

7-1-2008

OSBHE July 8: 2009-2011 operating and capital budgets

Portland State University Faculty Senate

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**News
Release
July 11, 2008**

FOR IMMEDIATE RELEASE

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**Higher Ed Board approves 2009-2011 operating and capital budgets,
elects new Board officers**
Budget will be submitted to Governor and Legislature this fall for consideration in 2009 Session

PORTLAND, July 11, 2008 – The State Board of Higher Education (the “Board”) met today at Portland State University to consider proposed Oregon University System operating and capital budgets, and new proposed programs, to be considered by the Governor and the 2009 Legislature, among other items discussed by the Board.

Operating Budget Jay Kenton, OUS vice chancellor for finance and administration, presented OUS budget priorities for 2009-2011. He summarized Oregon’s on-going challenge to increase educational attainment rates, upon which the state’s economic well-being is dependent; and on which business decisions are made based on the availability of a skilled, local work force and university research capabilities. To address Oregon’s education “crisis” there must be a recognition of a convergence of demographic factors that will impact the state’s future: the largest youth population growth is among the most underserved and lowest income Oregonians; the state’s older adults are more educated than our younger adults; and Oregon is predicted to have the 4th largest proportion of elderly in the U.S. by 2025. Kenton noted that there is a looming crisis for Oregon if we don’t do better as a state in increasing educational attainment rates among all Oregonians, but particularly for populations not reached before or not reached with the effectiveness and determination needed. Without intervention more Oregonians will be less educated, lower skilled, and unable to support business, industry, and overall workforce needs. In other words, Oregon will not have “replacement parts” for its current workforce to ensure a strong, stable state economy and communities.

Kenton said that the OUS is requesting an increase of 27% in state funding for higher education, from the \$893 million Legislatively Approved Budget (adjusted) received in 2007-2009 to \$1.1 billion in 2009-2011. In summarizing the base budget request for 2009-2011, Kenton noted that these investments would maintain affordability while extending access to higher education; improve student retention including students most “at-risk” of dropping out; increase the number of graduates and degrees; increase the number and diversity of students served; increase faculty retention and improve recruitment of high-quality faculty; increase and improve research and public services; provide better maintenance of facilities; and strengthen Oregon’s current and future work force.

New strategic investments through OUS’ policy option packages proactively address the confluence of demographic and economic changes to increase educational attainment while fueling economic stability. In brief, these investments will: increase the number, diversity and geographical coverage of middle/high school students served in pre-college preparation programs; increase specialized retention programs for college students most at-risk of dropping out, such as first-generation students; increase the number of students in graduate programs, which has decreased in recent years; enhance strategic research partnerships through intercampus and interdisciplinary collaborations and centers addressing state and national research priorities such as sustainability, climate change, water, energy and other areas; serving Portland’s access needs through a Portland State University Center at Portland Community College providing bachelor’s degree completion; creating an Urban Rural Connected Center to address statewide issues; support the NEW Leadership Oregon program to create a pipeline and support system for women and minorities in leadership positions; support investments in OSU Statewide Public Services which help communities through the Extension Services, the Forest Research Lab, and the Agricultural Experiment Station; improve access by freezing tuition at Eastern Oregon University and Southern Oregon University (as well as limiting tuition increases systemwide so as not to exceed projected increases in Oregon’s Median Family Income, currently estimated at 3.6% per year); increasing the number of engineers and technology graduates to meet industry needs in Oregon (ETIC); expanding the Oregon Metal’s initiative research collaborations between OUS research faculty and the manufacturing cluster; and making other investments that address technology needs of regional universities, retaining interest earnings on campus tuition revenues, and other statutory changes that improve OUS efficiency. After discussion by the

Board, including the need to more fully quantify the returns on these investments, **the 2009-2011 operating budget proposal was approved by the Board** to be presented to the Governor for consideration in the 2009 Legislative Session.

OUS Capital Budget Bob Simonton, assistant vice chancellor for capital construction, summarized the 2009-2011 capital construction budget request. Simonton noted that OUS represents 50% of all state-owned facilities, including almost 1,200 buildings with a replacement value of \$3.7 billion, and serving 100,000 students, faculty, and staff each year. The objectives of the budget request include reinvestment to keep existing facilities operational; excellence to modify existing facilities for program needs; and access to add new facilities for enrollment growth. Simonton noted that OUS deferred maintenance is now close to \$700 million. The total funding requested for the 2009-2011 is \$1.36 billion, which includes 37% of state funds, loans, and bonding authority, and 63% of campus funds through bonds, gifts, and grants. Approximately 63% of the request is related to capital repair, code needs, modernization and collaborative projects; 24% is related to facilities for instruction, research and OUS service missions; and 13% is for auxiliary projects. OUS construction projects directly create 9 jobs per million dollars expended; the 2009-2011 **request would create almost 12,300 high paying, family wage jobs across the state**, positively impacting local and state economies.

Simonton provided summaries of the top priorities, including: systemwide capital repair, deferred maintenance, code and safety investments (\$83.1 million); South Waterfront Life Sciences Facility, a collaborative facility for several campuses (\$250 million); Bates Hall/Hallie Ford Center at Oregon State University (\$12 million); Geothermal – Renewal Energy Demonstration at Oregon Institute of Technology (\$6.6 million); School of Business Administration Building at PSU (\$90 million); Health/Wellness/Recreation Center/Classroom at Western Oregon University (\$18 million); Waste Gasification – Renewable Energy for University of Oregon (\$10 million); Theatre Arts Expansion and Remodel at Southern Oregon University (\$11 million); Regional Library Services Center for use by multiple campuses (\$13 million); Innovative Learning Complex and Prince Lucien Campbell Hall Expansion and Alterations at UO (\$57.3 million); and Academic Modernization at Eastern Oregon University (\$5.5 million). After some discussion, **the 2009-2011 capital budget proposal was approved by the Board** to be presented to the Governor for consideration in the 2009 Legislative Session.

In other action and discussion at the meetings, the Board:

- Elected new Board officers: Paul Kelly, president; Jim Francesconi and Tony van Vliet, vice presidents; Executive Committee: Paul Kelly, Jim Francesconi, Tony van Vliet, Hanna Fisher, and Dalton Miller-Jones.
- Approved the following new academic programs: (1) OSU – Undergraduate Certificate in Religion and Culture, effective fall 2008; (2) PSU – Ph.D. in Mechanical Engineering, effective fall 2008; Graduate Certificate in Public Management, effective summer 2008; and (3) WOU, M.S. in Management and Information Systems, effective fall 2008.
- Adopted the new version of Amendments to 580-060-0000 through 0060 (Real Property, Facility, and Campus Planning); 580-061-000 through 0160 (Procurement and Contracting Code); 580-062-0000 through 0020 (Purchasing and Contracts for Personal or Professional Services and Goods and Services); and 580-063-0000 through 0045 (Capital Construction and Contracting); and suspended the previous version of the reference temporary rules.
- Board President Kirby Dyess announced that the OUS has received a \$3 million, 6-year federal GEAR UP grant to continue to help middle and high school students in rural areas prepare for success in postsecondary education. This is the second GEAR UP grant received by the OUS, the first running from 2002 to 2008.
- Chancellor Pernsteiner announced that Oregon is one of three states that received a grant from the Carnegie Corporation to work on efforts related to college student learning outcomes, recognizing Oregon's national leadership in this area.
- Chancellor Pernsteiner announced salary increases for OUS presidents: Ed Ray at OSU; Mary Cullinan at SOU; Dave Frohnmayer at UO; John Minahan at WOU; and a bonus for interim president Dixie Lund at EOU.
- Heard a report on performance measurement for Boards & Commissions, the Best Practices Assessment.
- Discussed key aspects of OUS' governance structure for further consideration and potential change.
- Heard an update on the Regional Universities Work Group study to determine if these institutions can achieve increased enrollment, administrative efficiencies, and cost savings by sharing certain administrative and students services.
- Heard reports from the OUS Research Council; Interinstitutional Faculty Senate; and the Oregon Student Association.

The Oregon State Board of Higher Education, the statutory governing board of OUS, is composed of twelve members appointed by the Governor and confirmed by the Oregon State Senate. For additional information, go to www.ous.edu

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