



OREGON STATE BOARD OF HIGHER
EDUCATION

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AIR TRAVEL AND USE OF MILEAGE BONUSES

(Adopted by Oregon State Board of Higher Education, Meeting #592, October 19, 1990, pp. 538-540; amended Meeting #622, September 24, 1993, pp. 407-410; amended [in response to Senate Bill 271] Meeting #649, January 19, 1996, pp. 23-25.)

Historical Perspective

On October 19, 1990, the Board of Higher Education adopted the staff recommendation to identify frequent flyer bonuses as part of the employment package for unclassified employees, available to employees to use as they choose. The Board's decision to adopt that policy was based on a number of factors, including the cost/benefit ratio associated with OUS' attempts to recover travel awards.

The 1993 State Legislature, by House Bill 2496, declared that employees and state officials may not use travel awards earned while conducting state business for personal travel, as of November 1993. This overrides the Board's earlier policy.

Therefore, in September 1993, the Board amended the policy to read:

The Board of Higher Education requires all employees on Oregon University System business to travel using routes, schedules, and airlines that provide the lowest rates and the most efficient travel. However, because the cost in recordkeeping outweighs the nominal monetary benefit to the System, the System will not attempt to recapture airline bonuses awarded employees for frequent flyer miles. Because it is the policy of the State of Oregon to prohibit employees from using travel awards earned on state business for subsequent personal travel and that violation of this policy is a violation of the state ethics statute ORS 244.040 (effective November 4, 1993), employees may decline to accrue frequent flyer awards while on state business unless otherwise required as a prerequisite to receipt of federal or other grant funds. In cases where an employee elects to accumulate travel awards on state business to be subsequently used for state business, the employee should create a separate travel awards account solely used for state business travel, since OUS support staff may not be assigned recordkeeping responsibilities.

Current Policy

Travel Paid by Outside Source

Outside entities may reimburse the campus, pay a service provider directly, or reimburse an employee for travel expenses related to OUS business. If the service provider is paid directly, or if reimbursement is made to an employee, documentation

should be maintained in the campus travel records. Documentation should include the traveler's name, identity of the outside source, travel destination, travel dates, and OUS business purpose. If reimbursement is made to the campus, it should be accounted for as a reduction of expense. When a travel reimbursement payment is made by the foundation, it must be reported by the foundation to the president annually as required by OAR 580-46-035(6)(d).

Travel Awards and Frequent Flyer Mileage

All employees are required to travel using routes, schedules, and airlines that provide the lowest rates and most efficient travel. Because the cost of recordkeeping outweighs any monetary benefit, OUS will not recapture airline bonuses awarded employees for frequent flyer miles. Employees may use frequent flyer bonuses as they choose unless the terms of a grant or contract require otherwise.

BUDGETED OPERATIONS FUND BALANCES

(Adopted by the Oregon State Board of Higher Education, Meeting #734, June 4, 2004, pp. 244-245; Amended by the Board, Meeting #738, September 10, 2004.)

Background:

Responsible fiscal management requires adequate reserves, or fund balances, to mitigate current and future risks. Adequate fund balances are essential to offsetting cyclical variations in revenues and expenditures and to protect against 1) catastrophic events, 2) unforeseen revenue declines and expenditure gaps, 3) unexpected legal obligations, and 4) failures and health/safety/code issues in infrastructure or major business systems.

The focus of this policy is fund balances within the budgeted operations funds, which are the primary operating funds through which all basic instruction and institution administration occur. Budgeted operations funds include state General Funds and Other Funds Limited, made up principally of student tuition and fees and also including educational department sales and services, indirect cost recovery, and other operating revenues.

For the purpose of gauging their relative value, budgeted operations fund balances can be expressed either as a percentage of annual budgeted operating revenues or as operating expenditures sufficient to fund a specified period. The Government Finance Officers Association, for example, recommends that fund balances be maintained at a level that represents 5 to 15 percent of operating revenues, or is sufficient to fund no less than one to two months of operating expenditures.

Obviously, the level of budgeted operations fund balance should be related to the likelihood of need. Given the timing of tuition assessments, revenue cycles at OUS institutions tend to spike quarterly while expenditures remain relatively flat. When combined with the volatility of state funding over the past several biennia—as well as fluctuations in enrollment and tuition dollars—the need to maintain fund balances sufficient to stabilize the operating revenue stream for short periods is clearly imperative. The institutions, for example, are particularly vulnerable to shortfalls in revenue collections during the first quarter of each biennium.

Responsible fiscal policy, then, suggests that the institutions should maintain ending biennial budgeted operations fund balances sufficient to stabilize the operating revenue stream and cover unforeseen contingencies equal to approximately one month's operating expenditures, or about 10 percent of their annual budgeted operations revenues.

At the same time, because of the funding mix of state General Funds and student tuition and fees, any excess balances could be interpreted to represent unwarranted tuition and fee rates. Consequently, ending biennial budgeted operations fund balances should not exceed

approximately two months of budgeted operations expenditures, or about 15 percent of annual budgeted operations revenues.

Fund Balance Defined:

Fund balance is defined as the difference between the assets and liabilities of a fund. Given this definition, fund balance can be described as the available resources of the fund, which can be significantly different than cash balances due to accrual accounting. For instance, at June 30 of each fiscal year, campuses have received payments for summer session tuition and fees. Since summer session activity occurs predominantly in July, these receipts are recorded as a liability (deferred revenue) at June 30 to comport with accounting rules. As a result, cash balances may be higher than fund balances.

As noted above, fund balance is the difference between the assets and liabilities of a fund. Generally Accepted Accounting Principles (GAAP), promulgated by independent standards-setting groups, set forth rules for the proper recording and valuation of assets and liabilities. Each OUS institution is required to follow GAAP. Therefore, fund balance is defined consistently across all OUS institutions.

Budgeted Operations Fund Balances at June 30, 2004:

**OREGON UNIVERSITY SYSTEM
SUMMARY OF OPERATING RESULTS
EDUCATION AND GENERAL FUNDS (including SWPS)
For the Year Ended June 30, 2004**

(in thousands of dollars)

	EOU	OIT	OSU	PSU	SOU	UO	WOU	CO
2003-04 Beginning Fund Balance	3,900	2,480	28,725	19,790	4,104	18,208	10,282	13,1
Revenues	24,566	24,972	280,781	154,390	35,621	214,573	33,972	20,5
Expenditures and Transfers	(24,914)	(24,739)	(270,983)	(151,671)	(36,467)	(214,974)	(34,862)	(21,534)
2003-04 Ending Fund Balance	3,552	2,713	38,523	22,509	3,258	17,807	9,392	12,1
Est. Comp. Absences Liability Adj.	² (574)	(654)	-	683	(994)	-	149	
Adjusted 2003-04 Ending Fund Balance	<u>2,978</u>	<u>2,059</u>	<u>38,523</u>	<u>23,192</u>	<u>2,264</u>	<u>17,807</u>	<u>9,541</u>	<u>12,1</u>

1: Chancellor's Office ending balance includes operating balances of \$7.9 million, OCECS balance of \$4.1 million, and Capital Support balance of \$0.2 million.

2: Needed to complete transition to recording compensated absences liability based on employee's official station by the end of the biennium.

NOTE: Our annual financial audit is currently underway and may result in adjustments to the amounts presented above.

Institution Fund Balance Commitments Defined:

Higher education institutions operate in a fiscal environment and on a business cycle that does not tightly correlate with the biennial budget process. As a result, institution management may make certain internal budgetary commitments against their fund balances. Among other reasons, these internal budgetary commitments are necessary in order to help maintain continuity of programs and provide funds for entrepreneurial activities and/or to provide incentives for certain desired outcomes. Examples of these budgetary commitments include, but are not limited to, commitments to maintain balances for certain departments, commitments to fund certain future actions, or contractual commitments to provide funding for program startup. Generally Accepted Accounting Principles do not call for such commitments to be recorded in the accounting records and, therefore, they do not impact fund balance.

In the event of an emergency these internal budgetary commitments could be funded from future resources (revenue increases or expenditure decreases), modified, or eliminated in order to meet the short-term need. Therefore, internal fund balance commitments support a balance within the policy range, but do not reduce the fund balance.

The Chancellor’s Office requested each institution to provide detail of their internal budgetary commitments against their Education and General funds. Staff summarized the institution information in the schedule provided below.

Institution Commitments Against Fund Balance:

OREGON UNIVERSITY SYSTEM
Schedule of Institutional Commitments Against Fund Balances
Education and General Funds (including SWPS)
June 30, 2004

(amounts in thousands of dollars)

	EOU	OIT	OSU	PSU	SOU	UO	WOU	CO	Totals
Distance Education Expansion		\$ 354							\$ 354
Faculty, Adjunct			\$ 1,719	\$ 885			\$ 92		2,696
Faculty, Bridge Funding			850						850
Instructional Course Development/Program Support			2,291	236	\$ 402	\$ 9,142			12,071
Student Services Support				480	102		31		613
Renovation and Remodeling of Classrooms/Offices				2,383			1,605		3,988
Engineering Expansion		506		1,000	74				1,580
Library/Equipment/Technology Acquisitions		140	10,216	400	219		877		11,852
Accreditation Needs & Special Studies			672				71		743
Departmental Research			1,044	750		8,665			10,459
Faculty Recruitment, Retention and Development			5,013	6,088					11,101
Research Infrastructure			3,079						3,079
Cost Sharing and Matching Requirements			822		280		98		1,200
Building Maintenance and Upgrades		51	4,854	2,943			1,360	\$ 1,620	10,828
Institutional and Administrative Support Services			658	77	179		25		939
Future Contractual Obligations		210	5,099	2,480	52		2,008	40	9,889
Transition Costs & Fund Shifts to Campuses								3,626	3,626
One-Time and Recurring CO Expenses								2,687	2,687
Enrollment Contingency/Emergency Reserves	\$ 2,978	798	2,206	5,470	956		3,374	4,223	20,005
Total	\$ 2,978	\$ 2,059	\$ 38,523	\$ 23,192	\$ 2,264	\$ 17,807	\$ 9,541	\$ 12,196	\$ 108,560



Budgeted Operations Fund Balances Policy Proposal:

OUS institutions shall develop budgets that target an ending biennial budgeted operations fund balance of approximately 10 percent of annual budgeted operations revenues. For purposes of this policy, budgeted operations funds are defined as all funds included in Fund Type 11 (Education and General) in the Oregon University System accounting records. Budget operations fund balances will be monitored as part of the quarterly projections included in the Managerial Reports provided to the Board; and institution presidents shall advise the Board in the event projected or actual ending balances for the biennium either fall below 5 percent or rise above 15 percent of revenues. Included in the information provided by the presidents will be an explanation for the variance and a plan to rebalance the budgeted operations fund balances over time to approximately 10 percent of annual budgeted operations revenues.

CLASS SIZE

(Adopted by the Oregon State Board of Higher Education, Meeting #304, April 25, 1962, pp. 172-173.)

Unless a compelling educational reason exists, no lower division section enrolling fewer than ten students will be continued. The responsibility for determining whether a compelling educational reason exists for a particular class will be exercised by the institutional executives through their instructional deans. At the upper division level, regular class sections enrolling fewer than ten students will be discouraged. It is recognized, nonetheless, that upper division electives and required sequences in specialized curricula may make it necessary to offer classes below the standard of ten students at the upper division level in more numerous instances than at the lower division level. Seminars, thesis, and reading and conference offerings are not to be construed as regular classes for purposes of this standard.

Because of the individualized nature of graduate study, no specific standard related to class size is proposed at the post-baccalaureate level.

CONFLICT OF INTEREST, POLICY STATEMENT REGARDING

(Adopted by the Oregon State Board of Higher Education, Meeting #437, April 29, 1977, pp. 355-356; Amended at Meeting #690, June 16, 2000, p. 56 [See also minutes from the Board Committee on System Strategic Planning, June 16, 2000])

SECTION A: As to members of Oregon State Board of Higher Education:

It is recognized that members of the Board of Higher Education are appointed to serve interests and needs of higher education in the state of Oregon. The fulfillment of this charge requires strict adherence to the highest standards of ethical behavior.

The Board recognizes that the standards that govern this conduct are fully set forth in ORS Chapter 244 et seq. It is therefore the policy of the Board of Higher Education that all members, upon confirmation of appointment, and periodically thereafter, be made aware of the requirements of this law, or, subsequent versions thereof. It is the Board's intent that this policy, or others adopted in furtherance of its purposes, be viewed and utilized as elaboration and guidance and that the statutory requirements set forth in Oregon law are binding authority to which members must adhere.

Board members are encouraged to examine prospective issues at the earliest opportunity for the potential of a conflict of interest and are reminded that compliance with the statutory requirements often require sensitivity to avoiding the appearance of impropriety. Members are to consult with the chair of the Board and/or counsel to the Board for guidance where appropriate. Formal opinion should be requested from the Government Standards and Practices Commission. All Board members shall file annually with the Government Standards and Practices Commission a verified statement of economic interests as directed by that Commission.

The Board further recognizes that persons appointed to this body bring long and valued histories of service to other segments of the state. These services often include advocacy on behalf of member institutions, particular regions of the state or groups served by the Board to include faculty, students, and alumni. All Board members are hereby charged with embracing the statewide and Systemwide duties of Board membership. Each member is reminded that by accepting membership on the Board they agree to serve the general good and welfare of the whole of higher education in the State of Oregon.

SECTION B: As to employees of the Department of Higher Education, including employees of the respective institutions:

The Chancellor, the vice chancellors, the presidents, and the vice presidents of this Department shall file annually with the Government Standards and Practices Commission a verified



statement of economic interests. No employee shall accept any outside employment that will discredit or embarrass the employee's institution, the Department of Higher Education, or the State of Oregon. Before accepting any outside employment, all employees shall comply with OAR 580-21-0025.

Any employee of the Department in a position to influence or make recommendations concerning the award of any contract who is an officer, agent, or member of or directly or indirectly interested in the pecuniary profits or contracts or any corporation, association, or partnership which is doing business or seeking to do business with the Department of Higher Education, shall be considered to have a potential conflict of interest.

Upon adoption of this policy, the text of this policy statement, and of Article XV, Section 7, of the Oregon Constitution, or pertinent portions of ORS chapter 244, and of OAR 580-21-0025 shall be widely disseminated and made available to each current and new employee.

DEBT

(Adopted by the Board, Meeting #836, March 1, 2010.)

I. Overview

In support of their respective missions, Oregon University System (System) institutions each maintain a long-term strategic plan. These strategic plans establish university-wide priorities as well as university-wide and divisional programmatic objectives. Each System university develops a capital plan to support these priorities and objectives.

The System's use of debt plays a critical role in ensuring adequate and cost-effective funding for the System institutions capital plans. By linking the objectives of its Debt Policy to its universities strategic objectives, the System ultimately increases the likelihood of achieving its mission.

II. Scope

The Debt Policy covers all forms of debt including long-term, short-term, fixed-rate, and variable-rate debt. It also covers other forms of financing including both on-balance sheet and other forms of financing that effectively operate as capital debt instruments even when not classified as such for financial statement purposes, such as certain operating leases and other structured products used with the intent of funding capital projects.

The use of derivatives is considered when managing the debt portfolio and structuring transactions. Conditions guiding the use of derivatives are addressed in a separate Interest Rate Risk Management Policy.

III. Objectives

The objectives of this policy are to:

- a) Outline the System's philosophy on debt
- b) Establish a control framework for approving and managing debt
- c) Define reporting guidelines
- d) Establish debt management guidelines

The Debt Policy formalizes the link between the System universities Strategic Plans and the issuance of debt. Debt is a limited resource that must be managed strategically in order to best support System priorities.

The policy establishes a control framework to ensure that appropriate discipline is in place regarding capital rationing, reporting requirements, debt portfolio composition, debt servicing, and debt authorization. It establishes guidelines to ensure that existing and proposed debt

issues are consistent with financial resources to maintain an optimal amount of leverage, a strong financial profile, and a strategically optimal credit rating.

Under this policy, debt is being managed to achieve the following goals:

- a) Maintaining access to financial markets: capital, money, and bank markets.
- b) Managing the System's credit rating (if applicable) to meet its strategic objectives while maintaining the highest possible creditworthiness that provides the most favorable cost of capital and borrowing terms;
- c) Optimizing the System's debt mix (i.e. short-term and long-term, fixed-rate and floating-rate, traditional and synthetic) for the System's debt portfolio;
- d) Managing the structure and maturity profile of debt to meet liquidity objectives and to make funds available to support future capital projects and strategic initiatives;
- e) Coordinating debt management decisions with asset management decisions to optimize overall funding and portfolio management strategies;
- f) Coordinating debt management decisions to maximize overall access to resources, including consideration of strategic opportunity costs, potential lost revenue, and interest and inflation rate tradeoffs.

System universities may use debt to accomplish critical priorities by prudently using debt financing to accelerate the initiation or completion of certain projects. As part of its review of each project, the university and the System will evaluate all funding sources to determine the optimal funding structure to achieve the most beneficial cost of capital.

IV. Oversight

The Vice Chancellor for Finance and Administration is responsible for implementing this policy and for all debt financing activities of the System. This policy is approved by the Board. The approved policy provides the framework under which debt management decisions are made.

The exposure limits listed in the policy are monitored on a regular basis by the Vice Chancellor for Finance and Administration. The Vice Chancellor for Finance and Administration reports regularly to the Chancellor, the Board, and the Internal Bank Oversight Committee on the System's debt position and plans.

PRINCIPLES/GUIDELINES/PROCEDURES

V. Debt Affordability and Capacity

Project Viability:

All projects using self-generated revenues to repay the debt will be carefully reviewed to ensure that they are financially viable based on reasonable and prudent estimates of the revenues and expenses associated with each project or combination of similar projects. When determining whether a project meets the self-supporting requirements, the Board may take

into consideration the total available unobligated revenues of the university, or the System as a whole. This review process will include an analysis of the total cost of the project, including site preparation, environmental assessment/remediation, architectural and engineering costs, and construction, renovation or purchase costs. A financial pro-forma will be prepared by the university that estimates the revenues and expenses associated with the operations, maintenance and debt service of the project over the life of the bonds. Projected operating revenues will provide coverage of operating expenses, maintenance, and debt service. Sources and uses of funds should be identified as part of this analysis. The financial pro-forma will be reviewed by the Director of Treasury Operations prior to recommendation of projects to the Board.

Institutional Concerns:

Institutional financial viability will also be considered as part of the debt approval process. The institution must demonstrate that there is sufficient enrollment or research demand or other compelling needs or strategic opportunities to justify the investment in the project and to generate the resources for debt repayment. Three years of trend data will be considered as part of this analysis in order to demonstrate institutional financial viability over a series of years.

The following financial statement ratios will be considered in order to determine institutional financial viability as part of this analysis:

- Primary reserve ratio — unrestricted net assets / operating expenses
- Current ratio — current assets / current liabilities
- Debt burden ratio — annual debt service (principal + interest) / total operating expenses, with a guideline maximum debt burden ratio of 7 percent, as established by the Board

In addition to presenting the actual ratios computed for the prior three fiscal years, the university will be responsible for calculating pro-forma ratios to incorporate additional debt allocated during the current fiscal year as well as for other future proposed projects and to analyze this information together to determine financial viability.

The ratios and limits are intended to help the System universities maintain a competitive financial profile, funding for facilities needs and reserves, and compliance with System debt service to budget guidelines.

The Debt Policy is shared with external credit analysts and other parties in order to provide them with background on the System's philosophy on debt and management's assessment of debt capacity and affordability.

VI. Real Property Financed by Third Parties

In computing financial ratios, universities need to identify and incorporate information related to real property financed by third parties when by written agreement the university is obligated

to provide payments toward the property financing or to take over the financial obligation at a specified future date. Examples include agreements with an affiliated foundation and long-term capital leases. In determining whether long-term leases should be included when computing financial ratios, the institution must distinguish between capital and operating leases. Capital leases are considered debt, and must therefore be included in the ratios. Operating leases are not considered debt, and are therefore excluded from the ratio calculations.

Third-party financings may not include annual appropriation pledges of the State's general fund, and long-term leases must comply with DAS administrative rules. In addition, third-party financings may not use the State's credit or view the State as the underlying guarantor.

VII. Financing Sources

There are numerous types of financing structures and funding sources available, each with specific benefits, risks, and costs. All potential funding sources are reviewed by management within the context of the Debt Policy and the overall portfolio to ensure that any financial product or structure is consistent with the university's and System's objectives. Regardless of what financing structure(s) is utilized, due-diligence review must be performed for each transaction, including (i) quantification of potential risks and benefits, and (ii) analysis of the impact on System creditworthiness and institution debt affordability and capacity.

Tax-Exempt Debt

Tax-exempt debt is a significant component of the System's capitalization due in part to its substantial cost benefits; therefore, tax-exempt debt is managed as a portfolio of obligations designed to meet long-term financial objectives rather than as a series of discrete financings tied to specific projects. The System manages the debt portfolio to maximize its utilization of tax-exempt debt relative to taxable debt whenever possible, keeping in mind potential issues related to the restrictions on the use of facilities financed with tax-exempt debt and the potential future uses of the facility(cies) being financed by the debt. In all circumstances, however, individual projects continue to be identified and tracked to ensure compliance with all tax and reimbursement regulations.

For tax-exempt debt, the System will consider maximizing the external maturity of any tax-exempt bond issue, subject to prevailing market conditions and opportunities and other considerations, including the useful life of financed facilities, future debt capacity of the System, applicable regulations, and the State Treasurer's statewide debt portfolio management goals and policies.

Taxable Debt

In instances where certain of the System's capital projects do not qualify for tax-exempt debt, the use of taxable debt may be considered. The taxable debt market offers certain advantages in terms of liquidity, marketing efficiency, and flexibility in the use of proceeds; such advantages will be considered when evaluating the costs and benefits of a taxable debt issuance.

Build America Bond Program

The American Recovery and Reinvestment Act (ARRA) of 2009 included provisions authorizing state governments to issue taxable bonds and receive an interest rate rebate in the amount of 35 percent of the interest paid from the Federal government (Build America Bond Program or BAB). This program opens up the taxable debt market to the System, which may prove to reduce borrowing costs. Bonds issued under this program must be treated in the same manner as tax-exempt debt with respect to the use of the bond proceeds (must be used for exempt purposes and follow the same private use rules as tax-exempt bond proceeds) and with respect to arbitrage rules. Accordingly, the System will manage debt issued under the BAB program as a part of the tax-exempt debt portfolio.

Commercial Paper

Commercial paper provides interim financing for projects in anticipation of philanthropy, planned issuance of long-term debt or from other sources of funds. The use of commercial paper also provides greater flexibility on the timing and structuring of individual bond transactions. This flexibility may also make commercial paper appropriate for financing equipment and as a tool to help manage the System's short-term liquidity position. The amount of commercial paper is limited by the Debt Policy ratios, the System's variable-rate debt allocation limit, and the System's available liquidity support.

System-issued vs. Other State-issued Debt

In determining the most cost effective means of issuing debt, the System evaluates the merits of issuing debt "directly" (e.g., under Articles XI-G or XI-F(1) of the Oregon Constitution) vs. "issuing" debt through or a State-issuing entity (e.g., The Oregon Lottery, Certificates of Participation, or the State Energy Loan Program.)

When "issuing" debt through a State-issuing entity, the Legislature may appropriate funds to the System to repay the debt, or may appropriate funds to the State-issuing entity to repay the debt. Debt issued through a State-issuing entity will not be managed as a part of the debt portfolio, but will be managed discretely. Debt issued through a State-issuing entity is normally only available if authorized by the Legislature and is not available as an option unless so authorized.

System issued debt under Article XI-G of the Oregon Constitution is repaid by Legislative appropriation to OUS and is not managed as a part of the debt portfolio, but will be managed discretely.

In the case of debt that will be repaid by System-generated revenues, the System performs a cost benefit analysis between this financing option and others available and takes into consideration the comparative funding costs and the flexibility in market timing of each alternative. The System also takes into consideration the future administrative flexibility and financial options of each issue, such as the ability to call and/or refund issues at a later date, as

well as the administrative flexibility to structure and manage the debt in a manner that the System believes to be appropriate.

Derivative Products

Derivative products may enable more opportunistic and flexible management of the debt portfolio. Derivative products, including interest rate swaps and locks, may be employed primarily to manage or hedge the System's interest rate exposure. The System, in consultation with the State Treasurer and in compliance with the State's Interest Rate Swap Policy, utilizes a framework to evaluate potential derivative instruments by considering (i) its current variable-rate debt allocation, (ii) existing market and interest rate conditions, (iii) the impact on future financing flexibility, and (iv) the compensation for assuming risks or the costs for eliminating certain risks and exposure. Risks include, but are not limited to, tax risk, interest rate risk, liquidity risk, counterparty credit risk, basis risk, and any other potential risks either imposed or removed through the execution of any transaction.

The System analyzes and quantifies the cost/benefit of any derivative instrument relative to achieving desirable long-term capital structure objectives. Under no circumstances will a derivative transaction be utilized that is not understood fully by management or that imposes inappropriate risk on the System. In addition, management discloses the impact of any derivative product on the System's financial statements per GASB (Governmental Accounting Standards Board) requirements and includes their effects in calculating the Debt Policy ratios.

Other Financing Sources

Given limited debt capacity and substantial capital needs, opportunities for alternative and non-traditional transaction structures may be considered, including off-balance sheet financings. The System recognizes these types of transactions often can be more expensive than traditional debt structures; therefore, the benefits of any potential transaction must outweigh any potential costs.

All structures can be considered only when the economic benefit and the likely impact on the System's debt capacity and credit have been determined. Specifically, for any third-party or developer-based financing, management ensures the full credit impact of the structure is evaluated and quantified.

VIII. Compliance with IRS Regulations

When tax-exempt governmental-purpose bonds are issued, the System must comply with all applicable IRS regulations including, but not limited to, regulations relating to the use of bond proceeds, the use of bond-financed facilities, and arbitrage in order to maintain the bonds' tax-exempt status.

IX. Portfolio Management of Debt

For purposes of this section, the System’s debt portfolio is defined as debt issued under Article XI-F(1) of the Oregon Constitution (XI-F debt). The System considers its debt portfolio holistically, that is, it optimizes the portfolio of debt for the entire System rather than on a project-by-project basis while taking into account the System’s cash and investment portfolio. Therefore, management makes decisions regarding project prioritization, debt portfolio optimization, and financing structures within the context of the overall needs and circumstances of the universities of the System.

Variable-Rate Debt

Exposure to variable interest rates within the System’s debt portfolio may be desirable in order to:

- a) take advantage of repayment/restructuring flexibility;
- b) benefit from historically lower average interest costs;
- c) reduce financial interest rate risk by providing a “match” between debt service requirements and the projected cash flows from the System’s assets; and
- d) diversify its pool of potential investors and gain additional access to the capital markets.

Management monitors overall interest rate exposure, analyzes and quantifies potential risks, including interest rate, liquidity and rollover risks, and coordinates appropriate fixed/variable allocation strategies. The portfolio allocation to variable-rate debt may be managed or adjusted through (i) the issuance or redemption of debt in the conventional debt market (e.g., new issues and refundings) and (ii) the use of interest rate derivative products including swaps.

The amount of variable-rate debt outstanding (adjusted for any derivatives) shall not exceed 20 percent of the System’s outstanding XI-F debt. This limit is based on the System’s desire to: (i) limit annual variances in its interest payments, (ii) provide sufficient structuring flexibility to management, (iii) keep the System’s variable-rate allocation within acceptable external parameters, and (iv) utilize variable-rate debt (including derivatives) to optimize debt portfolio allocation and minimize costs.

<u>VARIABLE-RATE DEBT (INCLUDING SYNTHETIC)</u>	<= 20%
TOTAL XI-F DEBT OUTSTANDING	

Refinancing Outstanding Debt

The System monitors its debt portfolio on a continual basis to assure portfolio management objectives are being met and to identify opportunities to lower its cost of funding, primarily through refinancing outstanding debt.

The System monitors the prices and yields of its outstanding debt and attempts to identify potential refunding candidates by examining refunding rates and calculating the net present

value of any refunding savings after taking into account all transaction costs. The System may choose to pursue refundings for economic and/or legal reasons. The System currently adheres to the State of Oregon's refunding thresholds. Net Present Value (NPV) savings of 3 percent or otherwise as permitted by the State Treasurer.

Liquidity Requirements

The System's portfolio of variable-rate debt and commercial paper require liquidity support in the event of variable rate demand bonds being put back to the System or the Commercial Paper maturing without new investors. Generally, the System can purchase liquidity support externally from a bank in the form of a standby bond purchase agreement or line of credit. In addition, the System can also use its own capital or the capital available to the State Treasurer (if approved) in lieu of or to supplement external facilities. Alternatively, it can utilize variable-rate structures that do not require liquidity support (e.g., resetting variable rate term loans).

Just as the System manages its debt on a portfolio basis, it also manages its liquidity needs by considering its entire asset and debt portfolio, rather than managing liquidity solely on an issue-specific basis. This approach permits Systemwide evaluation of desired liquidity exposure, provides administrative flexibility, and reduces total liquidity costs.

A balanced approach is used to provide liquidity support to enhance credit for variable-rate debt, through a combination of external bank liquidity, self-liquidity, and other financial tools. Using a variety of approaches limits dependence on an individual type or source of credit; it also increases access to different types of investors. The System must balance liquidity requirements with its investment objectives and its cost and renewal risk of third-party liquidity providers and internal capacity.

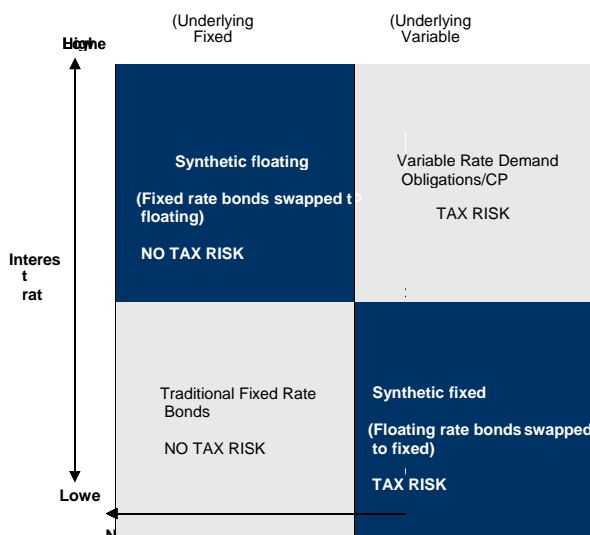
Further, a portfolio-approach to liquidity can enhance investment flexibility, reduce administrative requirements, lower total interest costs, and reduce the need for external bank liquidity.

Overall Exposure

The System may be exposed to interest rate, third-party credit, tax (the risk that the tax code may change in future periods and impact the cost or financial result of certain debt instruments), and other potential risks in areas other than direct System debt (e.g., off-balance sheet transactions, counterparty exposure in the investment portfolio, etc.) and, therefore, exposure will be measured and monitored on a comprehensive Systemwide basis.

The chart below attempts to visually display the interplay of risks that may be present depending on the types of debt instruments employed. For instance, when using variable rate debt, interest rate risk increases for obvious reasons. For less obvious reasons, if the System utilizes third-party liquidity to support its variable rate debt, the risk of the credit-worthiness of the liquidity provider comes into play. Additionally, income tax risk is interjected when variable rate bonds are remarketed as the tax laws may change and impact the cost of carrying the variable rate debt. If the System were to convert that variable rate debt to fixed via an interest

rate swap agreement, the interest rate risks would be mitigated, but the risk of the credit-worthiness of the third-party liquidity provider would not.



X. Central Loan Program Management

For purposes of this policy section, the central loan program pertains only to proceeds of XI-F debt or internal liquidity.

Each institution is responsible for the repayment of all funds borrowed from the central loan program, plus interest and any fees established in the System’s internal lending policies, regardless of the internal or external source of funds.

Loan structures with standard financial terms are offered to institutional borrowers. The System may provide for flexible financing terms in order to accommodate individual institutional needs if it is determined to be in the university’s and System’s best interest. The Vice Chancellor for Finance and Administration will clearly articulate the policies and procedures for the assumption and repayment of debt to all borrowers. The Director of Treasury Operations is the System’s loan officer for institutional borrowers.

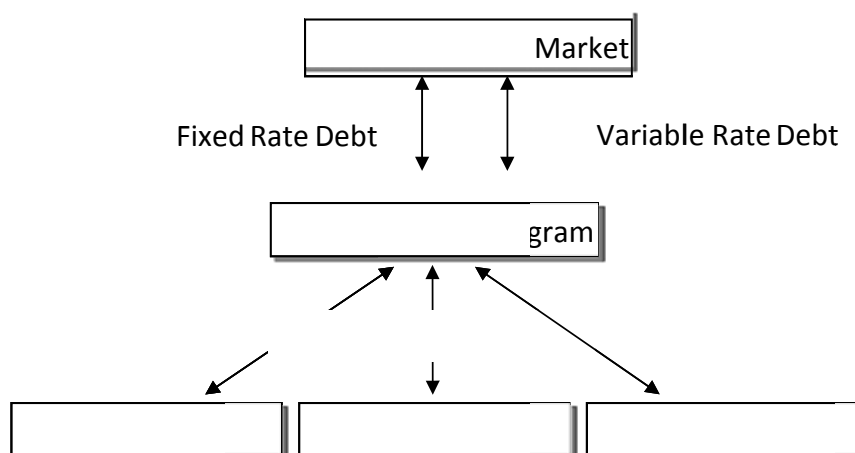
De-linking External and Internal Debt Structures

The System has adopted a central loan program under which it provides funding for projects across all institutions under the guidance of the Vice Chancellor for Finance and Administration. In this regard, the System has established a pool of financing resources, including debt, for a central source of capital.

The benefits of this program include:

- a) Enabling the structuring of transactions in the best economic interests of the System that might not be possible on a project-specific basis,
- b) providing continual access to capital for borrowers,
- c) permitting the System to fund capital needs on a portfolio basis rather than on a project-specific basis,
- d) funding specific projects with predictable financial terms,
- e) achieving a consistently low average internal borrowing costs while minimizing volatility in interest rates,
- f) permitting prepayment of internal loans without penalty, and
- g) achieving equity among borrowers through a blended rate.

The diagram below outlines the relationship between the System's internal borrowers, the central loan program, and the external debt market for debt that is repaid via system-generated revenues:



The central loan program can access funds from a variety of sources to originate loans to institutions. The System manages its funding sources on a portfolio basis, and therefore payments from institutions are not tied directly to a particular source of funds. (Note: due to federal tax and reimbursement requirements, actual bond debt service for certain projects still must be tracked.)

Blended Interest Rate

The System charges a blended interest rate to its institutions based on its cost of funding. In some instances, at the discretion of the Vice Chancellor for Finance and Administration, the type and useful life of the project being financed may affect the appropriate term and interest rate of any loan.

This blended interest rate may change periodically to reflect changes in the System's average aggregate expected long-term cost of borrowing. The blended interest rate may also include a reserve for interest rate stabilization purposes.

In addition to charging borrowers interest, the central loan program collects amounts to pay for costs of administering the debt portfolio. These costs are clearly articulated to institutions, and are passed on to borrowers in the form of a rate surcharge and an upfront fee for loan origination. These charges may be reviewed and adjusted from time-to-time.

XI. Approval Process

The System, through the Oregon State Treasury, issues debt under Articles XI-F(1) and XI-G of the Oregon Constitution. The System may also enter into other financing agreements (e.g., capital leases) with external entities for amounts in excess of \$100,000 with the approval of the State Treasurer and the Director of the Oregon Department of Administrative Services (DAS). Should the System be granted authority in the future to establish a revenue bond program, it is anticipated that such debt would be issued through the Oregon State Treasury as well.

All debt issued by the System must be authorized through a board resolution (or the Finance and Administration Committee as authorized by the board). When the System issues debt under Article XI-F(1) of the Oregon Constitution, the board's authorizing resolution must include its finding, based on the analysis of debt affordability and capacity delineated in section IV above, that the XI-F(1) debt financed projects are both self-liquidating and self-supporting.

The Board delegates the authority to approve the pricing of System-issued debt to the Vice Chancellor for Finance and Administration.

Other State-issued debt is approved as follows:

- DAS issues Certificates of Participation on behalf of the System.
- The Oregon Lottery issues Lottery bonds on behalf of the System.
- The Oregon Department of Energy loans money to System institutions for energy savings projects.

When the System participates in debt programs that are administered by other State agencies, such bonds are issued by the State Treasurer who also possesses the authority to price such bonds.

XII. Policy Conflicts

The provisions of this policy will supersede conflicting policy provisions in other Internal Management Directives, board policies, and/or other fiscal policies.

DIVERSITY

(Approved by the Oregon State Board of Higher Education at Meeting #822, on March 6, 2009)

POLICY/PURPOSE:

The purpose of this policy is to enhance opportunities within the Oregon University System (OUS) through the application of guiding principles and actions relating to diversity. This policy outlines a framework for leadership reflection and action, the identification of key evidence, and Board-conducted annual performance reviews to assess diversity efforts of the Board, the Chancellor, and campus presidents.

PRINCIPLES/GUIDELINES/PROCEDURES:

Guiding Principle #1: Overall Commitment to Diversity

The Board values the perspectives, educational benefits, and robust exchanges of ideas that are encouraged by the effective facilitation of diversity within OUS and seeks to promote and support initiatives that sustain best practices in diversity efforts.

Actions – The Board, the Chancellor, and campus presidents will identify opportunities and promote expectations for diverse representation, inclusion, and engagement throughout OUS programs and activities.

Guiding Principle #2: Commitment to Workforce Enhancements

The Board values workforce diversity and encourages opportunities for the employment and advancement of diverse faculty and staff within OUS.

Actions – In periodic reports to the Board, the Chancellor and campus presidents will identify strategies and progress toward the enhancement of workforce diversity.

Guiding Principle #3: Commitment to Equity in Student Success

The Board is committed to providing equitable opportunities for students to succeed and to efforts to close achievement gaps among underserved populations.

Actions – In periodic reports to the Board, campus presidents and representatives of OUS student-related committees will identify strategies and progress relating to student success among diverse populations.

Guiding Principle #4: Commitment to Welcoming Campus Environments

The Board values the importance of campus environments in the attraction, recruitment, and retention of diverse students, faculty, and staff.

Actions – In periodic reports to the Board, campus presidents will a) identify campus climate challenges and successes, b) discuss measures taken to promote welcoming campus environments, and c) describe the possible impact of these measures on student success.

Guiding Principle #5: Commitment to Vendor and Contracting Enhancements

The Board is committed to vendor and contracting practices that encourage and promote participation by minority, women-owned, and emerging small businesses (MWESB).

Actions – In periodic reports to the Board, Chancellor's Office and campus representatives will provide updates on progress in vendor and contracting initiatives and practices. OUS representatives will identify and incorporate into project proposals opportunities for outreach to promote engagement and seek bids from MWESB contractors.

Guiding Principle #6: Commitment to Continuous Feedback

The Board values the feedback and insights of numerous stakeholders in advancing diversity efforts.

Actions – The Board will include attention to diversity issues within its strategic planning efforts and will solicit ideas, innovations, and standards from the Chancellor and campus presidents that best align with institutional and state priorities. Further, the Board will seek input periodically from representatives of Oregon's diverse communities.

Guiding Principle #7: Commitment to Key Goals

The Board values both quantitative and qualitative diversity-related evidence to inform decisions and planning.

Actions – The Board directs the Chancellor and campus presidents to provide reports and updates pertaining to diversity achievements and challenges not less than once every biennium. To assist and inform the Board, each OUS institution will identify key diversity considerations relating to students, faculty, and staff each biennium. Campus leaders will identify and prioritize key goals that take into account fiscal resources, enrollment management considerations, curricular planning, workforce diversity efforts, and specific institutional data and environments. The Chancellor's Office will identify and prioritize key goals pertaining to diversity issues for its units as well. The Board will evaluate annually the Chancellor and campus presidents on elements relating to the identification of, and progress toward, key goals and actions in all areas of this policy and will utilize the guiding principles in Board self-assessments.

Document History

- Promulgated March 6, 2009, by majority vote of the Board.

EXECUTIVE SEARCHES, APPOINTMENTS, AND MANAGEMENT

(Promulgated October 8, 2010, by majority vote of the Board; Amended July 9, 2014).

Complete document history below.

POLICY/PURPOSE

To ensure effective executive leadership of the Oregon University System (“OUS”), including the Office of the Chancellor and the seven OUS institutions, the Board will deploy the following standards for the search, appointment, reappointment, and evaluation of the executive and governing officers of the System, including the Chancellor and the presidents of each of the OUS institutions.

AUTHORITY/CROSS-REFERENCES

- Oregon Revised Statutes Chapter 351
- Oregon Revised Statutes Chapter 352
- Oregon Administrative Rules, Division 20
- Oregon Administrative Rules, Division 21
- Board Policy on Policies & Internal Management Directives
- Board Policy on Executive Leadership and Management

PROCEDURES/GUIDELINES/PROCEDURES

(A) *Selection and Appointment of the Chancellor*

- (1) The Board retains the sole responsibility for the selection and appointment of the Chancellor and authorizes the Board president to conduct the search on its behalf.
- (2) When it becomes necessary to hire a Chancellor, the Board president will initiate a search. The search will be conducted in a manner consistent with guidelines recommended by the Governance and Policy Committee and approved by the Board. The search guidelines will be designed to ensure appropriate public notice and will address affirmative action considerations.
- (3) A single search committee will be responsible for assisting the Board president by identifying, recruiting, and evaluating possible candidates for Chancellor. The Board, in addition to a search committee, may contract for the services of a consulting or executive search firm in order to assist it recruiting candidates and organizing and executing the search process.
 - (a) The Board president will appoint members of the search committee. At least one member of the search committee will be a current member of the State Board of Higher Education. The Board president will appoint a search committee chair, who will be a current member of the State Board of Higher Education.

- (b) The Board president will appoint a senior employee of the Office of the Chancellor to serve as coordinator of the search. The coordinator will serve as a non-voting ex-officio member of the committee.
- (4) The search committee will recommend finalists to the Board president. The Board president may meet with the search committee to discuss the strengths and weaknesses of the finalists. The search committee will not rank the finalists.
- (5) Consistent with the guidelines approved by the Board at Section (A)(2), the Board president will interview the finalists. The Board president, after consultation with the search committee and members of the Governance and Policy Committee, is authorized to narrow the field of finalists that will be forwarded to the Board.
- (6) Consistent with the guidelines approved by the Board at Section (A)(2), the Board will interview the finalist or finalists in executive session. Following the interviews, the Board president will negotiate terms and conditions of employment with the Board's first preference for Chancellor. If the negotiation is unsuccessful, the Board president will seek further advice from members of the Board before negotiating with other finalists.
- (7) Upon the successful negotiation of the terms and conditions of employment, the Board will vote on the new Chancellor's appointment at a public meeting of the Board.

(B) Selection of an Interim or Acting Chancellor

- (1) When the position of Chancellor becomes vacant prior to the appointment of a regular successor, the Board president will, after consultation with the members of the Governance and Policy Committee and other constituents as necessary, recommend a candidate for interim Chancellor.
- (2) The Board president or designee will interview the recommended candidate for interim Chancellor. The Governance and Policy Committee or the Board, in its discretion, may meet in executive session to discuss the strengths and weaknesses of the recommended candidate.
- (3) At its next regular meeting or at a special meeting, the Board will vote on the interim Chancellor's appointment. The interim Chancellor will serve until the Board has appointed a regular Chancellor or until the interim Chancellor has been relieved of the duties and responsibilities of Chancellor. Throughout his/her term, the interim Chancellor will serve at the pleasure of the Board.
- (4) When an incumbent Chancellor is temporarily unable to discharge his/her duties, leaves for a period that, in the judgment of the Board chair, warrants a temporary replacement, or in any other circumstance determined advisable by the Chancellor or

the Board, the Board chair, after consultation with members of the Governance and Policy Committee and other constituents as necessary, will recommend a candidate for acting Chancellor.

- (5) The Board president or designee will interview the recommended candidate for acting Chancellor. The Governance and Policy Committee or the Board, in its discretion, may meet in executive session to discuss the strengths and weaknesses of the recommended candidate.
- (6) At its next regular meeting or at a special meeting, the Board will vote on the acting Chancellor's appointment. The acting Chancellor will serve until the incumbent is able to resume his/her duties or until the acting Chancellor has been relieved of the duties and responsibilities of Chancellor. Throughout his/her term, the acting Chancellor will serve at the pleasure of the Board.

(C) Selection of an Interim Chancellor as Regular Chancellor

- (1) When the Board must decide whether to search for a Chancellor or move an interim or acting Chancellor to regular status, the process at Section (B) will be used.

(D) Evaluation of the Chancellor

- (1) The Chancellor will be evaluated for performance by the Board pursuant to the process, standards, and criteria established by the Board's Governance and Policy Committee. The Chancellor and Board president will be consulted as the Board's Governance and Policy Committee establish the evaluative process, standards, and criteria.

(E) Selection and Appointment of an Institution President

- (1) The Board retains the sole responsibility for the selection and appointment of institution presidents and delegates authority to the Chancellor to conduct the search on its behalf. The direct costs of the presidential search will be borne by the institution.
- (2) When it become necessary to hire an institution president, the Chancellor, after consultation with Board leadership, will initiate a search process. The search will be conducted in a manner consistent with guidelines established by the Chancellor and approved by the Board. The search guidelines will be designed to ensure appropriate public notice and will address affirmative action considerations.
- (3) A single search committee will be responsible for assisting the Chancellor and the Board by identifying, recruiting, and evaluating possible candidates for the position of institution president. The Board, in addition to a search committee, may contract for the services of a consulting or executive search firm in order to assist it recruiting candidates and organizing and executing the search process.

- (a) The Chancellor will appoint the members of the search committee after consultation with Board leadership. The search committee will include at least one current Board member. A current Board member will serve as chair of the search committee.
 - (b) The Chancellor will appoint a senior employee of the Office of the Chancellor to serve as coordinator of the search. The coordinator will serve as a non-voting ex-officio member of the committee.
 - (c) The Chancellor will appoint a campus-based search coordinator after consultation with the senior employee of the Office of the Chancellor assigned to the committee, the search committee chair, and institutional leadership.
- (4) The search committee will recommend finalists to the Chancellor. The recommendations should be accompanied by a detailed report of the strengths and weaknesses of each candidate, especially in terms of the desired qualifications for the position. The report may include summaries of the evaluations from individuals and groups who provided information to the search committee. The recommendations from the search committee will be unranked.
 - (5) The Chancellor will interview the committee's finalists. The Chancellor is authorized to narrow the field of candidates, but only after consultation with the search committee. The Chancellor is authorized to rank the candidates.
 - (6) The Board will interview the finalists forwarded by the Chancellor in executive session.
 - (7) Consistent with the guidelines approved by the Board at Section (F)(2), the Board will interview the finalist or finalists in executive session. Following the interviews, the Chancellor will negotiate terms and conditions of employment with the Board's first preference for institution president. If the negotiation is unsuccessful, the Chancellor will seek further advice from members of the Board before negotiating with other finalists.
 - (8) Upon the successful negotiation of the terms and conditions of employment, the Board will vote on the new institution president's appointment at a public meeting of the Board.

(F) Selection of an Interim or Acting Institution President

- (1) When the office of institution president become vacant prior to the appointment of a regular successor, the Chancellor will, after consultation with Board leadership, campus leadership, and other constituencies as necessary, recommend the name of a candidate for interim president.

- (a) The Board president or designee will interview the recommended candidate for interim president. The Board, in its discretion, may meet in executive session to discuss the recommended candidate's strengths and weaknesses.
 - (b) At its next regular meeting or at a special meeting, the Board may appoint the candidate as interim president. The interim president will serve until the Board has appointed a regular institution president or until the interim president has been relieved of the presidential duties and responsibilities. Throughout his/her term, the interim president will serve at the pleasure of the Board.
- (2) When an incumbent institution president is temporarily unable to discharge his/her duties, takes a leave for a period that, in the judgment of the Chancellor and the Board, warrants a temporary replacement, or in any other circumstance determined advisable by the Chancellor or the Board, the Chancellor, after consultation with Board leadership, campus leadership, and other constituencies as necessary, recommend a candidate for acting president.
- (a) The Board president or designee will interview the recommended candidate for acting president. The Board, in its discretion, may meet in executive session to discuss the recommended candidate's strengths and weaknesses.
 - (b) At its next regular meeting or at a special meeting, the Board may appoint the candidate as acting president. The acting president will serve until the Board determines that the incumbent is able to resume his/her official duties or until the acting president has been relieved of the presidential duties and responsibilities. Throughout his/her term, the acting president will serve at the pleasure of the Board.

(G) Selection of an Interim Institution President as President

- (1) When the Board must decide whether to search for an institution president or move an interim or acting president to regular status, the process at Section (G) will be used.

(H) Evaluation of an Institution President

- (1) The institution president will be evaluated for performance by the Chancellor and the Board pursuant to the process, standards, and criteria established by the Board's Governance and Policy Committee. The institution president, Chancellor, and Board president will be consulted as the Board's Governance and Policy Committee establish the evaluative process, standards, and criteria.

DOCUMENT HISTORY

- Promulgated October 8, 2010, by majority vote of the Board
 - Amended July 9, 2014.

- Former Policy for Presidential Search Process:
 - Adopted by the Oregon State Board of Higher Education, Meeting #535, March 21, 1986, pp. 122-130
 - Amended Meeting #560, February 17, 1988, pp. 64-70;
 - Amended Meeting #570, October 21, 1988, pp. 564-570;
 - Amended Meeting #581, October 20, 1989, pp. 457-463;
 - Amended Meeting #623, October 22, 1993, pp. 500-508;
 - Amended Meeting #627, April 22, 1994, pp. 130-136;
 - Amended Special Meeting, January 29, 1997, pp. 41-50;
 - Amended Meeting #667, October 17, 1997, pp. 462-472;
 - Amended, Meeting #667, pp. 462-472;
 - Repealed, Meeting #843, October 8, 2010.
- IMDs 1.102 through 1.155, repealed Meeting #843, October 8, 2010

FIREARMS

(Approved by the State Board of Higher Education, meeting #855, March 2, 2012)

POLICY/PURPOSE

Oregon Revised Statutes 351.060(1) and (2) grant the State Board of Higher Education broad authority over its property. It states: “The State Board of Higher Education may [c]ontrol and provide for, subject to the conditions of this section, the custody and occupation of the grounds, buildings, books, papers and documents belonging to each and all the institutions, departments or activities under the control of the State Board of Higher Education [and may] [m]anage, control and apply all property of whatever nature given to or appropriated for the use, support or benefit of any or all of the institutions, departments or activities under the control of the State Board of Higher Education...” Additionally, Senate Bill 242 grants the State Board of Higher Education the “sole authority to govern, set policy, and otherwise manage the affairs of the public universities listed at ORS 352.002” and states the Board “shall exercise and carry out all of the powers, rights and duties that are expressly conferred upon the board or that are implied by law or incident to such powers, rights and duties.”

Pursuant to this authority to manage its affairs and control its property—and in recognition of its obligation to provide a safe environment to its students, employees, visitors, vendors, and patrons—the State Board of Higher Education promulgates the following internal policy governing firearms for the Oregon University System, including the Chancellor’s Office and the OUS institutions.

AUTHORITY/CROSS-REFERENCES

Oregon Revised Statutes Chapter 351, with specific reference to ORS 351.060 and SB 242 (2011).

PRINCIPLES/GUIDELINES/PROCEDURES

A. Control by OUS of its Premises Regarding Students, Employees, Contractors, Event Attendees, and Users of Board-Owned or Controlled Property

Subject to the exceptions stated in paragraph (C) below, the following persons are prohibited, at all times, from possessing a firearm on Board-owned or controlled property, whether or not that person possesses a concealed handgun license:

- (1) Any person with student status, including, but not limited to full-time, part-time, non-admitted, or any person auditing a course at an OUS institution;
- (2) Any person employed by the State Board of Higher Education or Oregon University System, including the Chancellor’s Office or OUS institutions;

- (3) Any person, whether individually or as an agent of an entity, with whom the Oregon University System, including the Chancellor's Office or an OUS institution, has a business relationship, including, but not limited to independent contractors or vendors under contract with the State Board of Higher Education or the Oregon University System, including the Chancellor's Office or an OUS institution. The Chancellor's Office or OUS institution, as appropriate, is encouraged to include a contractual clause identifying this obligation in all of its contracts, but this obligation is binding whether or not such a clause is included. Exceptions may be made when the possession of a firearm is required for the discharge of the duties under the contract or business relationship. Examples include, but are not limited to armored car service to ATM machines within the campus boundary;
- (4) Any person attending an event, including but not limited to athletic events, performances, lectures or speeches, which require a ticket for admission. Each OUS institution is encouraged to include a contractual clause identifying this obligation on all of its tickets, which function as licenses to attend an event on Board-owned or controlled property, but this OUS policy is effective regardless of the existence of such clauses; and
- (5) Any person leasing, renting, or reserving Board-owned or controlled property. Each OUS institution is encouraged to include a contractual clause identifying this obligation in all contracts with such persons, but this OUS policy is effective regardless of the existence of such clauses.

B. Control by OUS of its Premises Regarding Others

Subject to the exceptions stated in paragraph (C) below, no person may possess a firearm on or in the following places on Board-owned or controlled property, whether or not that person possesses a concealed handgun license:

- (1) OUS institution buildings or buildings owned or controlled by the Board; and
- (2) OUS sports or performance venues or sports or performance venues owned or controlled by the Board; and
- (3) OUS institution work places or work places owned or controlled by the Board.

C. Exceptions

The State Board of Higher Education authorizes the following exceptions to its Policy on Firearms:

- (1) Possession by on-duty law enforcement officers licensed with the Oregon Department of Public Safety Standards and Training or equivalent state or federal authority authorized to license the possession of firearms by law enforcement officers;

- (2) Possession by any person participating in an institutionally-recognized or sanctioned U.S. military program, including, but not limited to Reserve Officer Training Corps (ROTC), provided that safety protocols established by such program for the possession and secure storage of firearms have been approved by such program and are followed;
- (3) Possession by residents within a family housing dwelling or any other living arrangement governed by Oregon landlord-tenant law. Residence halls and other living arrangements not governed by Oregon landlord-tenant law are expressly excluded from this exception. Possession of firearms by such residents outside the dwelling is subject to the restrictions of this policy; and
- (4) Possession by persons in compliance with any institution policy that provides for the transportation and/or safe and secure storage of unloaded firearms in order for a student or employee to have access to a firearm for hunting or target shooting, or for academic research, so long as the policy:
 - (a) minimizes the presence of the firearms on Board-owned or controlled property; and
 - (b) restricts the presence of firearms on Board-owned or controlled property in such cases to those instances in which the person wishing to possess the firearm on Board-owned or controlled property demonstrates a need, as reasonably required by the institution, to possess or transport the firearm on or across Board-owned or controlled property for such hunting or target shooting or academic research; and
 - (c) requires that such firearms be unloaded except in connection with an institution-sanctioned target-shooting event.
- (5) Possession by persons engaged in public safety or campus police training, where authorized.
- (6) The Chancellor or OUS president is authorized to make a temporary exception to this policy on the showing of good cause or necessity.

D. Review

- (1) This Board policy will be reviewed from time-to-time, but no less than once a biennium, for amendment or revision.

HOUSING FOR PRESIDENTS AND CHANCELLOR

(Policy continued by Oregon State Board of Higher Education, Meeting #437, March 25, 1977, pp. 253-255; affirmed, Meeting #452, November 17, 1978, pp. 867-869; additional action pertaining to Chancellor at Meeting #480, October 23, 1981, p. 592, and Meeting #481, December 10-11, 1981, pp. 651-652.)

Presidents of the institutions and the Chancellor are required to reside in state-owned or approved housing.

INTERNAL CONTROLS

(Approved by the Finance and Administration Committee, December 16, 2011;
adopted by the Board at Meeting #855, March 3, 2012)

POLICY/PURPOSE

The Oregon University System (System) shall establish and maintain an effective system of internal controls. Internal controls are designed to assure that the System, its universities, and the Chancellor's Office meet their mission, promote performance leading to effective accomplishment of objectives and goals, safeguard assets, provide accurate and reliable financial and other key data, promote operational efficiency and economy, and encourage adherence to applicable laws, regulations and prescribed management policies and practices. The control model for the System is the Integrated Framework of Internal Control as promulgated by the congressionally established Committee of Sponsoring Organizations (COSO).

GUIDING PRINCIPLES

The System's internal control and risk assessment practices shall help ensure that:

- (1) Chancellor's Office and university activities and operations function effectively and efficiently;
- (2) Chancellor's Office and university activities and operations comply with laws, regulations, and System policies and standards;
- (3) Chancellor's Office and university processes result in accurate and reliable financial information and reports;
- (4) Chancellor's Office and university resources are adequately protected;
- (5) All material risks facing the Chancellor's Office and each university, including, but not limited to, strategic, operational, financial, compliance, and reputational, are routinely identified and assessed, and appropriately managed;
- (6) Control activities and other mechanisms are proactively designed to address and manage significant risks;
- (7) Information critical to identifying risks and meeting the Chancellor's Office's and each university's mission and strategic objectives is communicated through established channels throughout the System; and
- (8) Controls are monitored and identified problems are addressed in a timely manner.

POLICY RATIONALE

This policy is intended to ensure that the Chancellor's Office and each System university has a system of accountability for and oversight of its operations and to assist the Chancellor's Office and universities in reaching their goals and meeting their objectives.

KNOWLEDGE OF THIS POLICY

All System personnel

DEFINITIONS

Internal Control

A process, affected by the Board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

The components of internal control are:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

Control Environment

The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values, and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its people; and the attention and direction provided by the board of directors.

Risk Assessment

Every entity faces a variety of risks from external and internal sources that must be assessed. A precondition to risk assessment is establishment of objectives, linked at different levels and internally consistent. Risk assessment is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed. Because economic, industry, regulatory, and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change.

Control Activities

Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations,

verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

Information and Communication

Pertinent information must be identified, captured, and communicated in a form and timeframe that enable people to carry out their responsibilities. Information systems produce reports, containing operational, financial, and compliance-related information, that make it possible to run and control the business. They deal not only with internally generated data, but also information about external events, activities, and conditions necessary to informed business decision-making and external reporting. Effective communication also must occur in a broader sense, flowing down, across, and up the organization. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream. There also needs to be effective communication with external parties, such as customers, suppliers, regulators, and shareholders.

Monitoring

Internal control systems need to be monitored--a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the Board.

RESPONSIBILITIES

A. Chancellor

The Chancellor, through directed leadership, shared values, and a culture that emphasizes accountability, is responsible for ensuring that an effective Systemwide internal control system is established and maintained for the Systemwide operations of the Chancellor's Office. Similarly, the Chancellor is also responsible for ensuring that such a system is established and maintained in the Chancellor's Office. Notwithstanding any delegation made by the Chancellor to administer this policy, the Chancellor shall be responsible to the Board for the faithful execution of this policy, consistent with the other policies of the Board and applicable law.

B. University Presidents

Each university president, through directed leadership, shared values, and a culture that emphasizes accountability, is responsible for ensuring that an effective internal control system is established and maintained for his/her university. Notwithstanding any delegation made by the president to administer this policy, the president shall be responsible to the Board for the faithful execution of this policy, consistent with the other policies of the Board and applicable law.

POLICY PROVISIONS

A. Internal Control System Elements

The internal control system at all System universities and the Chancellor's Office shall be developed using the COSO model that includes the following elements:

- Control Environment
- Risk Assessment
- Control Activities
- Information and communication
- Monitoring

B. Chancellor's Office Participation in Recruitments for Certain University Administrators Responsible for Internal Controls and Financial Management

In order to enable the Chancellor's Office to establish and maintain an effective internal control system over its Systemwide operations, as well as carry out its Systemwide management and oversight responsibilities, Chancellor's Office finance and administration personnel will participate in the recruitment process for the following key university management positions:

- Vice President for Finance and Administration
- Associate/Assistant Vice President for Finance and Administration
- Director of Budgets/Chief Budget Officer
- Director of Business Affairs/Controller

These positions have a responsibility both to their university's President and to the Chancellor and Board with respect to the establishment and maintenance of the internal control system and to the financial management of their university. The participation by the Chancellor's Office in these recruitments will focus primarily on whether the candidates for these offices possess the appropriate education/credentials, experience, knowledge, and skills to be successful in the position.

INTEREST RATE RISK MANAGEMENT

(Adopted by the Board at Meeting #843, March 1, 2010)

I. Overview

The Oregon University System (System) maintains a Debt Policy which sets forth guidelines on the authorization and management of debt. The System manages its debt issued under Article XI-F(1) of the Oregon Constitution (XI-F debt) on a consolidated, portfolio basis and makes debt management decisions to achieve the lowest cost of debt capital and maximize its portfolio objectives. The nature of managing debt as a portfolio implies that there may be a mismatch of the specific terms on either side of the balance sheet. These mismatches may include maturity, payment schedule, interest rate, etc. These mismatches cause interest rate risk that may affect cash flow or the value of the underlying debt and corresponding loan. The use of derivatives can play a key role in managing the interest rate risk associated with the System's debt portfolio and other managed portfolios.

In certain circumstances, derivatives are an effective way for the System to adjust its mix of fixed- and floating-rate debt and manage interest rate exposures. Derivatives may also be an effective way to manage liquidity risks. The System's philosophy is to use derivatives strategically to achieve asset and liability portfolio objectives and hedge existing exposures. Derivatives will not be used to create leverage or to speculate on the movement of interest rates.

II. Scope

The Interest Rate Risk Management Policy applies to any derivatives used for the purpose of hedging interest rate exposures. This policy does not apply to derivatives used by the State Treasurer's office in its management of the System's endowment and assets of any System university-related foundations.

Additionally, any decisions made regarding the use of derivatives must take into consideration the resulting impact under the System's Debt Policy.

III. Objectives

This policy is intended to:

- (i) Outline the System's philosophy on derivatives
- (ii) Provide guidelines on the use of derivatives
- (iii) Identify approved derivative instruments
- (iv) Establish a control framework related to the use of derivatives

The System views derivatives as a tool to achieve its asset and liability management objectives. As a result, it is the System's philosophy to use derivatives strategically in support of this cause. It is also the System's philosophy to not use derivatives to create leverage or speculate on interest rate movements. The System recognizes that the prudent and selective use of derivatives may help it to lower its cost of debt capital and manage its interest rate exposure.

This policy provides guidelines on the use of derivatives including the circumstances under which they may be used and the factors that are considered in deciding whether to use them. Derivatives may be used to achieve the following objectives:

- (i) Reduce the cost for debt financing when compared to conventional debt structures
- (ii) Manage interest rate volatility
- (iii) Manage fixed- and variable-rate debt mix
- (iv) Help match the cash flows from assets with those from liabilities
- (v) Hedge future debt issues or synthetically advance refund bonds

The policy also outlines a control framework to ensure that an appropriate discipline is in place regarding the use of derivatives. Controls exist to address both operational risks and exposure risks.

IV. Oversight

The Vice Chancellor for Finance and Administration (VCFA) is responsible for coordination with Oregon State Treasury in implementing this policy and for all interest rate risk management activities of the System. The policy and any subsequent, material changes to the policy are approved by the Board's Finance and Administration Committee (F&A Committee).

The VCFA provides oversight and monitors all derivative transactions. The Director of Treasury Operations reports on all derivative transaction, at least quarterly, to the Internal Bank Oversight Committee (Oversight Committee) and at least annually to the Chancellor and the F&A Committee on the System's outstanding derivatives.

V. Derivative Use Guidelines

The System may use derivatives to achieve a lower cost of debt funding, manage its exposure to interest rate volatility, and/or match the timing and nature of cash flows associated with its assets and liabilities. The System may accomplish this by hedging the interest rate volatility of projected debt issuances or by using derivatives to adjust its exposure to variable interest rates.

To determine its portfolio exposure, the System looks at the composition of its outstanding assets and liabilities (adjusted for any hedges) and the change in this composition over a predetermined planning horizon. Taking into account the potential for future uncertainty, the

System determines what, if any, action should be taken to keep its portfolio exposures at desirable levels over this period.

In determining when to hedge, the System monitors its interest rate exposure, the capital markets, and its future funding and liquidity requirements. Special attention is paid to the relative level of interest rates, the shape of the yield curve, and signals of interest rate increases or decreases from the Federal Reserve.

The System analyzes and quantifies the cost/benefit of any derivative instrument relative to achieving desirable long-term capital structure objectives. Before entering into a derivative, the System evaluates its risks including, but not limited to: tax risk, interest rate risk, liquidity risk, credit risk, basis risk, rollover risk, termination risk, counterparty risk, and amortization risk.

When evaluating its hedging options, the System generally prefers the lowest cost, most liquid, and most flexible hedging strategy available. In instances where no one hedging strategy meets all these needs, the System prioritizes these requirements to decide on an optimal strategy.

At their inception, derivatives are chosen to closely match the exposures being hedged. As time passes, the System's debt management objectives may change and any decisions will be made with the best information available at that time regardless of hedges that may be in place. For instance, the System may use derivatives to hedge future interest rates associated with a fixed-rate bond issuance. If at the time of issuance it is deemed more beneficial to issue floating-rate bonds, then the System will not let its past hedging decisions constrain its current bond issuance decisions.

In addition, management discloses the impact of all derivatives on the System's financial statements per GASB requirements and includes their effects in calculating the financial ratios identified in the System's Debt Policy.

The Oversight Committee will set acceptable risk tolerances for each portfolio, which will determine whether adequate hedging has occurred.

VI. Allowable Derivative Instruments

The System recognizes that there are numerous derivatives of varying degrees of complexity. The System attempts to avoid structural complexity in its use of derivatives and believes the following instruments, used alone or in combination with each other, allow for sufficient flexibility to help the System meet its interest rate risk management objectives.

Interest Rate Swaps – Swaps are contracts to exchange payments based on different interest rate indices, generally with one such index based on interest rates that are fixed at a specific rate for the term of the contract and the other based on interest rates that are to be adjusted from time to time throughout the term of the contract. The System may utilize these contracts

to change its mix of fixed rates and floating rates to achieve optimal asset-liability balance. They may also be used as a means to hedge future variable rate financings.

Interest Rate Call or Put Options — An option gives the holder a right, but not an obligation, to buy or sell a security at or by a specified date(s) at an agreed upon price in exchange for the payment of a premium. Interest rate options, typically in the form of interest rate caps and/or floors, are designed to provide protection against interest rates being above a certain cap rate or below a certain floor rate. Options may be used when the purchaser faces an asymmetrical risk profile, for instance, the risk that interest rates may rise prior to a new debt issuance. Options to enter into swaps, or swaptions, give the buyer the right to enter into a swap as a fixed-rate or floating-rate payer depending on the buyer's interest rate exposure.

The System will not sell options, except to the extent they are sold to better hedge an underlying exposure that contains an offsetting option position. For example, a bond with a call option held by the System may be hedged better by entering into a derivative with an offsetting sold call option.

Interest Rate Locks — A rate lock is a forward contract that represents a sale of a specific benchmark security (e.g., U.S. Treasuries, LIBOR, or tax-exempt indices) or other appropriate benchmark security at an agreed price or interest rate. The System may utilize these contracts to help lock in a future financing rate.

Before entering into any derivative transaction, the System first gains a full understanding of the transaction and performs appropriate due diligence, such as (i) a quantification of potential risks and benefits, and (ii) an analysis of the impact on the System's debt portfolio. The duration of each derivative may be different from the duration of the risk being offset.

VII. Policy Controls

The System has established both operating and exposure controls to address program risks.

Operating Controls

When utilizing derivatives, it is important for operating controls to be in place to provide for adequate segregation of duties and management oversight. The System has controls addressing trade initiation, approval, confirmation, and accounting.

Appendix A to this Policy lists the individuals who may enter into derivatives on behalf of the System. These individuals may not approve their own transactions, unless explicitly stated in Appendix A. Initiators may not confirm transactions with counterparties and may not enter the accounting related to a trade. These controls are in place to assure trades are fully disclosed, accounted for, and approved by appropriate parties.

Appendix A also contains a list of individuals with authority to approve transactions. In all instances, unless provided for in Appendix A, an approver may not also be the initiator for a specific transaction.

Confirmations serve the purpose of confirming the details of a trade as understood by the System and its counterparty. Trade confirmations are done by an individual who does not have authority to either initiate or approve transactions.

Transactions are recorded for accounting purposes by an individual who is neither the initiator nor the approver. This segregation helps to assure that trades are accounted for correctly and are recorded and valued correctly on an ongoing basis.

Exposure Controls

The System manages its derivatives exposure by looking at its derivatives portfolio independently and also in the context of its overall asset and liability portfolios. Prior to entering into a derivative transaction, the System will examine the impact of such trade independently and on the asset and liability portfolios as a whole. The System will also coordinate this review with the financial advisor contracted by the State Treasurer pursuant ORS 286A.132(a).

All derivatives will be monitored by the State Treasurer's financial advisor to provide valuations of the derivatives and monitor compliance with the terms and conditions of the derivative contract.

Appendix B to the policy establishes limits related to counterparty credit ratings, and the maximum allowable percentage of floating rate debt.

Exposure controls are in place to limit the System's exposure to the various market risks associated with derivatives.

Appendix A

OPERATING CONTROLS

Authorized Initiators — The individuals holding the following positions are hereby authorized to initiate interest rate derivative transactions on behalf of the System:

- Chancellor
- Vice Chancellor for Finance and Administration
- Associate Vice Chancellor for Finance and Administration and Controller
- Director of Treasury Operations

Approval — All interest rate derivative transactions on behalf of the System must be approved by both:

- The Board's Finance and Administration Committee, and
- The Director of Debt Management, Oregon State Treasury

Appendix B

EXPOSURE CONTROLS

Maximum Percentage of Floating Rate Debt — The System’s outstanding debt portfolio will have no more than 20 percent of the principal amount in floating rate debt, as described in its Debt Policy. This percentage is calculated to factor in the effects of interest rate derivatives.

Counterparty Credit Exposure — All derivative counterparties will be rated A3 or better by Moody’s and A– or better by Standard & Poors. The maximum allowable credit exposure, determined by the net mark-to-market of all trades with a single counterparty, will be \$25 million for counterparties rated Aa2/AA or better and \$10 million for counterparties rated less than Aa2/AA.

The System may takes steps to reduce its exposure to a counterparty by either (i) requiring the counterparty to post collateral in the full amount of the exposure (all the while abiding by the terms of any Credit Support Annex between the System and the counterparty), (ii) terminating all or a portion of its outstanding contract(s) with the counterparty, or (iii) requiring the counterparty to obtain swap insurance or provide another form of third-party security agreeable to the System.

The System will also strive to limit counterparty exposure to no more than \$100 million per notional amount with the strategy of diversifying the use of counterparties. In determining counterparty credit exposure, the System will also consider the counterparty’s credit exposure to other System related organizations (e.g., related university foundations.)

Measuring Exposure — The internal bank will compute the overall interest rate risk exposure faced by the internal bank within 90 days after each debt issuance and no less frequently than once per year. The internal bank may use its own computational models to compute this risk or contract with a third party to supply this information.

PRESIDENTIAL EMERITUS STATUS

(Approved by the Oregon State Board of Higher Education at
Meeting #788, June 8, 2007)

It is the policy of the State Board of Higher Education of the Oregon University System that presidents serving Oregon University System institutions for a significant period, sufficient to demonstrate meaningful contribution to higher education in Oregon, and upon the recommendation of the Chancellor, shall be accorded the title of President Emeritus of _____ [specific institution name]. It is the intent of this policy that the designated individual shall be accorded the right to use this designation from the date of issuance forward, to signify this singularly significant professional honor. This title shall at a minimum include the privilege of parking on all campuses of OUS, the continued ability to use institutional e-mail, have internet access, mail privileges, campus library privileges, and have provided, upon request, a business office, consistent with the institutional policies of the campus served. The costs of the above privileges shall be the responsibility of the institution served by the designed president. The Board reserves the discretion to award additional individual privileges as warranted. An individual institution shall have the right to grant additional presidential emeritus privileges as it, in its discretion, deems appropriate.