PORTLAND COMMUNITY COLLEGE - BOARD OF DIRECTORS
12000 S.W. 49th Avenue - Portland, OR 97219

PLANNING AND BUSINESS SESSION
July 17, 2014
Newberg Center, Room 115/116
135 Werth Blvd., Newberg, OR 97132

MINUTES

EXECUTIVE SESSION
The Board of Directors met in accordance with ORS 192.660 (2) - in accordance with ORS 192.660 (2), in accordance with ORS 192.660 (2), (a) Employment of a Public Official, (d) Labor Negotiation, (e) Real Property Transactions, (f) Information Exempt from Public Disclosure (Attorney-Client Privilege) and (h) Litigation

BOARD ATTENDANCE
Jim Harper, Gene, Pitts, Kali Thorne-Ladd, Vice Chair Deanna Palm, Courtney Wilton, and Denise Frisbee (by phone)

CALL TO ORDER
Vice Chair Palm called the business meeting to order at 10:30 am and invited all present to introduce themselves.

APPROVAL OF THE MINUTES
The June 19, 2014 Board Meeting minutes were approved as published. Pitts/Ladd

APPROVAL OF THE AGENDA
The agenda was approved as published. Harper/Pitts

ELECTION OF NEW CHAIR AND VICE CHAIR
Director Palm called for nominations for Chair and Vice Chair. It was moved that Director Palm serve as Board Chair, and Director Madden serve as Vice Chair for FY 2015. Motion passed unanimously. Wilton/Ladd

President Brown administered the oath of office to the new Chair. The Vice Chair will be sworn in at the August 21, 2014 board meeting.

INFORMATION SESSIONS
The Opportunity Initiative
Ted Wheeler, Treasurer, State of Oregon
The Treasurer provided the board with context regarding the Oregon Opportunity Initiative. During the last full legislative session, the legislature was asked to refer to the ballot, an initiative that would do three things. The first would be to increase the legal options that are currently available to the legislature to be able to fund student aid and vocational/technical training in the State of Oregon. It would allow them to do that by potentially creating a permanent growing endowment. It would be for all Oregon students who meet certain qualifications based on income, who want to attend institutions in the State of Oregon, like PCC. The endowment would be constitutionally locked, this is a very important criteria. The
need for this is because the State of Oregon, the Legislature has done a poor job of supporting advanced education and training in the State. This is a personal view of the Treasurer. The facts are that today, the State contribution to higher education is 46th in the nation per capita basis. General fund support has been declining for a period of years. He noted PCC has done a good job on holding the line on tuition fee increases. There have been a lot of studies showing that universities and community colleges in the State have been really good about maintaining their costs. The fact of the matter is that as the state government has reduced its contributions from the overall tax base, students are picking up more and more of the burden. A smart economist might say that is not inherently a problem, because there are other states that have higher cost bases for their students and families then we do here. What they also have is student aid. What we are sorely lacking in this state is a robust student aid program, with low support from the legislature and an anemic student aid program. If a student were to apply for an Oregon Opportunity Grant based on need, you have a 1 in 5 chance of actually getting anything, with no guarantee of year to year. This means the students are taking on more of the financial burden or extending their stay in the educational system or the extreme of not attending college. These times are critical, and the economy is becoming more and more reliant on advanced education and training, rather than less. The college education is more important than ever, despite some of the conventional wisdom in terms of economic vitality and self-sufficiency. For a state like Oregon that is struggling with unemployment, high rates of poverty, we need to find ways to get more, not fewer people into education and training programs. He noted that in his opinion PCC is the state leader in vocational and technical training. The endowment can be used for not only student aid, but also to help facilitate the kinds of partnerships that PCC is actively engaged in, private sector, government entities, or other types of programs that need help to get young people access to the skills they want, whether that is a university degree or vocational training.

The ideal way for funding student aid and vocational/technical training is for the legislature to prioritize it, and then directly appropriate funds through an endowment as it gives additional leverage. In any given biennium there are more pressing issues than student aid and training, so this just won’t be done. Another option is the possibility of using a limited responsible amount of the state’s general obligation bonding capacity to help seed the endowment. It would have been a lot better to do this 3 years ago when bonding rates were at 1%. There are about $1 billion of general obligation bonding capacity to move over the next 5 biennia. The idea is to use a sliver over a period of 3 or 4 biennia, not necessarily sequential biennia to help seed this endowment. There is plenty of capacity to fund this and to fund the needs of OUS, the community college system, and legislative priorities. This is based on historical precedence. This last legislative session OUS had its entire bonding package funded, funded a rehab project for the state capitol, rebuilt the state mental health hospital. Expecting the next 5 biennia will not have the additional prison asks that dominated the 1990’s and the early years of 2000’s. A $200 million package was approved for OHSU in support of the Knight grant request. After all that was allocated, the legislature left capacity on the table. They did not use it all. The personal view of the treasurer is that it is not competing with future capital requests from community colleges and universities and with future operating dollar needs. The small amount asking for under the conservative 5% bonding limit, given the substantial capacity as a result of bond issuances rolling off the books and less demand for prison expansion, there is room for everyone.

The bottom line is by supporting the Oregon Opportunity Initiative, you are not agreeing to a
single dime, all it does is to give the legislature options that they do not have today to fund student aid in vocational/technical training and take it out of completion with K-12 and emerging urgent needs and create a competitive advantage for this state.

Director Harper asked the Treasurer what he would expect the support of the Board to look like. The Treasurer responded that depending on the institution determines the type of support. It could be the President, the Board, or the Alumni Association of the institution. In all cases they engage with students directly. Board endorsement is the strongest and preferred support as opinion leaders. Director Wilton asked if this measure was arbitraging, funding an endowment and assuming that the return through investments is going to exceed the rate paid for debt, noting there are some risks. The Treasurer responded stated that it is not an arbitrage. To be crystal clear, we are not attempting to service the bonds out of the endowment, they are completely separate.

Bonds are currently issued through the legislature as part of a package. A committee will meet to decide if it will get funded. The bond issuance takes place through the State Treasury. The bonds are issued and the risk to tax payers of that bond issuance is fixed with a 30-year rate. The rate is paid out of the State’s general fund and it is already worked into the general fund budget under a very conversation debt limitation requirements. No more than 5% of the State’s general fund can go towards servicing bonds. That is automatically worked into the biennial budget. The risk to tax payers is what is prescribed in the budget with a fixed rate over a period of time, same payment every year. The proceeds are handed to the institution for the project. Issuing bonds for this endowment, if the legislature chooses to use bonds for some portion of funding for the endowment is exactly the same. The endowment is managed the way any other trust fund in the State Treasury is managed in a diversified risk management portfolio. Some percentage, determined by the Higher Education Coordinating Commission would go off toward student aid. There is no bleed through between these two things. There will be good years, there will be lousy years, but the assumption is that in a diversified risk professionally managed pool over a period of many years that it has a positive rate of return. At the end of 30 years, this cost taxpayers, nothing. This is a different way of looking at how to use the financial tools to try and creatively seed something that is important.

Bonds are typically for bricks and mortar, but a permanent growing endowment dedicated towards a specific economic purpose is every bit as tangible and important to the economic future of Oregon. The only difference is that you are not investing in a depreciating asset, but an appreciating asset. It doesn’t have the risk that capital construction projects have. The legislature debates for 10 minutes whether or not some of these things should be built, because they assume that value is gained because something is being built. The risk managed diversified portfolio is a much less riskier investment than a specific hard asset. Director Wilton followed up a question regarding the bigger issue that general support is less than is should be and what can be done about it. The Treasurer noted that we are starting with the wrong questions. It is always assumed that the problem is a lack of money, and it may be part of the problem. The bigger problem is the lack of a plan. We do not have an economic development strategy in this state that identifies what the priorities are, where infrastructure community developments and educational investments consistent with those priorities. The tax structure is part of that. The vision of what it would take for the Oregon economy to thrive in a global economy 20-30 years from now. Workforce development is a piece of it which we have sorely neglected. A sales tax can’t be imposed because residents
do not understand the value proposition. How it is paid for is secondary to what the value proposition is in the Treasurers’ opinion. Revenue reform will come, but it will not pass without making it very clear to the average taxpayer that they are getting something of great value in exchange for that. Telling taxpayers revenue stabilization is a great thing will not fly. The State took advanced education out of the economic development strategy by proxy. If you look at past budgets of the state, it will tell the value of advanced education and training to Oregon. It is not at the top, although the Governor is trying to turn that around. Funding is a long way off from 20-25 years ago from supporting technical and vocational training. This is an ambitious proposal, it is not too risky, it is not gambling. It is using two tried and true financial mechanisms, issuing bonds and creating a risk managed diversified responsible endowment, and marrying the two. Director Ladd noted that one of the priorities she has is to get more students into post-secondary education. How will the architecture of this proposal support an intentional outreach to ensure that the students who are underserved are accessing the funds? Treasurer Wheeler explained that they are creating a platform for funding. They are not trying to dictate education reform. Director Ladd followed up with asking if the resources can be used to truly increase the numbers of people who have access to higher education. He commented that he cannot guarantee as it is the purview of the HECC. The conversation around the Oregon Opportunity Initiative has opened up a first in many year review of the student aid program, in terms of accountably, structure, STEM, or targeted outreach. This is the right time to engage the question, but it has to be with the experts who are doing the designing. The Treasury is not part of that; they are focusing on the foundational financing tools. Director Pitts asked this solves the cost side of the issue. Treasurer Wheeler responded that it doesn’t. This is where full transparency and a frank conversation starts. This is one tiny piece of the larger question of what the higher education system needs to look like. There are opportunities within this to control costs for college. Director Palm asked how the Treasurer plans to get the voters to support this idea. He commented that this ballot measure gives the legislature legal options it doesn’t currently have to support student aid and vocational/technical training programs in Oregon for Oregon students. To be able to sell it, there has to be a deeper dive. Director Palm also asked from the standpoint of vocational training and education portion, if it would be a grant funding opportunity? He stated that it would come from the HECC, which there will be plenty of time to discuss with them. This is a long term play; this is a discussion about the next generation that this state should have made 20-25 years ago. Director Ladd asked if using bonds in this way would open the door for other usage of bonds in some non-conventional ways. He agreed that this is an unconventional use of bonding capacity. There is no question about it. He claims it an appropriate use, a responsible use; frankly it is a much better priority than what bonding capacity has been used for in the past. Looking back on the general obligation bonding capacity, since 1990, the lion’s share by far, has been for prison construction and expansion. His plan is to take that resource and use it for something that has tremendous leverage and economic development potential for the next generation. This idea has opened up a national discussion about the use of bonding capacity because people are resoundingly supportive of the contention that a growing permanent locked endowment is every bit as permanent as a road, a bridge, a building, or a jail cell. The difference is that the economic value to the state is obvious. Director Frisbee commented that she really likes the idea that higher education is a statewide economic development strategy. The proposal helps elevate that discussion which is important. Dedicating dollars to workforce development and training and supporting an appreciating asset is another idea that Director Frisbee really thought was inventive.
PUBLIC COMMENT ON AGENDA ITEMS

None

BUSINESS MEETING

Vice Chair Palm proposed approval of Resolutions 15-001 through 15-014, removing 15-013. Harper/Ladd. The motion passed unanimously.

Director Ladd commented that while the College does really hard work in ensuring that there is a workforce that reflects as much as possible the student population. She is disappointed by the lack of diversity in the pool of applicants for some positions approved as a board. She encourages the staff to do more outreach on how to get more pools of diverse candidates for these positions.

Director Wilton asked that the SE Campus Property resolution be pulled from the consent agenda. He noted that he believes there is too much attention on expansion and not enough focus taking care of the existing property. There are a lot of square feet coming online from the bond and the expense of that needs to be considered. Right now he believes we have more space than we need at the moment. In terms of the bond, that is okay in the long run. He believes adding more will be too much to manage from an operational standpoint. This expansion is not core to this bond. There are fundamental responsibilities to keep these buildings in shape, without the support of the bond.

Director Harper moved that Resolution 15-013 be set aside for the August board meeting. The motion was seconded by Director Ladd. The motion passed unanimously.

ADJOURNMENT

There being no further business, the meeting adjourned at 11:10 am.

NEXT MEETING

The next business meeting of the Portland Community College Board of Directors will be held on August 21, 2014 at 7:30 PM at the Sylvania Campus.

Deanna Palm, Chair

Dr. Jeremy Brown, President

Prepared by:

Jeannie Moton, Assistant to Board of Directors

Minutes approved on August 21, 2014