effect on fund balance without the proposed tuition increase.

In conclusion, Director Plec urged the Board to think in terms of the impact on students' ability to pay for tuition and the number of hours per week necessary to work at minimum wage to pay for their tuition at the proposed rate.

> **ACTION:** Following discussion and public input, President Donegan called for a motion to adopt OARs 580-010-0081, 580-010-0089, and 580-040-0040 by permanent rule and the repeal of OAR 580-040-0035 (Summer Session Fee Book) as presented in the docket materials (Appendix B). Directors Kirk Schueler and David Yaden made the motion and second, respectively. Those voting yes: Ciuffetti, Donegan, Eiland, Ford, Francesconi, Kelly, Plec, Schueler, and Yaden; those voting no: Coulombe and Ganjifard. Motion carried.

5. Public Input

No additional public input was submitted.

6. Board Comments

No additional comments were put forward by the Board.

7. Adjournment

With no further business proposed, the meeting was adjourned at 1:00 p.m.

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Special Telephonic Meeting of the Full Board (#858)

June 15, 2012

Minutes

Board members participating in Eugene included President Matt Donegan and Directors Allyn Ford, Jim Francesconi, and Farbodd Ganjifard. Directors Lynda Ciuffetti, Brianna Coulombe, Jill Eiland, Paul Kelly, Emily Plec, Kirk Schueler, and David Yaden participated by telephone. Director Preston Pulliams was absent due to a business conflict.

Chancellor's staff present included: Chancellor George Pernsteiner, Joe Holliday (phone), Di Saunders, Charles Triplett, and Marcia Stuart.

Campus personnel present included: Presidents Bob Berdahl (UO), Mary Cullinan (SOU), and Mark Weiss (WOU); UO presidential candidate Michael Gottfredson, President Emeritus Dave Frohnmayer, and former IFS president Peter Gilkey.

1. CALL TO ORDER/ROLL CALL/WELCOME

President Donegan called the meeting to order at 8:01 a.m. and welcomed those on the telephone.

2. CONSENT ITEMS

a. Rogue Community College Dual Credit Program Approval
b. Statewide Advanced Placement/International Baccalaureate Policy Revisions
c. Associate of Science Oregon Transfer—Business Degree Revisions

President Donegan called the Board's attention to the consent agenda and asked if any item should be removed from the consent agenda for further discussion. Chancellor Pernsteiner and Joe Holliday, Assistant Vice Chancellor for Student Success Initiatives were identified as available for questions.

> **ACTION:** With no discussion, Directors Allyn Ford and Farbodd Ganjifard made the motion and second, respectively, to approve the dual credit programs at Rogue Community College, the Statewide Advanced Placement and International Baccalaureate course credit policy, and the Associate of Science Oregon Transfer degree in business revision proposal. Motion carried.

3. ACTION ITEMS

a. Presidential Compensation

Chancellor Pernsteiner advised that although Oregon's public universities have demonstrated record performance in terms of enrollment, student retention, graduation, degree production, and externally-funded research, and that faculty and staff have received recent salary increases, OUS presidents have not received salary increases since 2008. The Chancellor will be recommending 2012-13 salary adjustments for presidents later this year but requested that the Board approve 2011-12 pay increases for the two longest serving presidents. Dr. Mary Cullinan has served as president at Southern Oregon University for the past six years and Pernsteiner recommended a $10,000 annual increase. Dr. Ed Ray is the longest-serving OUS president and Chancellor Pernsteiner recommended a $15,000 increase. In addition to the recommended salary increases, the Chancellor also requested that the Board accept the 2011-12 contributions from the recognized foundations of Oregon State University, Portland State University and Southern Oregon University. These contributions are provided as supplemental salary and/or deferred compensation.

Members expressed support for the proposed increases noting the challenges of successfully leading a university in the current fiscal climate but also discussed the potential negative perceptions of increasing salaries following the most recent tuition increases. In response to a question about presidential salaries at peer institutions, Pernsteiner advised that even with the proposed increases, compensation and salary packages continue to be near or below the median of peers.

> **ACTION:** Following discussion, Chair Donegan called for a motion to approve the compensation adjustments as outlined in the docket and to authorize the Chancellor or his designee to execute contract amendments to memorialize the compensation actions. Directors Allyn Ford and Farbodd Ganjifard made the motion and second, respectively. Motion passed.

b. WOU, Appointment of Mark Weiss as President

Chancellor Pernsteiner introduced the item by reminding members that when Mr. Weiss was appointed interim president in 2011, he planned to begin a search for a new president during spring 2012. In May 2012, the Chancellor met with a large number of WOU faculty, staff, students, and supporters and determined that there was considerable support for extending Mr. Weiss' interim presidency for an additional year. Pernsteiner now recommends that the Board consider a contract extension of an additional year (through 2014) and that Mr. Weiss' title be amended to "President." The title change is recommended to convey stability and assist in fundraising. During 2013, a national search will be conducted for a new president.

Members inquired into the rules regarding removing the "interim" title and Chancellor Pernsteiner advised that under the Board's Internal Management Directives, the Board may change an interim position to a full presidency without conducting a search. Members commended former President Minahan's foresight in selecting an appropriate and outstanding interim for the position of WOU president. President Donegan affirmed and thanked Presidents Weiss and Minahan for their strong leadership at Western Oregon University.

> **ACTION:** Following discussion, President Donegan called for a motion to name Mr. Mark Weiss as president of Western Oregon University for a period to end on June 30, 2014, and to authorize the Chancellor to negotiate the terms and conditions of President Weiss' employment. Directors Jim Francesconi and Lynda Ciuffetti made the motion and second, respectively. Motion was carried

c. SOU, Reappointment of Mary Cullinan as President

President Donegan called upon Chancellor Pernsteiner who advised that President Cullinan's contract expires on June 30, 2012 and his recommendation is that the contract be extended for two additional years. Members expressed their appreciation of President Cullinan's strong leadership at Southern during very difficult times and thanked her for serving not only the southern Oregon region but the entire state of Oregon.

> **ACTION:** Following discussion, President Donegan called for a motion to reappoint Dr. Mary Cullinan as president of SOU through June 30, 2014, and that the Board authorizes the Chancellor to negotiate terms and conditions of her employment. Directors Jim Francesconi and Jill Eiland made the motion and second, respectively. Motion carried.

4. REPORT

a. Governance and Policy Committee Update

Chair Kelly advised that, on June 22, the Governance Committee will be addressing officer nominations for the coming year, the roles and responsibilities of standing committees, and meeting locations.

At this time, the meeting was recessed at 8:29 a.m., to reconvene at 9 a.m.

5. ACTION ITEMS (CONTINUED)

d. UO, Appointment of the President

At 9 a.m., President Donegan reconvened the meeting and thanked President Berdahl for his service during the past six months. Calling upon Chancellor Pernsteiner to introduce the last action item, Chancellor Pernsteiner thanked the University of Oregon for joining the meeting. President Berdahl was appointed in January to serve as interim president. At that time, a search committee was formed and Director Allyn Ford was appointed committee chair. Ford advised that the committee began its work in late January, comprised of 22 committee members, including OSBHE Director Preston Pulliams; the committee included faculty, staff, students, alumni, and community members. Diversity Search served as search consultant and a detailed position description was drafted and posted in mid-March. An aggressive pace was set for the selection process, with the goal of a new president in place prior to start of the fall 2012 term. Nine qualified candidates were selected. Interviews were conducted in April with one candidate standing out from the others; however, the three top candidates were submitted to the Chancellor for his consultation. Following the Chancellor's interviews, the top candidate was then interviewed by the Board. Chancellor Pernsteiner added that he interviewed all nine candidates and agreed, independently from the search committee, that the top candidate was clear.

On Friday, June 8, the Board interviewed Dr. Michael Gottfredson. Dr. Gottfredson has been committed to higher education "for virtually all of his life" and brings outstanding scholarship not only to administrative matters but an understanding of how organizations can work in successful collaborations. He was wooed away from the University of Arizona to the University of California, Irvine, to serve as UCI's Vice Chancellor and Provost, with the purpose of building that university into one of the top 10 research universities across the nation. He was successful in building the reputation of that university—even during the California and national recessions—increasing faculty and student success. He has an unfailing sense of what it takes to focus on the needs of students, the university, and the state; focusing on excellence in a way that is essential for a member of the American Association of Universities, of which the University of Oregon is a member.

Chancellor Pernsteiner recommended that Dr. Michael Gottfredson be appointed to the position of president of the University of Oregon, for a period of three years, commencing on August 1, 2012, for a total compensation amount of $540,000 per year plus normal employee benefits and that the Chancellor be authorized to negotiate a contract with Dr. Gottfredson. Finally, the Chancellor recommended that the Board acknowledge a debt of gratitude to Robert Berdahl for his service as Interim president of the University of Oregon.

President Donegan added his appreciation to Dr. Berdahl, Director Allyn Ford, and the search committee for their participation and leadership during the past six months. Director Francesconi thanked Chancellor Pernsteiner for his strong leadership during this time.

Prior to the vote, President Donegan called for comments: members welcomed Dr. Michael and Carol Gottfredson to Oregon and expressed their support for his presidency and confidence in his leadership. Comments highlighted the difficult circumstances that resulted in this search and the "healing" that continues today. Members expressed their appreciation for Director Ford and the search committee for recognizing the outstanding leadership abilities of Dr. Gottfredson and opined that the university will benefit greatly from his leadership. They thanked the University of Oregon's faculty, staff, and students for their patience and cooperation during the process and thanked Chancellor Pernsteiner for his leadership and graciousness during "trying circumstances."

ACTION: Donegan called for a motion to appoint Dr. Gottfredson as recommended by the Chancellor; Directors Allyn Ford and Jill Eiland made the motion and second, respectively.

Following the unanimous endorsement of President Gottfredson's appointment, Gottfredson and Berdahl were invited to the Board table where Dr. Gottfredson enthusiastically accepted the appointment and expressed his appreciation to the search committee and the Board for their support. Dr. Berdahl thanked the Board and the search committee for their dedication to the selection process and stated that this weekend the UO will celebrate a wonderful commencement, acknowledging the forthcoming change of leadership.

6. ADJOURNMENT

With no further business, the meeting was adjourned at 9:27 a.m.

Appendix A

FIFTH AMENDMENT TO THE 2008 RESTATEMENT OF THE OREGON UNIVERSITY SYSTEM OPTIONAL RETIREMENT PLAN

Effective July 1, 2009, Section 3.2 of the 2008 Restatement of the Oregon University System Optional Retirement Plan, as the 2008 Restatement has been amended through the Fourth Amendment to the 2008 Restatement, is amended to read:

3.2 Employer Contributions

The Employer shall make a monthly Employer contribution on behalf of each Active Participant in an amount equal to the percentage of the Employee's Compensation that the Employer would have contributed as an employer contribution on behalf of the Employee to the OPERS, before any offset under ORS 238.229(2), in the absence of the Employee's election to participate in this Plan. Employer contributions shall be credited to the Participant's Employer Contribution Account. The Employer shall pay the Employer contributions for each month in cash to the Trustee within a reasonable time after such month.

(a) OPERS Employer Contribution Rates and Benefit Formula:

(i) OPERS Employer Contribution Rates. The Employer's OPERS employer contribution for Tier One, Tier Two, and Tier Three employees described in Section 1.13 is the percentage of salary determined by the OPERS Board to be actuarially necessary to adequately fund the benefits to be provided by the contributions of the Employer under OPERS pension programs.

(ii) OPERS Tier One and Tier Two Benefit Formula. The OPERS benefit formula for Tier One and Tier Two employees (generally those hired before August 29, 2003) is an annuity of one and sixty-seven one-hundredths percent (1.67%) of the employee's final average salary multiplied by the employee's years of OPERS membership.

(iii) OPERS Tier Three Benefit Formula. The OPERS benefit formula for Tier Three employees (generally those hired on or after August 29, 2003) is an annuity of one and fifty one-hundredths percent (1.50%) of the employee's final average salary multiplied by the employee's years of OPERS retirement credit.

(b) This Plan's Employer Contribution Rates:

(i) This Plan's employer contribution rates for Active Tier One and Tier Two Participants in this Plan are the following percentages of the Participant's Compensation:

(A) For July 1, 2009, through June 30, 2011: Eleven and eighty-nine one-hundredths percent (11.89%).

(B) For July 1, 2011, through June 30, 2013: Sixteen and fourteen one-hundredths percent (16.14%).

(C) For any period after June 30, 2013: The sum of the percentages of salary for the following components of the Employer's OPERS employer contribution rate set for the period by the OPERS Board for Tier One and Tier Two employees:

(1) Pension normal cost rate.

(2) Pension Tier One/Tier Two unfunded actuarial liability rate.

(3) Pension pre-State and Local Government Rate Pool pooled liability rate.

(4) Pension transition liability/(surplus) rate.

(5) Retiree healthcare normal cost rate.

(6) Retiree healthcare unfunded actuarial liability rate.

Before each OPERS employer contribution rate change the Board shall amend this Plan to specify the percentage of the Participant's Compensation to be contributed by the Employer on behalf of the Participant as an employer contribution for the applicable period.

(ii) This Plan's employer contribution rates for Active Tier Three Participants in this Plan are the following percentages of the Participant's Compensation:

(A) For July 1, 2009, through June 30, 2011: Five and eighty-nine one-hundredths percent (5.89%).

(B) For July 1, 2011, through June 30, 2013: Six and twenty-one one-hundredths percent (6.21%).

(C) For any period after June 30, 2013: The sum of the percentages of salary for the following components of the Employer's OPERS employer contribution rate set for the period by the OPERS for Tier Three employees:

(1) Pension normal cost rate.

(2) Pension OPSRP unfunded actuarial liability rate.

Before each OPERS employer contribution rate change the Board shall amend this Plan to specify the percentage of the Participant's Compensation to be contributed by the Employer on behalf of the Participant as an employer contribution for the applicable period.

(iii) The Board reserves the right to amend this Section 3.2, as the Board determines appropriate:

(A) To implement or respond to any change in law.

(B) To respond to any other event that results in this Section 3.2 not implementing the employer contribution rates to the Plan required by ORS 243.800(9) or by any change in law.

IN WITNESS WHEREOF, the Board has caused this document to be duly executed on this ___________ day of August, 2012.

FOR THE OREGON STATE BOARD OF HIGHER EDUCATION

____

Jay D. Kenton, Vice Chancellor for Finance and Administration

Appendix B

SIXTH AMENDMENT TO THE 2008 RESTATEMENT OF THE
OREGON UNIVERSITY SYSTEM OPTIONAL RETIREMENT PLAN

Effective January 1, 2012, the 2008 Restatement of the Oregon University System Optional Retirement Plan, as the 2008 Restatement has been amended through the Fifth Amendment to the 2008 Restatement, is amended as follows:

1. (a) Sections 1.5 through 1.29 of the 2008 Restatement are renumbered as Sections 1.6 through 1.30, respectively;

(b) All references in the 2008 Restatement to any of (or any part of any of) Sections 1.5 through 1.29 as numbered before this renumbering are changed to reflect this renumbering; and

(c) The following new Section 1.5 is added immediately after Section 1.4 of the 2008 Restatement:

1.5 Commissioned Police Officer

"Commissioned Police Officer" means an Employee who is a police officer commissioned by a university under ORS 352.383 and who is employed by the university on or after June 23, 2011. However, an Active Participant will not be treated as a Commissioned Police Officer for any part of a calendar month if on any day of the month the Active Participant is both an Active Participant and not a Commissioned Police Officer.

2. Section 1.10 of the 2008 Restatement, as renumbered in section 1.(a) above, is amended to read:

1.10 Eligible Employee

"Eligible Employee" means any administrative or academic Employee who is eligible for membership in the Oregon Public Employees Retirement System ("OPERS"). A Commissioned Police Officer is an Eligible Employee only if exempt from the provisions of the Public Employee Collective Bargaining Act, ORS 243.650-243.782. The Eligible Employee must work in a qualifying position or series of positions that total at least 600 hours per year. For an academic year, 9-month appointment, 600 hours is 0.4 FTE; for a 12-month appointment, 600 hours is 0.3 FTE.

3. Section 3.2(a)(iii) of the 2008 Restatement is amended to read:

(iii) OPERS Tier Three Benefit Formula. The OPERS benefit formula for Tier Three employees (generally those hired on or after August 29, 2003) is an annuity of:

(A) For service the OPERS Board classifies as General Service, one and fifty one-hundredths percent (1.50%) of the employee's final average salary multiplied by the employee's years of OPERS retirement credit.

(B) For service the OPERS Board classifies as Police and Fire, one and eighty one-hundredths percent (1.80%) of the employee's final average salary multiplied by the employee's years of OPERS retirement credit.

4. Section 3.2(b)(i)(C) of the 2008 Restatement is amended to read:

(C) For any period after June 30, 2013: The sum of the percentages of salary for the following components of the Employer's OPERS employer contribution rate set for the period by the OPERS Board for Tier One and Tier Two employees for service the OPERS Board classifies as General Service:

(1) Pension normal cost rate.

(2) Pension Tier One/Tier Two unfunded actuarial liability rate.

(3) Pension pre-State and Local Government Rate Pool pooled liability rate.

(4) Pension transition liability/(surplus) rate.

(5) Retiree healthcare normal cost rate.

(6) Retiree healthcare unfunded actuarial liability rate.

Before each OPERS employer contribution rate change the Board shall amend this Plan to specify the percentage of the Participant's Compensation to be contributed by the Employer on behalf of the Participant as an employer contribution for the applicable period.

5. Sections 3.2(b)(ii)(B) and (C) of the 2008 Restatement are replaced by the following Sections 3.2(b)(ii)(B), (C), and (D):

(B) For July 1, 2011, through December 31, 2011: Six and twenty-one one-hundredths percent (6.21%).

(C) For January 1, 2012, through June 30, 2013:

(1) Six and twenty-one one-hundredths percent (6.21%).

(2) However, for service as a Commissioned Police Officer, eight and ninety-two one-hundredths percent (8.92%).

(D) For any period after June 30, 2013:

(1) The sum of the percentages of salary for the following components of the Employer's OPERS employer contribution rate set for the period by the OPERS for Tier Three employees for service the OPERS Board classifies as General Service:

(I) Pension normal cost rate.

(II) Pension OPSRP unfunded actuarial liability rate.

(2) However, for service as a Commissioned Police Officer, the sum of the percentages of salary for the following components of the Employer's OPERS employer contribution rate set for the period by the OPERS for Tier Three employees for service the OPERS Board classifies as Police and Fire:

(I) Pension normal cost rate.

(II) Pension OPSRP unfunded actuarial liability rate.

Before each OPERS employer contribution rate change the Board shall amend this Plan to specify the percentage of the Participant's Compensation to be contributed by the Employer on behalf of the Participant as an employer contribution for the applicable period.

IN WITNESS WHEREOF, the Board has caused this document to be duly executed on this ___________ day of August, 2012.

FOR THE OREGON STATE BOARD OF HIGHER EDUCATION

____

Jay D. Kenton, Vice Chancellor for Finance and Administration

Appendix C

Redline showing the changes the 8/3/12 Fifth and Sixth Amendments would make to the OUS Optional Retirement Plan—Changed pages only
(new matter double underlined; deleted matter ~~struck~~)

Oregon University System

Optional Retirement Plan

2008 Restatement

Adopted by the

Oregon State Board of Higher Education

Effective January 1, 2008

SECTION 1
DEFINITIONS

The following terms when used herein shall have the following meaning, unless a different meaning is plainly required by the context. Capitalized terms are used throughout the Plan text for terms defined by this and other sections.

1.1 Annuity Starting Date

"Annuity Starting Date" means the first day of the first period for which a Plan benefit is payable as an annuity, or any other form.

1.2 Beneficiary

"Beneficiary" means the individual or entity designated by the Participant in writing to receive benefits in the event of the Participant's death, pursuant to Section 5.7.

1.3 Board

"Board" means the Oregon State Board of Higher Education.

1.4 Code

"Code" means the Internal Revenue Code of 1986, as amended and including all regulations promulgated pursuant thereto.

1.5 Commissioned Police Officer

"Commissioned Police Officer" means an Employee who is a police officer commissioned by a university under ORS 352.383 and who is employed by the university on or after June 23, 2011. However, an Active Participant will not be treated as a Commissioned Police Officer for any part of a calendar month if on any day of the month the Active Participant is both an Active Participant and not a Commissioned Police Officer.

1.~~5~~6 Compensation

"Compensation" mean a Participant's earned income from the Employer, earned while a Participant, including bonuses, overtime and incentive pay, prior to (1) deductions such as voluntary deferred payment arrangements, adjustments for tax sheltered annuities, flexible benefits reimbursement accounts and other salary reduction agreement amounts, and (2) adjustments for housing, vehicle, moving and representational allowances, and taxable life insurance or other benefits, and excluding sick leave, taxable cash elections under a Code Section 125 plan, death benefit payoffs, early retirement bonuses and awards, contract termination settlements and awards, severance pay and other similar post-termination compensation.

Notwithstanding the foregoing, annual Compensation in excess of $150,000, or any higher dollar limitation permitted by the Secretary of the Treasury in accordance with Code Section 401(a)(17)(B), shall be disregarded. For Plan Years beginning after December 31, 2001, the dollar limitation shall be increased to $200,000, or such higher amount permitted by the Secretary of the Treasury pursuant to Code Section 401(a)(17)(B).

1.~~6~~7 Deemed Cash-Out

Forfeiture of non-vested funds in a Participant's Employer Contribution Account is a "deemed cash-out."

1.~~7~~8 Disabled

"Disabled" and similar terms such as "Disability" means a physical or mental condition of an Employee which occurred while the Employee was employed by the Employer and which results from a bodily injury or disease or mental disorder which renders the Employee incapable for a minimum of ninety (90) consecutive days of performing any work for which the Employee is qualified; and which, in the opinion of a qualified physician appointed by the Employer, will be permanent and continuous during the remainder of the Employee's lifetime.

1.~~8~~9 Effective Date

"Effective Date" means May 17, 1996, the date of adoption of the Plan by the Oregon State Board of Higher Education.

1.~~9~~10 Eligible Employee

"Eligible Employee" means any administrative or academic Employee who is eligible for membership in the Oregon Public Employees Retirement System ("OPERS"). A Commissioned Police Officer is an Eligible Employee only if exempt from the provisions of the Public Employee Collective Bargaining Act, ORS 243.650-243.782. The Eligible Employee must work in a qualifying position or series of positions that total at least 600 hours per year. For an academic year, 9-month appointment, 600 hours is 0.4 FTE; for a 12-month appointment, 600 hours is 0.3 FTE.

1.1~~0~~1 Employee

"Employee" means any person employed by the Employer as a common law employee and any Leased Employee as defined herein. However, if Leased Employees constitute twenty percent (20%) or less of the Employer's non-highly compensated work force, the term "Employee" shall not include a Leased Employee who is covered by a plan maintained by the leasing organization which meets the requirements of Code Section 414(n)(5).

The term "Leased Employee" means any person (other than a common law employee of the Employer) who, pursuant to an agreement between the Employer and any other person (“leasing organization”), has performed services for the Employer (or for the Employer and related persons determined in accordance with Code Section 414(n)(6)) on a substantially full-time basis for a period of at least one year, and such services are performed under the primary direction or control of the Employer.

1.1~~1~~2 Employer

“Employer” means Oregon University System. Prior to June 15, 2001, Employer was known as Oregon State System of Higher Education.

1.1~~2~~3 Employer Contribution Account

“Employer Contribution Account” means an account established and maintained by the Plan Administrator or Trustee to receive a Participant’s share of Employer contributions to the Plan.

1.1~~3~~4 Employer Contribution Tier

“Employer Contribution Tier” means the Employer contribution rate applicable to OPERS pension programs that provide discrete groups of employees different benefits. For example, Tier One employees are generally those hired before January 1, 1996; Tier Two employees are described in ORS 238.430 and are generally those hired on or between January 1, 1996 and August 28, 2003; and Tier Three employees are described in ORS 238A.025 and are generally those hired on or after August 29, 2003.

1.1~~4~~5 Employment Date or Reemployment Date

“Employment Date” or “Reemployment Date” means the effective date of the appointment for a faculty member. For all other Employees, the Employment Date or Reemployment Date is the first day on which an Employee first completes an hour of service for the Employer during the current period of employment.

1.1~~5~~6 Forfeiture Account

“Forfeiture Account” means the ORP Forfeiture Account held in trust by the Plan Trustees, including account balances returned to the Plan through “Deemed Cash-Out” or other forfeiture events.

1.1~~6~~7 Fund Sponsor

“Fund Sponsor” means one or more companies or other entities which provide authorized Funding Vehicles for investment of Participants’ Accounts.

1.1~~7~~8 Funding Vehicles

“Funding Vehicles” mean deferred annuities or participation units in an investment option provided by a Fund Sponsor for the purpose of funding benefits under the Plan. As of the Effective Date, authorized Funding Vehicles include all Funding Vehicles which the Fund Sponsor makes available for investment by qualified retirement plans. The ORP

Administration Committee reserves the right to add or delete authorized Funding Vehicles from time to time subject to the approval of the Trustee.

1.1~~8~~9 Limitation Year

"Limitation Year" means a calendar year.

1.~~19~~20 Normal Retirement Date

"Normal Retirement Date" means the first day of the month coinciding with or immediately preceding the Participant's (a) fifty-fifth (55th) birthday, or (b) completion of thirty (30) Years of Service, whichever occurs first.

1.2~~0~~1 Participant

"Participant" means any Eligible Employee who qualifies for participation pursuant to Section 2. A Participant's status may be:

(a) "Active" while currently employed in a qualifying position as described in Section 1.~~9~~10;

(b) "Inactive" if not currently employed in a qualifying position as described in Section 1.~~9~~10, Disabled, or terminated, and the Participant has not received a full disbursement of vested benefits; or

(c) "Retired" if:

(i) The Participant terminated employment on or after reaching the Normal Retirement Date and the Participant has requested a disbursement of vested benefits; or

(ii) The Employer's records record that the Participant terminated employment and the Participant participates in one of the Employer's retirement incentive programs such as, but not limited to, the early retirement incentive or tenure relinquishment/reduction programs.

OPERS retirement does not confer retiree status on a Plan Participant.

A Participant shall cease to be a Participant when his or her benefit payments are completed.

1.2~~1~~2 Participant Contribution Account

"Participant Contribution Account" means an account established and maintained by the Plan Administrator or Trustee to receive Participant Contributions to the Plan.

1.2~~2~~3 Participant Contributions

"Participant Contributions" means contributions picked up by the Employer as described in Code Section 414(h)(2), on a nonelective salary reduction basis or as an additional Employer-funded contribution, on behalf of each Active Participant in an amount equal to the percentage of the Employee's Compensation that the Employee would have contributed as an employee contribution to the OPERS in the absence of an election to participate in this Plan.

1.2~~3~~4 Plan

"Plan" means the Oregon University System Optional Retirement Plan, either in its present form or as amended from time to time. Prior to February 15, 2002, the Plan was known as the Oregon State System of Higher Education Optional Retirement Plan.

1.2~~4~~5 Plan Year

"Plan Year" means the calendar year except that the first Plan Year shall be a short Plan Year commencing on the Effective Date of the Plan and ending December 31, 1996.

1.2~~5~~6 ORP Administration Committee

"ORP Administration Committee" means the committee as from time to time constituted and appointed by the Board to administer the Plan. The name of the committee designated under the Plan as stated before this amendment and restatement as the "Retirement Committee" is changed to the "ORP Administration Committee".

1.2~~6~~7 Rollover Account and Post-Tax Transfer Account

"Rollover Account" means an account established and maintained by the Plan Administrator or Trustee to receive Participant pre-tax rollovers to the Plan and pre-tax funds transferred from OPERS to the Plan, pursuant to Section 3.3.

"Post-Tax Transfer Account" means an account established and maintained by the Plan Administrator or Trustee to receive after-tax funds transferred from OPERS to the Plan pursuant to Section 3.3.

1.2~~7~~8 Trustee

"Trustee" means the trustee or trustees designated by the Board to hold and maintain the assets of the Plan.

1.2~~8~~9 Valuation Date

"Valuation Date" means the last business day in December and any other day which the ORP Administration Committee may designate from time to time.

1.~~29~~30 Year of Service

"Year of Service" for a Participant means each Plan Year for which Participant Contributions are made to the Plan for such Participant. Years of Service include service with the Employer for years in which the Employee was a member of OPERS and contributions were made to such Participant's OPERS account.

SECTION 2

PARTICIPATION

2.1 Eligibility for Participation

Each Eligible Employee hired after the Plan Effective Date may elect, on an election form timely provided by the Employer, to participate in the Plan, in lieu of active membership in the OPERS, within the first six (6) months of employment with the Employer. The election shall be effective on the first day of the month following a period of six (6) full calendar months of employment in a qualifying position, during which employment is not interrupted by more than thirty (30) consecutive working days.

An Eligible Employee’s election to participate in this Plan is irrevocable upon receipt by the Employer. An Eligible Employee’s irrevocable election to participate in the Plan applies to all subsequent employment as long as the Participant is employed by the Oregon University System. An Eligible Employee’s failure to elect participation in this Plan shall be deemed an irrevocable election to become or remain a member of OPERS.

Upon establishing participation in the Plan, a Participant's benefits and participation are by the terms and conditions of the Plan, regardless of participation or status in or the terms and conditions of any other qualified retirement plan, including OPERS.

2.2 Sabbatical and Special Leave

Temporary appointment to sabbatical or special leave does not terminate participation in the Plan or eligibility for contributions based on Compensation for the period of leave.

2.3 Reemployment after Termination

In the event an Employee terminates employment with the Employer, or becomes Retired, and is subsequently reemployed by the Employer:

(a) Such Employee’s original election, whether to participate in this Plan or to be a member of OPERS, shall remain in effect.

(b) Such Employee, if otherwise eligible, will be eligible for contributions under Sections 3.1 and 3.2 for and after the first calendar month beginning after the date of reemployment, but only if no vested benefit was distributed for the Employee (other than to or for an alternate payee under a Qualified Domestic Relations Order) before the reemployment and the Employee:

- (i) Is an Inactive Participant Immediately before the reemployment; and

- (ii) Is not and has not been a Retired Participant who participated in one of the Employer's retirement incentive programs as described in Section 1.2~~0~~1(c).

(c) If such Employee does not satisfy the requirements in subparagraph (b) above:

(i) Such Employee will be ineligible for contributions under Sections 3.1 and 3.2 for the period beginning with the reemployment and ending with the completion of the first period of six (6) full calendar months of reemployment in a qualifying position, during which reemployment is not interrupted by more than thirty (30) consecutive working days; and

(ii) If such Employee is or has been a Retired Participant who participated in one of the Employer's retirement incentive programs as described in Section 1.2~~0~~1(c):

(A) The Employee will also be ineligible for contributions under Sections 3.1 and 3.2 for the period beginning with the date recorded in the Employer's records as the date the Employee terminated employment under the retirement incentive program and continuing during the Employee's participation in the retirement incentive program, which period includes without limitation:

(1) Any period of employment provided to the Employee under the retirement incentive program after such termination of employment; and

(2) Any period for which the Employee receives, or is eligible to receive in the future, any payment or benefit under the retirement incentive program (not including a distribution under Section 5 or under an annuity contract described in Code Section 403(b) or an eligible deferred compensation plan described in Code Section 457(b)); and

(B) The Employee's "reemployment" for purposes of Sections 2.3(c)(i) and 2.3(e) will not begin before the Employee's first hour, if any, as an Employee after the end of the period of the Employee's participation in the retirement incentive program.

(d) Any contributions under Sections 3.1 and 3.2 on behalf of an Employee who is an Inactive but not a Retired Participant immediately before reemployment will, during the reemployment, be at the Employee's Employer Contribution Tier when the Employee was last an Active Participant before the reemployment.

(e) Any contributions under Sections 3.1 and 3.2 on behalf of a Retired Participant, or on behalf of an Employee who was not a Participant immediately before the reemployment because the Employee's participation had ceased under Section 2.4, will, during the reemployment, be at the Employer Contribution Tier for an Active Participant who is first employed with the Employer at the time of the Employee's reemployment.

SECTION 3
PLAN CONTRIBUTIONS

3.1 Participant Contributions

The Employer shall make a monthly Participant contribution on behalf of each Active Participant in an amount equal to the percentage of the Employee's Compensation that the Employee would have contributed as an employee contribution to the OPERS in the absence of an election to participate in this Plan. Such Participant contribution shall be made either on a nonelective salary reduction basis or as an additional Employer-funded contribution, whichever method would have been used for employee contributions to OPERS in the absence of an election to participate in this Plan. Participant Contributions shall be credited to the Participant's Participant Contribution Account.

(a) Consistent with Internal Revenue Service revenue rulings under Code Section 414(h)(2), the Employer states here that all Participant Contributions are picked up by the Employer as described in Code Section 414(h)(2), on a nonelective salary reduction basis or as an additional Employer-funded contribution, and thus, although designated by ORS 243.800(8) as employee contributions, are being paid by the Employer in lieu of such employee contributions. No Participant may opt out of this pick-up arrangement or elect to receive the contributed amounts directly instead of having them paid by the Employer to the Plan.

(b) The statement in subparagraph (a) above that Participant Contributions are being paid by the Employer in lieu of such employee contributions does not prevent the Participant Contributions from being made on a nonelective salary reduction basis when that is the method that would have been used, as provided in ORS 238A.335(2)(a), for employee contributions to OPERS in the absence of an election to participate in this Plan.

The Employer shall pay the Participant Contributions for each month in cash to the Trustee by the end of the month following the month in which the Employer pays the Compensation for which the Participant Contributions are made.

3.2 Employer Contributions

The Employer shall make a monthly Employer contribution on behalf of each Active Participant in an amount equal to the percentage of the Employee's Compensation that the Employer would have contributed as an employer contribution on behalf of the Employee to the OPERS, before any offset under ORS 238.229(2), in the absence of the Employee's election to participate in this Plan. Employer contributions shall be credited to the Participant's Employer Contribution Account. The Employer shall pay the Employer contributions for each month in cash to the Trustee within a reasonable time after such month.

(a) OPERS Employer Contribution Rates and Benefit Formula:

(i) OPERS Employer Contribution Rates. The Employer's OPERS employer contribution for Tier One, Tier Two, and Tier Three employees described in Section 1.14 is the percentage of salary determined by the OPERS Board to be actuarially necessary to adequately fund the benefits to be provided by the contributions of the Employer under OPERS pension programs.

(ii) OPERS Tier One and Tier Two Benefit Formula. The OPERS benefit formula for Tier One and Tier Two employees (generally those hired before August 29, 2003) is an annuity of one and sixty-seven one-hundredths percent (1.67%) of the employee's final average salary multiplied by the employee's years of OPERS membership.

(iii) OPERS Tier Three Benefit Formula. The OPERS benefit formula for Tier Three employees (generally those hired on or after August 29, 2003) is an annuity of:

(A) For service the OPERS Board classifies as General Service, one and fifty one-hundredths percent (1.50%) of the employee's final average salary multiplied by the employee's years of OPERS retirement credit.

(B) For service the OPERS Board classifies as Police and Fire, one and eighty one-hundredths percent (1.80%) of the employee's final average salary multiplied by the employee's years of OPERS retirement credit.

(b) This Plan's Employer Contribution Rates:

(i) This Plan's employer contribution rates for Active Tier One and Tier Two Participants in this Plan are the following percentages of the Participant's Compensation:

(A) For July 1, 2009, through June 30, 2011: Eleven and eighty-nine one-hundredths percent (11.89%).

(B) For July 1, 2011, through June 30, 2013: Sixteen and fourteen one-hundredths percent (16.14%).

(C) For any period after June 30, 2013: The sum of the percentages of salary for the following components of the Employer's OPERS employer contribution rate set for the period by the OPERS Board for Tier One and Tier Two employees for service the OPERS Board classifies as General Service:

(1) Pension normal cost rate.

(2) Pension Tier One/Tier Two unfunded actuarial liability rate.

(3) Pension pre-State and Local Government Rate Pool pooled liability rate.

(4) Pension transition liability/(surplus) rate.

(5) Retiree healthcare normal cost rate.

(6) Retiree healthcare unfunded actuarial liability rate.

Before each OPERS employer contribution rate change the Board shall amend this Plan to specify the percentage of the Participant's Compensation to be contributed by the Employer on behalf of the Participant as an employer contribution for the applicable period.

(ii) This Plan's employer contribution rates for Active Tier Three Participants in this Plan are the following percentages of the Participant's Compensation:

(A) For July 1, 2009, through June 30, 2011: Five and eighty-nine one-hundredths percent (5.89%).

(B) For July 1, 2011, through December 31, 2011: Six and twenty-one one-hundredths percent (6.21%).

(C) For January 1, 2012, through June 30, 2013:

(1) Six and twenty-one one-hundredths percent (6.21%).

(2) However, for service as a Commissioned Police Officer, eight and ninety-two one-hundredths percent (8.92%).

(D) For any period after June 30, 2013:

(1) The sum of the percentages of salary for the following components of the Employer's OPERS employer contribution rate set for the period by the OPERS for Tier Three employees for service the OPERS Board classifies as General Service:

(I) Pension normal cost rate.

(II) Pension OPSRP unfunded actuarial liability rate.

(2) However, for service as a Commissioned Police Officer, the sum of the percentages of salary for the following components of the Employer's OPERS employer contribution rate set for the period by the OPERS for Tier Three employees for service the OPERS Board classifies as Police and Fire:

(I) Pension normal cost rate.

(II) Pension OPSRP unfunded actuarial liability rate.

Before each OPERS employer contribution rate change the Board shall amend this Plan to specify the percentage of the Participant's Compensation to be contributed by the Employer on behalf of the Participant as an employer contribution for the applicable period.

(iii) The Board reserves the right to amend this Section 3.2, as the Board determines appropriate:

(A) To implement or respond to any change in law.

(B) To respond to any other event that results in this Section 3.2 not implementing the employer contribution rates to the Plan required by ORS 243.800(9) or by any change in law.

3.3 Participant Rollovers and OPERS Transfers

An Eligible Employee may request in writing on forms provided by a Fund Sponsor that the Fund Sponsor accept a rollover amount that was distributed from the Employee's OPERS account, another qualified plan, or conduit Individual Retirement Account (IRA). The Fund Sponsor shall accept the rollover amount subject to the following terms and conditions:

(a) The amount must be a direct rollover or must be deposited with the Fund Sponsor within sixty (60) days after the Participant's receipt of the distribution from another qualified Plan or conduit IRA;

(b) A rollover of any type of property other than cash will not be accepted;

(c) A rollover amount distributed from a conduit IRA must consist entirely of funds attributable to a lump sum distribution from a qualified plan; and

(d) Prior to accepting a direct rollover from a qualified plan, the Employee shall provide the Fund Sponsor with a statement from the plan administrator of the distributing plan that the distributing plan has received a determination letter from the Internal Revenue Service indicating the plan is qualified.

Effective April 1, 2002, the Fund Sponsor shall accept direct rollovers, or deposits within sixty (60) days after the Participant's receipt of a distribution, from a qualified plan described in Code Section 401(a) or 403(a), excluding after-tax employee contributions; an annuity contract described in Code Section 403(b), excluding after-tax employee contributions; an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state; or an Individual Retirement Annuity or Annuity (IRA) described in Code Section 408(a) or (b), excluding after-tax contributions.

Appendix D

Oregon State UNIVERSITY | Cascades

Date: May 31, 2012

To: President Ed Ray

From: Becky Johnson, Vice President for OSU-Cascades, and Jim Middleton, President of COCC

Reference: Draft Letter of Intent

The following is a draft Letter of Intent between Oregon State University – Cascades (OSU-Cascades) and Central Oregon Community College (COCC). This document has not been reviewed or approved by the advising or governing boards of either campus, but it represents initial agreement on major issues to be resolved as OSU-Cascades transitions to a 4-year branch campus.

OSU-Cascades and COCC agree to the following:

- OSU-Cascades will develop four currently existing degree programs to be offered in a 4-year format no later than Fall 2015, as well as a tentative schedule showing the dates of future program transitions to a 4-year format.
- OSU-Cascades and COCC will identify some degree programs which will retain a major 2+2 strategy as a pathway to the bachelor degree, and define the period of time this strategy will be in place.
- OSU-Cascades and COCC will explore opportunities to collaborate on student housing options.
- OSU-Cascades and COCC will develop a process for coordinating course offerings and scheduling which will facilitate optional COCC course offerings needed or desired by OSU-Cascades students. The Joint Curriculum Council will continue to convene in order to do this.
- OSU-Cascades and COCC will continue their partnership on some shared facilities, such as the Library and Gymnasium, for the near future.
- OSU-Cascades and COCC will identify areas where they can partner on shared student services.
- OSU-Cascades and COCC will work on transportation alternatives for students and faculty who need to move between the two campuses.
- OSU-Cascades and COCC will work on developing a new applied baccalaureate degree to expand opportunities for students with 2-year technical degrees to achieve a bachelor's degree. OSU administration will support the proposed degree through the approval process, but it will be subject to approval by OSU Faculty Senate and the State Board of Higher Education.

- OSU-Cascades and COCC agree to look for opportunities for selected faculty to teach across both institutions.

- OSU-Cascades and COCC will work on a plan and financial framework for COCC to take over Cascades Hall by Fall 2015.

- OSU-Cascades and COCC will assess other areas of potential collaboration, shared use, or shared funding to determine which activities and services may be appropriately coordinated between the two institutions.