1. **CALL TO ORDER/ROLL CALL/WELCOME**

President Henry Lorenzen called the regular meeting of the State Board of Higher Education to order at 10:00 a.m.

**The following Board members were present:** Bridget Burns, Kirby Dyess, Henry Lorenzen, Adriana Mendoza, Tim Nesbitt, Geri Richmond, Gretchen Schuette, Howard Sohn, John von Schlegell, and Tony Van Vliet. Director Don Blair was absent due to a business conflict.

**OUS staff present included:** George Pernsteiner, Mike Green, Ryan Hagemann, Jay Kenton, and Susan Weeks.

**Others present included:** Presidents Martha Anne Dow, Khosrow Fatemi, Dave Frohnmayer, John Minahan, Ed Ray, and Elisabeth Zinser. PSU Provost Roy Koch and OHSU Vice Provost Robert Vieira were also present.

Meeting attendees also included OUS staff, faculty, institution representatives, the press, and interested observers.

Before turning to the approval of the minutes, President Lorenzen announced that he was moving the Westmoreland housing complex discussion item to immediately after the approval of the minutes. He observed that the issue was originally on the Finance & Administration Committee agenda, but felt it was more appropriate to move it so the full Board could consider the matter. President Lorenzen stressed that the issue was not up for action in front of the Board, Representative Phil Barnhart would offer some comments, and that all other representatives who had signed up to provide public input on the Westmoreland matter would have ten minutes total. He asked those individuals who had signed up to gather and decide among themselves as to how best to utilize the ten minutes.

2. **APPROVAL OF MINUTES**

- Regular Board Meeting, August 5, 2005
- Regular Board Meeting, September 9, 2005
- Regular Board Meeting, October 7, 2005

President Lorenzen called for a motion to approve the minutes of the August 5, 2005, September 9, 2005, and the October 7, 2005 regular Board meetings. Director Van Vliet moved approval of the minutes and Director Nesbitt seconded the motion. All in favor:
President Lorenzen moved to the discussion of the Westmoreland housing complex and called on President Dave Frohnmayer for a presentation.

3. **DISCUSSION ITEM**

a. **UO, Sale of Land and Improvements Westmoreland Apartments—Preliminary Approval**

**DOCKET ITEM:**

**Summary:**
The University of Oregon (UO) seeks Board authorization to undertake actions intended to result in the sale of the real property and improvements comprising Westmoreland Apartment Complex (Westmoreland). The UO intends to use the proceeds for other strategic capital acquisitions and projects, such as the consolidation of its real estate holdings in the vicinity of campus and improvements to student housing located on or closer to campus. The sale will be at no less than the appraised value and will be on commercially reasonable terms. The UO will seek Board approval of the sale when a buyer has been identified and the University and the buyer have successfully negotiated terms of the sale.

**Background:**
Westmoreland is located between Arthur and Garfield Streets and 13th and 18th Avenues in Eugene, approximately three miles west of the main UO campus. It consists of approximately 21.2 acres and is composed of 404 apartments and duplexes designed for use as family housing. The units were constructed between 1960 and 1964 and will require considerable infrastructure investment in the next decade. Westmoreland has no outstanding bonded indebtedness.

Although Westmoreland is intended to provide housing for families, with highest priority to students living with their dependent children, only approximately 12 percent of the current tenants have children living with them. This number has declined over the years. Occupancy for 2005 is less than 90 percent, even though rent is substantially below market rates. The condition of the units and the distance from campus appear to be factors in the occupancy rate.

Approximately one-third of all leases turn over each year. Current leases expire in June 2006. All tenants will be permitted to remain in Westmoreland through the end of their current lease term. Current tenants with children will be given priority for vacancies in other University family housing. The University expects that all current leaseholders with children can be absorbed into existing University family housing. Unfortunately, because Westmoreland rates are below market, it is likely current tenants’ rental costs will increase whether they move to other University housing or choose housing from the
private rental market. This increase will be factored into tenants’ financial aid packages. Even if the University did not sell Westmoreland, it is likely Westmoreland rates would be adjusted toward market rates because of the need to make substantial investment as part of deferred maintenance needs.

Westmoreland also houses one of the University’s three childcare centers. The other two are the Moss Street Children’s Center opened in 2004 and targeted for children of students, and the Vivien Olum Child Care Center opened in 2000 and targeted for children of faculty and staff (the University also contracts for childcare services with the non-profit entity that operates at UO Spencer View Apartments). As of fall 2005, only seven of the 39 children enrolled at Westmoreland Child Care Center are children of Westmoreland tenants. These children will be given priority to enroll at the Moss Street Children’s Center.

Employees working for UO Housing at Westmoreland can be absorbed into other facets of the UO’s housing operations. Some childcare staff members may be displaced, but through attrition and diligent efforts it is anticipated that most will find comparable employment at UO.

Proceeds from the sale of Westmoreland will be used for strategic acquisition of other properties or construction. Currently, properties are or likely will be available near campus; proceeds will also be used to fund future residence hall construction.

The Board is authorized to sell property under ORS 351.060. The UO will work with attorneys from the Oregon Department of Justice to ensure that the sale is done in compliance with applicable Board and State requirements. Once a buyer has been identified and terms of the sale have been negotiated, the University will seek Board approval. Board approval is not required at this time. However, UO wanted to make certain the Board supported its decision before proceeding because of the size and nature of the property.

Staff Recommendation to the Committee:
Staff recommended that the Committee authorize UO to undertake actions intended to result in the sale of the Westmoreland on commercially reasonable terms, understanding UO will return to seek Board approval of the sale of the property once a buyer is identified and terms of the sale are negotiated.

(This was an informational piece only, no action was taken.)
BOARD DISCUSSION:

President Lorenzen asked President Dave Frohnmayer to start the presentation on the Westmoreland housing issue. President Frohnmayer thanked President Lorenzen for the opportunity to make a presentation and noted that UO Vice President for Finance & Administration Frances Dyke would be joining him in the comments. He stated that the UO was seeking a two-step process: the presentation of information to the Board and authority to proceed with the proposed sale of the Westmoreland complex, noting that the final sale would need to come to the Board for approval. President Frohnmayer stressed that there was little value in exploring the marketplace for reasonable offers with reasonable conditions unless there was some assurance that the Board would entertain approval of the sale.

President Frohnmayer shared that the UO was engaged in a capital campaign to update facilities and was pleased to construct its first new dormitory space in forty years. He stressed, however, it was part of a strategic effort to continue to build and renovate the facilities that were most proximate to campus. President Frohnmayer observed that it was critical that the UO acquire land adjacent to campus to ensure room for future growth. He noted that there was a clear need to construct additional housing, renovate existing housing, and acquire additional properties if the strategic opportunities presented themselves. President Frohnmayer offered that it boiled down to funding and that the UO identified the sale of Westmoreland complex as critical to the overall set of objectives. He explained that Westmoreland was more than three miles from campus, the number of married families and families with children were declining, and that rents had not kept pace with the need to rehabilitate the units.

President Frohnmayer stressed that the UO was conscious of the needs and desires of its students. He noted that the UO would, if it presented a sale proposal to the Board, include a plan by which student and tenant needs could be accommodated. President Frohnmayer stated that the UO would pledge to use a portion of the sale proceeds, if necessary, to deal with financial aid and other matters. He added that the Westmoreland housing complex had never been means tested and that there was no “financial need requirement that’s necessary for students to show” to live in the complex. He noted that any remediation plan would start with additional financial aid and would give students with children first rights to other family housing.

President Frohnmayer continued, observing that some constituents, including state legislators, had asked the Board to delay consideration of the matter. He urged the Board not to heed that counsel for four reasons: it would delay information about the fair market value of the property because potential buyers would not perceive the Board’s willingness to move forward, it would shorten the amount of time for tenants to plan if they were displaced from the complex, it would lessen the time for the UO to respond with financial aid and other remediation efforts, and it would delay the UO’s capacity to respond in a timely way to strategic movements in the market. He observed the inability of the UO to move to purchase the Romania property. President Frohnmayer added that
the UO could not afford to sacrifice nimbleness with regard to these entrepreneurial opportunities. President Frohnmayer asked Vice President Dyke to continue the presentation.

Vice President Dyke noted that she would provide some information about the property and explain some of the actions the UO would take to protect the students that might be affected by the sale. Vice President Dyke asked the Board to review two maps included in their packets. She observed one map with the parameters of the Westmoreland housing complex, including 21 acres and 353 leaseholders, of which 340 were actively enrolled UO students, out of 404 available units. She stated that Westmoreland had not had full capacity for the past several years. She asked Board members to review the second map, outlining Westmoreland's location in relation to the main campus. She stated that the UO had guaranteed that leases would be honored through June 30, 2006.

Vice President Dyke continued, stating that UO officials met with Westmoreland residents in the prior week. Vice President Dyke added more information regarding the Westmoreland units, observing that only 12 percent of the leaseholders had children. She noted that the UO was committed to assisting students with the issues they had identified, including childcare services, assistance in locating future housing, and identification of financial resources determined by need. She reiterated President Frohnmayer's statement that part of the Westmoreland proceeds could be dedicated to these remediation efforts. She noted that the UO would be meeting with the family housing board and was committed to ongoing communication with the residents outside of formal processes.

Vice President Dyke outlined the task forces charged with assisting students with various issues. She noted that there would be a childcare issues task force, a transition issues task force, and an international students’ task force. She noted that the UO believed the sale of Westmoreland would be financially prudent and that the UO was asking for permission to move forward to explore the possibility of Westmoreland's sale. Vice President Dyke stated that the UO would return to the Board at the point where it had identified a buyer with commercially reasonable terms.

Director von Schlegell asked President Frohnmayer how Westmoreland's sale would fit into the mission and long-term goals of the University. President Frohnmayer explained that the consolidation of the University's land acquisitions, the renovation of existing housing structures, and the creation of a student-centered campus all required seed money that the University did not have without the sale of the Westmoreland housing complex. President Lorenzen recognized State Representative Phil Barnhart for comments.

Representative Barnhart thanked the Board and introduced himself as the State Representative for District 11. He shared that his father was the UO Director of Housing from 1949-1979 and was involved in the construction of the Westmoreland housing complex. Representative Barnhart stated that he had previously asked the Board to
delay consideration of the matter; that he wanted to give the Board a sense of his reasoning and share some additional matters that he had learned subsequently. Representative Barnhart offered that his concern with the sale had to do primarily with the issue of overall student costs. He stated that Westmoreland had relatively low rents that permitted students to keep their costs down as they attended school. Representative Barnhart shared that the mitigation plan discussed at the meeting had not been formulated in prior discussions. Representative Barnhart urged the Board to examine any mitigation plan from the UO carefully. He stated that he wished there had been more lead time to consider the issue. He offered if the Board was satisfied that the UO had dealt with access issues adequately, he would be satisfied as well. President Lorenzen reiterated the procedural framework of the matter, noting that the issue was not an action item and was not set up for a vote. He summarized that President Frohnmayer had presented information related to a proposal that the UO would be bringing to the Board in the future.

President Lorenzen turned to additional testimony on the Westmoreland matter, reiterating his previous requirement that the testimony be limited to ten minutes. He asked the first representative to come forward to offer comments. Julian Cashen, president of the Graduate Teaching Fellows Federation (GTFF), stated that about 150 GTFF members lived at Westmoreland and that it was a unique community. Cashen offered that the community had many international students and others with limited incomes, so any decision regarding Westmoreland would impact a group of students that were already disenfranchised. Cashen noted that he had sent the Board a letter. He stressed that the University had been rushing the decision to sell Westmoreland, that the closure of the childcare center would have an impact, and that the Board needed to consider who the Westmoreland residents were and how the decision would impact them. Cashen asked what the UO would do with the proceeds of any Westmoreland sale, offering that the UO had not disclosed what it would do with the money. Cashen asked the Board to consider the matter on a human level. He stated that the fact that the matter was not an action item was a “trick question” and he wondered how students would hold the University accountable for what it had done to graduate students and other Westmoreland residents.

Joe Kirstoffson spoke on behalf of the Westmoreland tenants. He stated that the process was one of haste and misinformation. Kirstoffson noted that the university misinformed the public with regard to the number of international students and plans to accommodate student families. He stated that a big part of a student's decision to enter graduate school is the availability of affordable housing. Kirstoffson observed that the UO made a commitment to students. He asked the Board to not even offer preliminary approval because at that juncture the students lose all leverage.

Darlene Hampton, a Graduate Teaching Fellow in the Department of English, offered comments on behalf of the international students that lived in Westmoreland. She reiterated that the UO was wrong with the number of international students that lived in Westmoreland. She stressed that international student visas limit the opportunities for students to make money and the Westmoreland sale would hurt these students. She
noted that most international students choose the UO for its affordability. Hampton observed that once the UO loses its affordability, it would no longer be attractive to international students. Hampton turned to the UO student tenant handbook and quoted material regarding the UO's commitment to cultural diversity. She stated that if the Board allowed the UO to sell Westmoreland, it would be permitting the University to reject the principles outlined in the student tenant handbook.

David Watson offered comments on behalf of the Non-Traditional Student Union. He offered that non-traditional students were the most rapidly growing demographic in the University System and that Westmoreland offered a community for those students and families. He observed that Eugene catered to the needs of the students and their families by building up services around Westmoreland.

Li Bing shared a statement on behalf of Chinese and international students. She noted the substantial support from Westmoreland residents and other student groups to oppose the Westmoreland sale. She acknowledged the ability to sell real estate, but asked what the mission of the University was. She noted that there was no specific plan from the University regarding the relocation of tenants. She stated that the other family housing options were filled with other students.

Director Van Vliet acknowledged that the perception was that the UO had moved hastily with the proposal and asked whether there was a missed opportunity with another property or if there was a developer already interested in the property. President Frohnmayer replied that there was no specific buyer, but the UO had received inquiries from community-related groups and real estate interests. He stated that the UO believed the land was highly desirable and that with present circumstances, declining occupancy, declining numbers of students, and an inadequate rent level, the long-term viability of the project was difficult. He offered that the anxiety was counterproductive considering that the UO would focus on proposals that would result in a net benefit to the UO. President Frohnmayer stated that a potential buyer might even continue to use the property as housing. An audience member shouted out-of-turn about higher rents and President Frohnmayer reiterated that the rents would increase in any event because the current rent levels were unsustainable.

President Lorenzen recognized Director Nesbitt for comments. Director Nesbitt stated he would like additional information. He noted that he appreciated the advance information, but he did not want to have the deliberations of the Board misinterpreted. He outlined that he would like to see a cost-benefit analysis. Director Nesbitt mentioned that he did not hear anything about how the UO would replace the housing and the number of childcare slots. He offered that he was not hearing much specific information that quantified the benefits on the opportunity side. Director Nesbitt noted that he felt the UO paid a premium for the bakery property because it was adjacent to campus and that there might be a willingness to get rid of the Westmoreland property cheaply because it was not contiguous to campus.
Director Sohn stated that the Board could frame subsidized housing as one issue. He asked the UO for additional comments on how making housing affordable for a certain class of students fit into the picture. President Frohnmayer stressed that no class of students are singled out because of financial need and that there is no means test to live in Westmoreland. He stated that the Board could not say that any cross-section of housing units was based upon financial need. President Frohnmayer added that if Westmoreland were to sell, the UO would use a portion of the proceeds to mitigate, along the lines of federal and state financial aid criteria, the financial impact on students. He noted that while international students did not receive federal or state aid, the UO is permitted, and does, provide these students with tuition remissions. Director Schuette mentioned it would be helpful to get a general context and understanding of housing at the UO at a later date. President Frohnmayer stated he would be happy to offer the general picture and stressed that, in reply to Director Nesbitt's concerns, the UO did not intend for it to be "a bargain sale."

President Lorenzen noted that, by default, the Board and the UO had developed a subsidized housing policy impacted by, in part, substantial deferred maintenance. He stated that it was probably appropriate to look at ways to make housing affordable for certain classes of students. He acknowledged that students have a stake in where they live and that it would be difficult if students were uprooted.

Director Burns mentioned that she was concerned as to how the financial aid packages would materialize and that additional loans for students would not be satisfactory. Vice President Dyke stated that the UO would be committed to working with each individual student and would adhere to the guidelines of the GTFF agreement. Director Dyess asked if the UO intended to bring those details to the Board and President Frohnmayer stated yes. Director Burns reiterated her concerns about additional debt burden. President Frohnmayer stated that he heard, and agreed, with her point. Director Van Vliet asked if the UO housing had studied available housing in Eugene at comparable prices and Vice President Dyke noted two studies: one on current availability and one on expected availability. Director Van Vliet asked if the units were at Westmoreland prices and Vice President Dyke stated that the UO would need to charge the price for the apartment, but how the impact was mitigated was the question.

Director Van Vliet stressed the importance of a detailed plan and President Frohnmayer reiterated the notion that Westmoreland rents would increase regardless of action because the current rent level was unsustainable. President Frohnmayer also offered that mitigation could be pursued by creating two classes of renters or mitigating through a financial aid mechanism and that the UO preferred the latter option. Director Van Vliet asked if there was a plan to place the students in the community, the rents would be higher and President Frohnmayer said that they would be.

Director Burns asked President Frohnmayer to speak about the childcare questions. President Frohnmayer stated that the number of tenants with children had been declining markedly over the years. He stated that the UO believed the childcare task force would be able to recommend the appropriate and necessary accommodations.
President Frohnmayer stressed, however, that until the UO knew the identity and character of a potential buyer, many of the accommodations might be unnecessary.

Director Van Vliet asked about the legal obligations if the UO were to offer a piece of property and the Board voted no. President Lorenzen noted that the Board could make the offer contingent. President Frohnmayer stressed that the UO would not bring an offer to the Board that it believed was substandard in any manner. He added that the UO did not want to pursue the course if the Board signaled it would be futile. Director Nesbitt returned to his previous comments and reiterated that any proposal should be brought back to the Board in specifics. Director Nesbitt stated that he wanted to be clear about what the Board was and was not doing in its current discussions. President Lorenzen observed that the discussions created an interesting procedural posture. He summarized that there was a thoughtful level of concern with the matter and that, reflecting on the tenor of the full Board, UO should move forward to explore the matter. President Lorenzen noted that it would be appropriate for the UO to return in January for an interim report on progress.

Director Burns shared that she would hope the UO would seek buyers that would keep Westmoreland as a housing complex. President Lorenzen stressed that he did not want to make decisions about how affordable student housing should be accomplished with one matter before the Board. Director Sohn echoed President Lorenzen's statement and noted that he would be concerned about putting too many constraints on the Westmoreland issue. He explained, from a rational standpoint, the proposal is reasonable. He noted that it was also reasonable for the Westmoreland residents to object to the sale, but it did not speak to whether or not the proposed sale was a good idea or not. Director Sohn offered that the mitigation plans discussed might be the answer. He stated the project made sense, the adverse impact on students should be considered, and the policy question about affordable housing should be addressed on a broader scale.

President Frohnmayer stated that Westmoreland had nothing to do with the construction of an arena. Director Schuette stated she appreciated Director Sohn's comments, but expressed concerns about not addressing the policy considerations that tended to emerge as the Board confronts specific situations. Director Nesbitt stated that he would await the offer and details on how the proceeds were reinvested and students were mitigated. President Lorenzen stated that he felt President Frohnmayer should have a sense of the Board's concerns and encouraged an interim report in January.

4. **REPORTS**

   a. **Chancellor's Report**

President Lorenzen turned to Chancellor George Pernsteiner for the Chancellor's report. Pernsteiner explained that at a previous meeting, the Board had approved OIT's proposal to move forward in constructing the first phase of its Center for Health Professions building under an operating lease model, provided several details were
satisfied. Pernsteiner shared that amid discussions, other financing arrangements were discussed and OIT might return to the Board with a new financing proposal for the Center. Pernsteiner noted that it was Diane Sawyer’s last Board meeting before she moved to Portland State University. Pernsteiner turned to Director von Schlegell for an update on the long-range strategic planning effort.

Director von Schlegell noted the preliminary work for the December planning retreat and asked Board members to arrive at 3:00 p.m. on Thursday, December 1. He shared that the staff would be working on vision statements, goals, and sample benchmarks that would assist in keeping the long-range planning discussion on track. Director von Schlegell stressed that the long-range planning retreat would look at some of the tradeoffs OUS might have to make. He asked Susan Weeks to comment on the consultant and the retreat agenda.

Weeks stressed that the long-range planning retreat in December would be an iterative process that would aim to frame the overall vision, goals, and benchmarks for OUS. She noted that another goal of the retreat would be for Board members to examine tradeoffs and problems concretely. Weeks stated that OUS had retained a consultant from Global Business Network with specific expertise in scenario planning. Director von Schlegell reiterated that the goal of the retreat would not necessarily be how to think tactically about the future, but to focus on tradeoffs and the "guardrails" within which the OUS institutions would operate. He noted that the resource constraints were familiar, but the Board had not spent much time discussing actual tradeoffs.

Director Nesbitt observed that many issues with policy implications, such as differential tuition and funding mechanisms, had been before the Board and that the Board had indicated that it wanted to return to the policy implications. Director Nesbitt asked if these types of issues would be on the December agenda and Director von Schlegell replied that they would probably come later. Director Schuette commented on recent efforts from the State Board of Education on alignment and the State Board of Education's desire to have the State Board of Higher Education’s response to its work. She asked if the Board’s response would be a part of the process and Director von Schlegell asked what the State Board of Education’s timeline was. Director Richmond suggested having Board members read the State Board of Education's white paper before the retreat, but to take the matter up in January. She observed that it would be important to have as the Board started thinking about long-range planning. Director Burns observed that the visioning portion of the white paper was the most urgent.

President Lorenzen noted that the OUS presidents would be making presentations later in the meeting and called on Dr. Dave Woodall for a report from the Provosts' Council.

b. Provosts’ Council

Woodall observed that the Council had been busy with many meetings. He stated that the Council met with the Council of Instructional Administrators, the Provosts’ Council's community college counterpart. Woodall shared that Senate Bills 300 and 342 were
discussed. He offered that the Council was active with both the Board's EDP working group and JBAC, working on plans to implement legislative requirements. He noted that there was substantial effort to clarify the expectations of each element in the legislative bills. He stressed the importance of engaging the faculties in the process. Woodall shared that there would be several subcommittees to examine issues involving all of the education sectors and legislative requirements. He used the success of the Oregon Transfer Module as an example.

Woodall noted that the legislative efforts and pre K-12 alignment were discussed extensively at the Council's meeting. He stated that the Council discussed measures of quality, performance measurement, and education pathways. Director Van Vliet observed that it would be helpful to get a sense of the various organizations working in some capacity on alignment issues. Director Schuette offered that in devising a diagram of the organizations, it would be helpful to also add how the various organizations would work.

c. Interinstitutional Faculty Senate (IFS) President

President Lorenzen turned to Professor Bob Turner for a report from the Interinstitutional Faculty Senate. Turner introduced a brief presentation, with PowerPoint, on the IFS work regarding the definition of quality. He observed that he wanted to provide a brief summary of the current draft of the IFS Academic Quality Report. First, Turner observed that the first section of the report was divided into two components: research quality and educational quality. He explained that research quality was particularly important for the larger institutions with graduate programs and that there were a variety of performance indicators, both output and input indicators, which could be used to measure research quality. He noted that the performance indicators included in the report could be used to quantitatively measure the success of an institution.

Turner shifted to educational quality and explained that it was focused on the individual student. He explained that educational quality, as articulated in the IFS report, highlighted four components: the ability to acquire and integrate knowledge, to think logically, critically, and creatively, to express oneself with clarity, and to be a good citizen. Turner moved to questioning how educational quality could be measured and commented that because educational quality focuses on the individual student, it was possible that the performance indicators were not the best means of measuring educational quality. He explained that two dimensions were related to this premise: (1) any output measure could be impacted by several input performance measures and (2) the performance indicators were indirect measures of educational quality components.

Turner focused on a fundamental question from a previous Board meeting: do we measure what we value or do we value what we measure? Turner noted that it might be possible to use learning assessment tests to determine a statistically valid sample of students to measure educational quality. He added that the performance indicators for
academic quality needed to be examined carefully to identify the factors that impact each of them. Turner stated that the draft report was still under consideration and would be forwarded to the Board and the Provosts' Council before the December planning retreat.

Turner shared that the meeting was his last as IFS president. Director von Schlegell thanked Turner for the draft report and asked how many people contributed to the report. Turner replied that an IFS subcommittee worked on the report and Director von Schlegell asked if it would be circulated through the full IFS. Turner answered that the entire report was still be considered by IFS and would be circulated to Board members and the Provosts' Council. President Lorenzen and Director Dyess thanked Turner for his service.

d. Oregon Student Association (OSA) Chair

President Lorenzen turned to Erin Devaney and Adam Walsh for an OSA report, but noted before their comments that, under statute, it appeared the Board had too many graduates from Oregon State University. President Lorenzen explained the relevant statute limited to three the number of graduates from any one OUS institution. Director von Schlegell asked for clarification and President Lorenzen shared that the requirement was statutory and that he had been working with the Governor's Office to remedy the situation.

Devaney thanked President Lorenzen and explained that she and Adam Walsh would discuss the OSA legislative agenda setting process and the Westmoreland housing issue. Before her prepared comments, Devaney shared that the OSA was frustrated with the situation surrounding Director Burns and her possible removal due to the statute President Lorenzen referenced earlier. She explained that OSA picked three issues every legislative session as priorities. Devaney noted that OSA spent sixteen months researching and discussing possible topics, culminating in a survey to students to get the pulse of what is most important to them. Devaney offered that, from the survey results, OSA developed policy options for the top five issues identified by students. She turned to Walsh for comments on the Westmoreland housing issue.

Walsh shared that as ASUO president and an OSA Board member, he had a duty to offer comments to the Board regarding the Westmoreland housing issue. He stated that while the issue was before the Board as a discussion item, notice had already been given to students living in the Westmoreland housing complex that they would need to move out by the end of the year. Walsh explained that OSA was concerned about losing Westmoreland for three reasons: the lack of affordable housing, the lack of communication to students, and the potential loss of community and diversity. He stated that Westmoreland residents are non-traditional students with families, international students, and graduate students, living in a community-centered environment. He added that Westmoreland does not lose the University any money and that the administration had not explained how it would use the proceeds if Westmoreland were sold.
Director Dyess asked for clarification, stating that she did not think any notice had been forwarded to students to move out of Westmoreland by the end of the year. President Frohmayer confirmed that notice had not been given to Westmoreland residents and Director Dyess explained that it was vitally important that facts were not confused. She reiterated that she believed notice had not been forwarded to Westmoreland residents, but that Walsh seemed to state that notice had been provided. Walsh replied that residents would not have to move out if a Westmoreland buyer decided to keep it as a housing complex and provided affordable rent. Director Dyess reiterated her request to ensure factual representations as the issue was discussed.

5. **CONSENT ITEMS**

a. PSU, Graduate Certificate in Transportation

**DOCKET ITEM:**
The proposed Graduate Certificate in Transportation is an interdisciplinary 21-credit hour program, including 9 credits of core required graduate courses and 18 credits of graduate electives chosen collaboratively by the student and advisor. This program, developed in collaboration with the transportation industry, is designed to build the technical and analytical knowledge of those who wish to enter the transportation field, to attract new students or professionals to the field or to further develop the skills of professionals already working in the transportation field.

The offering of this program in the Portland metropolitan region is particularly timely with the recent designation of a national university transportation center at Portland State University (PSU), in partnership with University of Oregon, Oregon State University, and Oregon Institute of Technology. In implementing the new graduate certificate, PSU will build upon current courses that are offered by the School of Urban Studies and Planning and the Department of Civil and Environmental Engineering. The faculty and staff comprising the PSU Center for Transportation Studies will coordinate the new certificate, which is a key building block for the University’s initiative to develop a signature transportation center focusing on research, education, and outreach.

Students enrolled in the certificate program will possess a Bachelor’s degree but would have a variety of backgrounds. Ideal candidates would be students with backgrounds in planning, civil and environmental engineering, business administration, geography, mathematics, statistics, economics, political science, computer science and/or other liberal arts majors who find themselves in need of additional coursework in transportation. A second target group includes professionals who are interested in freshening up or intensifying their knowledge in transportation without making a commitment to a graduate degree program. Supplementary coursework to prepare students for entry into the certificate program is available within the University’s existing course offerings. As the courses will be offered at the graduate level, they can be subsequently transferred into PSU graduate programs. The coursework will also qualify for continuing education credits for industry practitioners.
In five years time, PSU expects to have about 10-15 graduates per year from this program.

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

**Recommendation to the Board:**
The OUS Provosts’ Council recommended that the Board authorize Portland State University to establish an instructional program leading to a Graduate Certificate in Transportation, effective immediately.

b. UO, Ph.D. in Landscape Architecture

**DOCKET ITEM:**
The Ph.D. Program in Landscape Architecture is designed to fill a need for advanced, graduate-level research to support the growth of the field and to increase the pool of scholars.

The main objective of the proposed doctoral program is to prepare students as leaders in Landscape Architecture education and research. In doing so, the program will (a) bring to the University a heightened inquiry into a vital and dynamic area of study that is important to the quality of life of current and future state residents; (b) provide opportunities for students in Oregon to prepare for careers as university teachers and researchers in landscape architecture and related fields; and (c) to serve in leadership positions in public and private sector settings beyond academia.

Admission to the doctoral program will be open to applicants who already hold a professional design degree in landscape architecture or architecture (Bachelor’s in Landscape Architecture, Master’s in Landscape Architecture, Bachelor’s in Architecture, and Master’s in Architecture), as well as to those with master’s degrees from related fields who possess demonstrated research experience and academic goals suitably aligned with landscape architecture.

The doctoral program in landscape architecture will focus on Ecological Landscape Planning and Design and will offer opportunities for advanced study and scholarship in the field. Students will complete a series of common core requirements that develop a knowledge base and skills for conducting original research within their area of concentration. Requirements for area of concentration courses are designed to provide both depth and breadth of knowledge in landscape architecture and to draw on the frameworks and methodologies of related disciplines that support the student’s dissertation research.

The student’s program of study will depend substantially on their prior degrees. Students who hold a Master’s in Landscape Architecture or Master’s in Architecture
should expect to take at least 68 graduate credit hours. Other students will be required to take specific coursework to assure their competence in environmental design and the professional components of landscape architecture.

The program will begin with the admission of four qualified students in 2006-07. Admitting a total of two more students between 2007-08 and 2008-09 will bring the program to a full complement of six students. Assuming the time to degree is three to six years, University of Oregon anticipates three to four graduates between 2006 and 2011.

An external review panel made a site visit and the recommendations they presented were implemented as appropriate.

All appropriate university committees and the OUS Provosts’ Council have positively reviewed the proposed program.

**Recommendation to the Board:**
The OUS Provosts’ Council recommended that the Board authorize the University of Oregon to establish an instructional program leading to a Ph.D. in Landscape Architecture, effective Fall 2006.

c. Investment Policy Changes

**DOCKET ITEM:**

**Background:**
At its July meeting, the Board approved a change in the administration of the Pooled Endowment Fund (Fund) that eliminated OUS involvement in investment manager selection, reduced the frequency of monitoring of the fund by the Board, and streamlined the processes involved in administration of the Fund. Accordingly, the Board directed staff to modify relevant Board policies and Internal Management Directives (IMDs) to reflect the change in administration of the Fund.

The OUS Board and the Oregon Investment Council (OIC) adopted the investment policy (Policy) currently in force that governs the Fund. Proposed modifications to the Policy, delineated below, have been drafted by Treasury and reviewed by OUS staff. Under the process previously in effect, the Board would formally adopt changes to the Policy and request adoption by the OIC. For the future, the Board will adopt broad investment goals and the spending rate for the fund and the OIC will adopt an investment policy reflective of those Board decisions.

Modifications to the IMDs governing investment management within OUS have also been drafted to reflect the changes in the administration of the Fund and are delineated below.
Proposed Modifications to the Pooled Endowment Fund Investment Policy:

OREGON STATE TREASURY Investment Manual Policies and Procedures Activity Reference: 4.10.01

FUNCTION: Oregon University System
ACTIVITY: Pooled Endowment Fund Investment

POLICY: An asset allocation policy shall be adopted and appropriate guidelines shall be defined for the Oregon University System Pooled Endowment Fund.

I. INTRODUCTION

This statement governs the investment of the Pooled Endowment Funds (the “Fund”) of the Oregon State Board of Higher Education (the “Board”) of the Oregon University System (“OUS”).

This statement is set forth in order that the Board, the Investment Committee, the Oregon State Treasury (OST), the Oregon Investment Council (OIC), its investment advisor, its investment managers and others entitled to such information may be made aware of the policy of the Fund with regard to the investment of its assets. This statement of investment policy is set forth in order that:

1. There be Establish a clear understanding by the OIC, the Board, Investment Committee, and OST staff, of the investment goals and objectives of the portfolio.

2. The Board and management have Establish a basis for evaluation of the investment managers.

3. The investment managers be given Establish guidance and limitations on investing of the funds.

It is intended that these objectives be sufficiently specific to be meaningful but flexible enough to be practical. It is expected that the policy and objectives will be amended from time to time to reflect the changing needs of the endowment; however, all modifications will be in writing and approved by the Board OIC.

II. OREGON UNIVERSITY SYSTEM POOLED ENDOWMENT FUND

The Oregon University System Pooled Endowment Fund (Fund) is a permanent fund and is expected to operate in perpetuity, so these funds will be invested long-term. It is important to follow coordinated policies regarding
spending and investments to protect the principal of the fund and produce a reasonable total return.

III. RESPONSIBILITY OF THE BOARD

The responsibility of the Board is to establish, define, and to recommend to the OIC broad investment guidelines, selection of investment managers, and determination or approval of asset allocation goals, including spending rates information and to provide input into the asset allocation process.

IV. INVESTMENT COMMITTEE RESPONSIBILITY OF OIC AND OST

The Investment Committee serves as advisory to the Board and will have the responsibility and authority to oversee the investments, establish the asset allocation of the Fund, and approve the retention and termination of all investment managers. The Investment Committee OST staff and the OIC’s consultant will recommend to the OIC a specific asset mix reflecting judgments as to the investment environment as well as the specific needs of the Fund. Other advisory responsibilities duties assigned to of the Investment Committee will include:

- Recommending professional investment managers.
- Negotiating and/or monitoring Fund investment expenses.
- Monitoring the investment managers on an ongoing basis.
- Assuring proper custody of the investments.
- Reporting to the Board on a quarterly basis the Fund’s investment results, its composition, and other information the Board may request.
- Recommending to the Board the goal for maintaining purchasing power.
- Recommending distribution per unit to the Board.
- To assist in the process, the Board may retain a registered investment advisor/consultant. The duties of this investment advisor/consultant are described in Section X.

V. SPENDING POLICY

The amount of endowment return available for spending (distribution) is based on a percentage of the average unit market value of the 20 quarters preceding the current fiscal year. The distribution per unit (under Exhibit A) is determined by the Board as recommended by the Investment Committee. The distribution amount per unit is multiplied by the current number of units and any additional units added during the current year as new endowment money comes into the Fund. This shall be exclusive of investment management fees.

VI. INVESTMENT POLICY GUIDELINES
The Board does not expect the Investment Committee to be reactive to short-term investment developments, recognizing that the needs for payout are long-term and that the investment competence must be measured over a meaningful period of time. While the quantitative assessment of managerial competence will be measured over a complete market cycle, the Board anticipates that the Investment Committee will make interim qualitative judgments. Specific qualitative factors which will be reviewed by the Investment Committee on an ongoing basis include any fundamental changes in the manager’s investment philosophy, any changes in the manager’s organizational structure, financial condition and personnel, and any change, relative to their peers, in the manager’s fee structure.

A. Asset Allocation

The most important component of an investment strategy toward achieving its purpose is the asset mix, or the resource allocation among the various classes of securities available to the Fund. The Investment Committee will be responsible for establishing the target and actual asset allocation for the investments that will best meet the needs investment goals of the Fund, taking into consideration the appropriate level of portfolio volatility risk.

The risk/return profile shall be maintained by describing establishing a long-term “target” strategic asset allocation and that is set forth in Schedule I of this policy.

B. Investment Time Horizon

In making investment strategy decisions for the Fund, the focus shall be on a long-term investment time horizon that encompasses a complete business cycle (usually three to five years). Interim evaluation will be required if a significant change in fees, manager personnel, strategy, or manager ownership occurs.

While the quantitative assessment of managerial competence will be measured over a complete market cycle, Treasury staff and the OIC’s consultant may make periodic qualitative assessments as well. Specific qualitative factors that will be considered by Treasury staff and the consultant may include any fundamental changes in the manager’s investment philosophy, any changes in the manager’s organizational structure, financial condition and personnel, and any change, relative to their peers, in the manager’s fee structure.

C. Statement of Derivatives Policy

A derivative is defined as a contract or security whose value is based on the performance of an underlying financial asset, index, or other investment. An investment manager shall not use derivatives to increase portfolio risk above the level that could be achieved in the portfolio using only traditional investment securities. Moreover, an investment manager will not use derivatives to acquire
exposure to changes in the value of assets indices that, by themselves, would not be purchased for the portfolio. Under no circumstances will an investment manager undertake an investment that is non-covered or leverages to the extent that it would cause portfolio duration to exceed limits specified above. The investment manager will report on the use of derivatives on a quarterly basis to the administrative manager.

VII. PRUDENCE RESPONSIBILITIES AND CONTROLS AND ETHICAL STANDARDS

A. Prudence

All participants in the investment process shall act responsibly. The standard of prudence to be applied applicable to the Fund is defined in ORS 293.726, by the Board, Investment Committee, OUS staff responsible for the management of investments, and external service providers shall be the “prudent investor” rule, which states: “The investment funds shall be invested and the investments managed as a prudent investor would do under the circumstances then prevailing and in light of the purposes, terms, distribution requirements, and laws governing each investment fund.” Shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

B. Ethics and Conflicts of Interest

Board members, Investment Committee members, OUS staff responsible for the management of investments, manages and advisors involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. These parties are required to reveal all relationships that could create a conflict of interest in their unbiased involvement in the investment process. Consistent with all the activities of the Treasury and the OIC, the ethical standards established in OIC policy and in Oregon Law (ORS 244) shall apply to the management of the Fund.

VIII. INVESTMENT OBJECTIVES

The investment objective of the Fund is to seek consistency of investment return with emphasis on capital appreciation over long periods of time since the Fund will operate in perpetuity. In keeping with the performance goals included in the Policy, achievement of this objective shall be done in a manner that provides investment returns that, over a long-term planning horizon, will meet the spending rate established by the Board and maintains the purchasing power of
the principal. The Investment Committee shall set the goal for maintaining the purchasing power of the principal value of the assets (under Exhibit A).

IX. MANAGER(S) RESPONSIBILITIES

A. Legal Compliance - The investment manager(s) is responsible for compliance with the provisions of the prudent investor rule as it pertains to their duties and responsibilities as fiduciaries under their investment management agreement.

B. Evaluation Timetable — The manager(s) will be expected to provide to the OIC, State Treasurer’s Office, Board, Investment Committee, and their investment advisor/consultant on a timely basis each quarter such data as is required for proper monitoring. In addition, the manager(s) will provide to the investment advisor/consultant transaction registers and portfolio valuations, including cost and market data on a monthly basis.

C.B. Authority of Investment Manager(s) in the Managed Accounts - Subject to the terms and conditions of this policy and the investment management agreement, manager(s) shall have full discretionary authority to direct investments, exchange and liquidation of assets of in the managed accounts. The Investment Committee expects that the investment manager(s) will recommend changes to this Policy when the manager(s) views any part of this Policy to be inconsistent variance with overall market or, economic conditions, and or relevant investment policies.

The Investment Committee OIC directs all managers to vote proxies and to vote them in the best economic interest of the Fund. The managers will report to the Investment Committee and their investment advisor/consultant Treasury staff, at least annually as to how proxies were voted, when requested.

Each investment manager is required to meet with the Investment Committee Treasury staff and their advisor/consultant at least annually to review: the manager’s performance, outlook, and investment decision process.

- The investment forecast for the following year.
- The effect of that outlook on the attainment of the Fund objectives.
- The manager’s actual results for the preceding forecast period compared to the previously established return goal for the reporting period.
- The Investment Policy, Guidelines, and Objectives of the Fund. If it is felt by the investment manager that the Policy is too restrictive or should be amended in any way, written notification must be communicated immediately.
X. INVESTMENT ADVISOR/CONSULTANT RESPONSIBILITIES REPORTING REQUIREMENTS

Investment results will be regularly monitored by an Treasury staff and an independent consulting organization, consultant under contract by the Board OIC, on a regular basis and reported to the Investment Committee as soon as practical after each calendar quarter.

A representative of the investment advisor/consultant Treasury shall meet with the Investment Committee the Board at least annually to review, for each manager: (i) its past performance; (ii) compliance with the Investment Policy, Guidelines and Objectives of the Fund, including but not limited to asset allocation, actual return, and comparative return in relation to applicable index (indices) and to a universe of comparable funds; (iii) risk profile; (iv) ability of manager to fulfill the stated objectives of the funds; and, (v) any other material matter.

A representative of the investment advisor Treasury, or the consultant, shall also report investment results, or other information, to the Board, OIC and others, as requested by the Investment Committee annually. Any material non-compliance with the Investment Policy, Guidelines, and Objectives of the Fund or other section of this statement with the investment management agreement, discovered by Treasury staff or the investment advisor/consultant, will be reported to the Investment Committee the Board immediately.

XI. INVESTMENT GUIDELINES

A. CASH: The Fund shall maintain minimal cash, consistent with short-term requirements. Short-term cash will be invested in the Oregon State Treasurer’s Short-Term Investment Pool Fund.

B. FIXED INCOME: Fixed-income securities, for purposes of these guidelines, shall mean mortgage-backed securities, U.S. government securities, investment-grade corporate bonds, and other fixed income securities, such as certificates of deposit and commercial paper. The objective of this component of the Fund is to preserve capital in keeping with prudent levels of risk through a combination of income and capital appreciation. Realization of income will be subordinate to safety, liquidity, and marketability (securities should be readily marketable). This component of the fund shall adhere to the following categories:

1. Average credit quality shall be A or better.

2. With the exception of US Government and Agency issues, no more than 10 percent of the bond portfolio, at market value, will be invested in the securities of a single issuer or 5 percent of the individual issue.
3. There shall be a maximum limitation on below investment grade bonds of 15 percent of the bond portfolio.

4. There shall be a maximum limitation on non-US bonds of 20 percent of the bond portfolio.

Fixed-income managers have full discretion over the allocation between long-term, intermediate, or cash equivalent investments.

C. Equity securities are to be made primarily in well-established, quality companies. The objective specific to this component of the Fund is to maximize long-term total return through a combination of income and capital appreciation. The restrictions pertinent to this portion of the Fund are as follows: **EQUITIES**

1. **Objective:** The objective of the equity portfolio is to enhance total return by investing in a broadly diversified portfolio of stocks. The OIC and the Board are mindful of the volatility of the equity markets and choose to dampen this volatility through diversification.

2. **Strategy:** Hold a fully invested, diversified portfolio of equity securities.

3. **Permitted Holdings:** Publicly traded domestic and international common stock and other financial instruments consistent with the guidelines of the investment management agreements.

4. **Diversification:** The OIC recognizes the need for diversification to minimize the risk of significant losses to the Fund. Diversification by capitalization, style, and sector distribution shall be obtained through the selection of complementary investment managers. Not more than 5 percent of the market value of any investment fund will be invested in any single issuer or security.

5. **Portfolio Restrictions:** There will be no engagement in short sales, purchases on margin, or investments in options, futures, or private placements unless prior authorization is given by Treasury staff.

**Large Cap Equity Requirements:**

Not more than ten percent of the companies invested in should have market capitalizations less than $1 billion (subject to the large-cap equity limitations of Schedule I). Portfolios should be comprised of at least 30 securities.
Small Cap Equity Requirements:

Investments in smaller companies with market capitalization similar to the Russell 2500 index (subject to the small/mid-cap equity limitations of Schedule I). Portfolios should be comprised of at least 30 security issues.

International Equity Requirements:

Investments in equity securities of companies located outside the United States are permitted (subject to the international equity limitations of Schedule I). Portfolios should be comprised of at least 30 security issues.

D. Diversification PERFORMANCE

1. Not more than five percent of the market value of any investment fund will be invested in any single issue, property, or security. This restriction does not apply to U.S. Government-issued securities.

2. No investment in any single issue, security, or property shall be greater than five percent of the total value of the issue, security, or property.

Performance expectations for each of the asset classes are described in Exhibit A.

XII. OTHER INVESTMENTS

The Board and the Investment Committee recognize Recognizing that the addition of other investment classes may reduce total fund volatility while enhancing returns. The Board and the Investment Committee may, with the concurrence of the OIC, may place up to ten 10 percent of the aggregate Fund assets in venture capital private equity, real estate, distressed securities, and other investments falling outside the traditional assets classes of cash, fixed income and equities and oil and gas partnerships. This allocation is to provide for return enhancement and portfolio diversification.

XIII. OTHER GUIDELINES AND REQUIREMENTS ASSET CUSTODY AND SECURITIES LENDING

Custodial responsibility and the selection of a securities lending agent, for all securities, is to be determined by the Board or its designee(s) OST.
XIV. CONCLUSION

Implementation of this Policy, including the investment manager selection, shall be the responsibility of the Investment Committee OST staff subject to the necessary approvals of the OIC. This Policy shall be reviewed by the Board OIC and Treasury at least every two years.
SCHEDULE I

ALLOCATION OF ASSETS

The following represents target allocations and the ranges by asset category:

<table>
<thead>
<tr>
<th>Allocation of assets by class:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class</td>
</tr>
<tr>
<td>Equity Category</td>
</tr>
<tr>
<td>Large Cap Equity</td>
</tr>
<tr>
<td>Small Cap Equity</td>
</tr>
<tr>
<td>International Equity</td>
</tr>
<tr>
<td>Fixed Income Category</td>
</tr>
<tr>
<td>Cash</td>
</tr>
<tr>
<td>Alternative Assets</td>
</tr>
</tbody>
</table>

The allocation of equity assets shall be as follows:

<table>
<thead>
<tr>
<th>Class</th>
<th>Target Allocation (% of Equity)</th>
<th>Ranges</th>
<th>Policy Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large-Cap Equity</td>
<td>65%</td>
<td>55%-75%</td>
<td>S&amp;P 500</td>
</tr>
<tr>
<td>Small-Cap Equity</td>
<td>20%</td>
<td>15%-25%</td>
<td>Russell 2500</td>
</tr>
<tr>
<td>International-Equity</td>
<td>15%</td>
<td>40%-20%</td>
<td>MSCI EAFE</td>
</tr>
</tbody>
</table>

The Target Allocation Policy benchmark is 59.5 60 percent; Russell 3000 Index, 10.5 percent; MSCI EAFE Index, 25.0 percent; Lehman Aggregate Index and 90-Day T-Bills, 5.0 percent.
EXHIBIT A

Performance Monitoring Return Expectations

Spending Policy

The distribution rate for the Fund is 4.5 percent of the five-year moving average unit market value for FY 2000-01 and will decrease to 4.0 percent of the five-year moving average until market value for FY 2001-02 and thereafter.

Total Fund

The total fund will be evaluated quarterly. Specific performance objectives include, but may not be limited to, the following:

1. Exceed the return of the Policy benchmark (Schedule 1) by 0.50 percent (after fees) over a market cycle.

2. Exceed the level of inflation by 5.0 percent or more as measured by the Consumer Price Index (CPI) over a market cycle.

3. Exceed the median fund in a universe of other endowments over a market cycle. A market cycle is defined as an investment period lasting three to five years.

U.S. Equities - Large Capitalization

Equity accounts will be evaluated quarterly. Specific performance objectives include, but may not be limited to, the following: 1. Exceed the return of the S&P 500 Index by 0.25 percent (after fees) over a market cycle. 2. Rank at or above median of a nationally recognized universe of equity managers possessing a similar style.

U.S. Equities – Small/Mid Capitalization

Small/Mid capitalization accounts will be evaluated quarterly. Specific performance objectives include, but may not be limited to, the following: 1. Exceed the return of the Russell 2500 (after fees) by 1.0 percent over a market cycle; and 2. Rank in the 40th percentile of a nationally recognized universe of small cap managers possessing a similar style.

International Equities

International equity accounts will be evaluated quarterly. Specific objectives include, but may not be limited to, the following: 1. Exceed the Return of the EAFE Index by 1.0 percent (after fees) over a market cycle; and 2. Rank in the 40th percentile of a nationally recognized universe of small cap managers possessing a similar style.
Fixed Income

Fixed Income accounts will be evaluated quarterly. Specific performance objectives include, but may not be limited to, the following: 1. Exceed are to exceed the Return of the Lehman Aggregate Bond Index by 0.5 percent (after fees) over a market cycle; and 2. Rank in the 40th percentile of a nationally recognized universe of small-cap managers possessing a similar style.

Approved by the Investment Committee on October 5, 1999. Section XI changes were adopted by the Investment Committee on September 20, 2001, and by the HIED Board on October 19, 2001. Section VIII changes were adopted by the Investment Committee on September 19, 2002, and by the HIED Board on October 18, 2002.

Proposed Changes to Internal Management Directives:

Investment Management

6.105 Assignment of Responsibility

(1) Except for arrangements pursuant to Section 6.140(5), the Vice Chancellor for Finance and Administration is authorized to purchase, sell, or exchange securities for the Board. Prior approval of the Board President or the Chairman of the Investment Finance and Administration Committee is required for any transaction undertaken by the Vice Chancellor for Finance and Administration involving amounts in excess of $100,000, except that approval is not required for transactions necessary to maintain the asset allocation of the Pooled Endowment Fund within the ranges established within Board Oregon Investment Council (OIC) and Oregon State Treasury (OST) policy, purchases of securities of the United States, its agencies, or Certificates of Deposit of Oregon banks.

(2) The Vice Chancellor for Finance and Administration may transfer, endorse, sell, assign, set over, and deliver stocks, bonds, debentures, notes, evidences of indebtedness, or other securities standing in the name of or owned by the Board, and may make, execute, and deliver any instruments necessary to effectuate such authority.

(3) The Vice Chancellor for Finance and Administration may designate staff members to act on specifically identified transactions or limited responsibilities referred to above.

6.110 Voting Stock Ownership

(1) Except as otherwise provided by law, by direction of the Board, or the Investment Finance and Administration Committee, or OIC or OST policy, the Vice Chancellor for Finance and Administration is authorized to vote stock ownership
in accordance with the recommendations of corporate management. In the absence of such recommendation, or if deemed prudent to deviate from management recommendations, the Vice Chancellor for Finance and Administration shall consult with the Board President or the Chairman of the Investment Finance and Administration Committee before voting the affected stocks.

(2) The Vice Chancellor for Finance and Administration may seek the assistance and counsel of such persons as deemed advisable.

6.115 Custody of Board Securities

(1) Custody of the Board's securities is placed with the Vice Chancellor for Finance and Administration or a designee and authority is granted to make arrangements for their safekeeping.

(2) The Vice Chancellor for Finance and Administration or a designee is authorized and empowered to obtain, deposit, and release securities from banks to protect funds for the Department.

6.125 Delegation of Investment Authority

Subject to such conditions as may be imposed, and compatible with statutes and Administrative Rules, the Vice Chancellor for Finance and Administration may delegate to the Controller responsibility for assuring effective investments of the Higher Education Bond Building Fund, the Higher Education Bond Sinking Funds, the Auxiliary Enterprise Building Repair and Equipment Replacement Fund, and the Current Donation Fund.

6.130 Reports on Investments

(1) The Vice Chancellor for Finance and Administration shall report to the Investment Finance and Administration Committee of the Board quarterly on investment returns of all funds, with such recommendations as are appropriate. The report prepared for fiscal year end shall also include, among other matters, information regarding the market and book values of the investments, the investment income and fees, the annual investment returns of each fund, purchases and sales of investments, and related gains and losses. Not less than semi-annually on corporate stock investment status and transactions. The report shall, among other matters, provide information regarding the market and book values of the stocks, the current dividend rate, purchases and sales, and gains and losses.

(2) The Vice Chancellor for Finance and Administration shall report to the Investment Committee of the Board at least annually on all investments of all funds, with such recommendations as are appropriate.
6.140 Endowment Fund Investments

(1) Gifts designated by the donor as endowments will be pooled for investment purposes. The investment of these endowments will be governed by statute and by investment objectives and policy guidelines approved by the Board OIC.

(2) Dividend and interest income in excess of the amount needed to fund the annual participant requirements specified in 6.140(1) are placed in an endowment fund reserve account and reinvested. Securities may be sold to provide cash equivalent to the income needs; however, the book value of endowments may not be invaded.

(3) Some gifts or bequests are subject to investment conditions stipulated by the donor that prevent the investment of moneys in security pools. The investment program for these gifts and bequests shall be as directed by the terms of the gift or will and pursuant to statute and Board OIC policy.

(4) The Vice Chancellor for Finance and Administration is authorized to arrange through the Oregon Investment Council OIC for the management of the investment of the Board's endowment funds.

(5) Any individual donation or gift which equals or exceeds $100,000 in total market value, regardless of the type of gift or the accounting periods in which it is received, shall be designated a quasi endowment. The Vice Chancellor for Finance and Administration may authorize exceptions up to $500,000. The Board may authorize exceptions in excess of $500,000. Any quasi-endowment account balance that has a market value of less than $100,000 may, at the discretion of the institution and with prior approval of the Vice Chancellor for Finance and Administration, be transferred to the Current General Fund or the Current Restricted Fund. Any individual donation or gift of less than $100,000 may be designated a quasi-endowment at the discretion of the institution.

6.141 Accounting

The Vice Chancellor for Finance and Administration shall authorize the expenditure of moneys from the various quasi-endowment accounts pursuant to the Board-approved or authorized budget program for the current fiscal year, subject to the exercise of prudent judgment.

Staff Recommendation to the Board:
Staff recommended that the Board repeal its OUS Pooled Endowment Fund Investment Policy and adopt the changes to its Internal Management Directives relating to investment management as delineated above.
Staff further recommended that the Board accept the report on the proposed changes to the OST Investment Manual policies and procedures (Activity Reference: 4.10.01) relating to the Oregon University System Pooled Endowment Fund Investment.

**BOARD DISCUSSION AND ACTION:**

President Lorenzen turned to the consent agenda and Director Sohn asked how he would address some editorial suggestions in the proposed changes to the investment policy. President Lorenzen stated that he could pull the investment policy off of the consent agenda and address the remaining two matters.

President Lorenzen called for a motion to approve the PSU Graduate Certificate in Transportation and the UO Ph.D. in Landscape Architecture programs as included in the Board materials. Director Schuette moved approval of the consent agenda, as modified, and Director Van Vliet seconded the motion. All in favor: Burns, Dyess, Mendoza, Nesbitt, Richmond, Schuette, Sohn, von Schlegell, Van Vliet, and Lorenzen. Opposed: none. Motion passed.

President Lorenzen recognized Director Sohn for his suggestions on the proposed investment policy. Director Sohn explained that in the docket materials, Schedule I of the policy referred to large-cap and small-cap equities, but one of the exhibits referred to small-cap and mid-cap equities. OUS Controller Mike Green noted that the exhibit would be modified to reflect the schedule and, in fact, the schedule would be modified as well as soon as the Oregon Investment Council engaged in an asset allocation study. Green clarified that the Board would be making the changes presented in the docket materials and asked Director Sohn if it would be acceptable to amend the schedule to read small/mid-cap equities. Director Sohn indicated that Green's proposal made sense. Director von Schlegell asked if the policy was a starting point and if it was subject to change by the Treasury and Green shared that Treasury would engage an asset allocation study and update the policy based on that study. President Lorenzen asked what a quasi-endowment was and Green explained that when a donor gives a gift to a university, the university has an option to treat it like an endowment. He noted that Board policy stated that gifts over a certain amount are treated like a quasi-endowment unless the university asks to spend the gift. Director von Schlegell asked Director Sohn what he would like to propose and Director Sohn moved approval of the policy with the change suggested by OUS Controller Green. Director von Schlegell seconded the motion. All in favor: Burns, Dyess, Mendoza, Nesbitt, Richmond, Schuette, Sohn, von Schlegell, Van Vliet, and Lorenzen. Opposed: none. Motion passed.

President Lorenzen explained that he would be moving the annual report on campus performance targets and institutional goals next on the agenda and asked presidents to keep their presentation within the seven-minute timeframe.
6. **REPORT ITEM**

a. **Annual Report on Campus Performance Targets and Institutional Goals**

President Lorenzen turned to President Fatemi for his presentation. President Fatemi started with the five performance indicators that were common to all institutions and commented that freshman retention was improving, but was too low. He noted that EOU was engaging in efforts to remedy freshman retention, including a series of activities to make transition smoother and focusing on students in high school. Director von Schlegell asked if exit interviews had identified the reasons for the attrition and President Fatemi offered anecdotal replies, such as college was a huge transition, particularly for students from smaller school districts.

President Fatemi noted that EOU was doing fairly well with degrees awarded and degrees in shortage areas and focused attention on the new measurement indicators, sharing that EOU had changed both of its mission-specific indicators. He observed that EOU was measuring its effectiveness at getting students from eastern Oregon to attend college. President Fatemi stated that EOU is measuring both the number of students from Eastern Oregon that attend EOU and the number of students that take EOU courses that are offered in high schools. He observed that total credit enrollment was going up rapidly, that EOU was reducing its students per full-time faculty ratio, that full-time faculty were paid 14 percent below their peers, and that EOU was trying to resolve its faculty salary issue and was amid union negotiations to address the issue.

President Lorenzen recognized President Dow for her presentation. President Dow started with the performance indicators common to all institutions, observing OIT's freshman retention was 72.1 percent. She observed that OIT had some issues with freshman-to-sophomore retention, related to math preparedness, and had instituted a technology orientation program to address preparedness. President Dow offered that OIT was working with local high schools to do pre-college work for the benefit of students. She noted that OIT surpassed its goal for total degrees awarded, observing that the graduated students would need to be replaced in order to keep enrollment stable. She explained that with the decline in computer students, enrollment might drop, but new degree programs could provide some stability to enrollment. President Dow noted that OIT was doing fine with degrees in shortage areas.

President Dow commented on the drop from 93 percent to 86 percent in graduate satisfaction. She observed that OIT was hoping to increase its research and development expenditures. She moved to the mission-specific indicators and noted that OIT was not doing as well as it would like in attracting women to engineering fields. She stated that OIT had an active women in engineering society and several pre-college programs to attract women to engineering. President Dow also observed that OIT's degree completion rate was 41.8 percent and at the middle of the pack of OIT peers. She added that OIT was working on retention and appointed an enrollment retention director. President Lorenzen turned to the total degrees awarded figures, focusing on the high targets, and asked if quality was sacrificed when institutions exceeded the high
target for total degrees awarded. President Dow commented on some of the difficulties in projecting the total degrees awarded out. President Lorenzen reiterated his concern regarding increased enrollments without the benefit of additional funding and its impact on quality.

President Lorenzen turned to President Frohnmayer next. President Frohnmayer stated that he would focus on the indicators that were difficult to move. He observed that freshman retention was up four percentage points, exceeding the high target. President Frohnmayer added that the graduation rate was up, degrees awarded were up and, most gratifying, graduate satisfaction was up nine percentage points. He stated that research and development funding was up 30 percent and the index of economic activity up even more than that. He summarized these developments as positive for the University of Oregon.

President Frohnmayer commented that faculty salaries were down two points, which he found unacceptable, and that the student per faculty member had increased by three students. He explained that the data could mean two things: that the University would not see enrollment increases based on the current level of state support and that the UO was in a poor competitive position regarding faculty because of salary levels. Director von Schlegell asked President Frohnmayer if he had an idea about the reasons for freshmen retention and President Frohnmayer replied that the individual attention students receive in the first six months of their university experiences makes a difference.

President Lorenzen asked President Ray for his report. President Ray observed that he would discuss OSU's most recent measure, actions the institution was taking, and goals OSU had identified. He noted OSU's freshman retention was 81.1 percent, that OSU had started an academic success center, hired a director for teaching and learning, and initiated a student experience task force. President Ray explained that the task force would be examining all of the aspects of the student experience. He stated that OSU was on the upper boundary of the retention range, but that OSU needed to be between 85 and 90 percent.

President Ray shared that OSU's six-year graduation rate was 61 percent and that, after examining comparators, OSU would like it be between 70 and 80 percent. President Ray stressed the importance of the first year and that most students that leave will leave in their first year. He noted that it was critical that OSU do everything it could to help students succeed. President Ray added that OSU was above its target for engineering and computer science degrees, it just inaugurated the Kelly Engineering Building, and it was amid fundraising to renovate Apperson Hall. He noted the success of the MECOP and SECOP internship programs.

President Ray turned to research and development and observed $134.4 million in expenditures and $209 million in awards. He praised the faculty for their extraordinary work and stressed changes in the research office and new business partnerships. He moved to high achieving high school graduates and shared OSU's 31.6 percent figure.
President Ray noted work with engineering and the Honors College to guarantee master's admission to students involved in undergraduate research activity. President Ray concluded with student diversity, noting the 13.6 percent diversity, a new office of community and diversity, and work with each college and major support unit to develop a diversity action plan with metrics and accountability.

Director von Schlegell asked if the presidents discussed issues such as freshman retention and devised best practices and President Ray noted the extensive discussions between the institution student affairs, admission, and registrar professionals. Director Schuette observed that provosts and student development deans at the community colleges had collaborated through EDP and created a matrix related to best practices.

President Lorenzen recognized President Minahan for his presentation. President Minahan started with some non-target indicators, stressing that he was going to focus on the critical indicators that required improvement. First, he shared that WOU, over the past two years, had a drop in enrollment and, at the same time, a drop in retention. President Minahan shared that admission and advising vacancies contributed to the problem. He noted that WOU was reinvesting in its advising center and had developed a new freshman academy experience. President Minahan stressed the importance of providing support to students, particularly first-generation students.

President Minahan discussed WOU's active and growing research and development funding, particularly regarding graduate teacher education. He observed that WOU was reexamining its strengths and investing in special education, rehabilitative counseling, math, science, bilingual education, and English as a second language. He offered that WOU did not have the extra funds to invest in the competitive area of computer science degrees. He added that as the enrollment dropped, WOU increased dependence on part-time faculty. President Minahan shared that as enrollment increased, WOU would invest the money in salaries and full-time faculty.

President Lorenzen recognized President Zinser for her comments. She started by discussing enrollment, recruitment, retention and graduation. President Zinser noted SOU's decline in enrollment over the past two years, but shared that there were encouraging signs, including a good applicant yield rate. She added that new graduate enrollments were up 11.7 percent. President Zinser noted that retention was down to 62.8 percent from 69 percent. She stated that admission applications from the area were up, but there was a significant decrease in applications from the Portland area. President Zinser offered nonresident transfer applications and new freshmen were up. She observed a wonderful relationship with Rogue Community College, but noted that its presence did impact enrollments, particularly with non-admitted students.

President Zinser turned to action steps. She noted investments in Portland area admissions, financial aid, and strategic positioning and initiatives. She discussed retention and that SOU needed to make progress. President Zinser described a business intelligence system that would permit examination of information regarding enrollments. She added that enrollments should improve because of the focus on early
warning. She summarized that changes in the freshman experience should spell success with retention. President Zinser observed that with the new library, SOU was able to provide space for the director of teaching and learning. She noted a dip in satisfaction levels and that SOU would work to make improvements in that metric. President Zinser observed that facilities were having a positive effect on campus, including the Madrone housing complex, student union, and library. She added that graduation rates were in the middle of the pack when compared to peers, but that SOU wanted the rates to be better. President Zinser noted an increase in research and development funding and growth in foundation and endowment funds. She concluded by noting SOU was engaged in strategic positioning with a new committee of its advisory board.

President Lorenzen noted that he did not recognize Vice Chancellor Susan Weeks for introductory comments, but Weeks observed that the information presented by the presidents was sufficient. President Lorenzen stated that the Board would take a brief break and would hear public input from Portland State representatives upon the Board's return.

**Portland State University Public Input**

President Lorenzen recognized Martha Hickey for comments regarding collective bargaining at Portland State University. She observed that everyone was aware that faculty salaries in Oregon did not compare to peers nationally and that faculty appreciated the Board's effort to lobby the Legislature for salary increases. Hickey stated that action was still necessary, despite the failure of the Governor and the Legislature to act. She stated that the decision to fund universities using old enrollment data was unfair to Portland State University. Hickey added that the methodology to fund medical benefits also disadvantaged Portland State University. She asked whether it was fair to take funds from Portland State University faculty to fund the medical benefit Systemwide when the cost of living was higher in Portland. Hickey mentioned the cost of parking as another difference in the cost of living. Hickey asked the Board to allocate the funds held for salaries by the Legislative Emergency Board fairly and equitably.

President Lorenzen turned to Mark Nelson of the Association of Oregon Faculties for comments. Nelson observed that he was present to support the American Association of University Professors with its efforts. Nelson noted that there were some successes and disappointments in the past Legislative session and that the new dollars were not enough. He noted past testimony from the Association of Oregon Faculties to find additional dollars for salaries, observing that other state employees were receiving an 8.75 percent salary increase. Nelson summarized that every state employee would be receiving a minimum 8.75 percent salary increase except for OUS faculty. He urged the Board to ask institutions to go back and try to find money for salaries. Nelson also noted that the Board should look at developing a step system for faculty.
7. **ACTION ITEMS**

   **a. 2007-2013 OUS Capital Budget–Report to Legislative Emergency Board on Anticipated Future Capital Project Fundraising**

**DOCKET ITEM:**

**Purpose:**  
Staff is recommending Board approval to authorize the Chancellor or designee to report to the Legislative Emergency Board on future capital construction projects for which the Board may request Article XI-G bond proceeds in the 2007-2013 Proposed Capital Construction Budget. The request is intended to address the budget note placed within the 2005-2007 adopted OUS capital budget, which states:

"No later than January 31, 2006, the Department of Higher Education shall report to the Emergency Board on then anticipated capital projects that are likely to require Article XI-G bond proceeds and identify those projects for which an Oregon University System campus has solicited or accepted pledges or contributions or expects to do so. Beginning with projects to be authorized in the 2009-11 biennium budget or later, the Subcommittee expects the Department to obtain authorization for Article XI-G bond proceeds for the projects from the legislature prior to seeking or accepting donations for them."

**Background:**  
In adopting the 2005-2011 capital construction budget for the Oregon University System, the legislature, by budget note, directed OUS to identify to the Legislative Emergency Board projects for which the Board might seek Article XI-G bond authorization in the next biennium.

Article XI-G is the section in the Oregon Constitution that defines the requirements for eligibility and use of a specific type of general obligation bond funding for Higher Education. Under this article, the legislature must appropriate an equal match of General Fund dollars in conjunction with the bonds, the debt service that is paid from the state General Fund. Until the 1990s, the legislature appropriated this required match from the General Fund’s regular revenue. This permitted the construction and renovation of facilities at OUS campuses during a time when student enrollment increased from fewer than 40,000 students to about 60,000 students. Since 1997, the legislature has allowed gifts and grants to be considered as the required General Fund match for the bonds. In 2005, as campuses become more successful in fundraising, the Board asked the Governor and the legislature for higher amounts of bonds than in the previous ten years so that needed projects could be constructed to meet campus needs for growth and renovation now that enrollment has topped 80,000 students.

**Emergency Board Report:**  
The attached reports (see Appendix A) are simply snapshots of projects campuses now anticipate may be submitted to the Board as part of the capital budget process for
2007-2013. Table 1 is a list of projects by campus, showing the estimated project cost by funding source for Education and General and Systemwide projects only. Table 2 provides a brief description of the projects listed in Table 1. Cost estimates for 2007-2009 projects are preliminary and could be different by the time the Board reviews the actual campus requests next summer. Estimating costs for projects not expected to be requested until 2009 or 2011 would be difficult and inaccurate. Consequently, figures for those biennia’s projects are not provided in this report but will be in the actual 2007-2013 proposal presented to the Board in summer 2006.

The projects will continue to be developed and may be re-prioritized by campuses, based in part on donor support. Such support may cause some projects to be brought forward into 2007 from future biennia, cause some projects now targeted for 2007 to be deferred, or may cause some changes in project phasing or scope. The entire six-year outlook, including Auxiliary and Student Building Fee supported projects, will be presented to the Board in the summer of 2006. If approved by the Board, the capital construction budget will be submitted by staff to the Governor in September 2006 and the Governor’s proposal presented to the legislature in January 2007. The Governor’s proposed budget will contain those projects for which Article XI-G bonds actually will be sought from the legislature. The attached listings and the Board’s 2007-2013 Capital Construction Budget Request may include projects that will not be contained in the Governor’s actual budget request.

Some of the campuses have started or are about to begin raising funds for projects, either as individual efforts or as parts of larger Capital Campaigns. To date, three campuses report they have received gifts or grants of support for their capital projects. Additional funds may be pledged or otherwise secured prior to the January session of the Legislative Emergency Board.

<table>
<thead>
<tr>
<th>Gifts/Grant Funds to Date (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds Raised Campus</td>
</tr>
<tr>
<td>WOU  $ 1</td>
</tr>
<tr>
<td>UO  11</td>
</tr>
<tr>
<td>OIT  4</td>
</tr>
<tr>
<td><strong>Total to Date</strong>  $ 16</td>
</tr>
</tbody>
</table>

**Staff Recommendation to the Board:**
Staff recommended Board approval to authorize the Chancellor or designee to present to the January 2006 Legislative Emergency Board a report on 2007-2013 capital projects for which the Board may request Article XI-G bond proceeds to be matched with gift funds, as required by the budget note attached to the Adopted 2005-2007 OUS Capital Construction Budget.
BOARD DISCUSSION AND ACTION:

President Lorenzen recognized Vice Chancellor for Finance and Administration Jay Kenton to explain the 2007-2013 OUS Capital Budget Report. Kenton observed that the docket materials represented follow-up work to the budget note he explained when the Board considered the 2005-06 annual budget and 2005-2007 biennial budgets. He stated that the Legislature requested OUS make a report to the January 2006 Emergency Board meeting regarding anticipated capital projects that were likely to require Article XI-G bonds. He noted that the presentation and approval of the capital budget itself would go through normal channels, as before.

Kenton stated that the projects were listed in Appendix A of the materials, with the 2007-2009 projects with actual dollar amounts and the 2009-2013 projects without numerical values, but that he would like to make two corrections. He stated that the Eastern Oregon Regional Information Center should correctly state $4.5 million General fund and $4.5 million Other Funds rather than $9 million Other Funds and that the Western Oregon University Business Math and Computer Science facility should read $1 million Other Funds, not $7 million.

Chancellor Pernsteiner explained that the docket materials permitted staff to present the list to the January 2006 Emergency Board as an early warning. He stated that the Board might choose different projects when it came to actually approving its capital budget submission to the Legislature.

President Lorenzen called for a motion to approve the 2007-2013 OUS Capital Budget Report as presented to the Board for submission to the Legislative Emergency Board. Director von Schlegell asked if the $725 million was for 2007-2009 and Kenton explained it was the total for all funds. Director Schuette moved approval of the capital budget report and Director Dyess seconded the motion. All in favor: Burns, Dyess, Mendoza, Nesbitt, Richmond, Schuette, Sohn, von Schlegell, Van Vliet, and Lorenzen. Opposed: none. Motion passed.

b. Integrated Data Transfer System (IDTS)—Emergency Board Request

DOCKET ITEM:

At the conclusion of the 2005 Legislative session, funding in the amount of $2,081,250 was earmarked for the OUS portion of the K-16 Integrated Data Transfer System (IDTS) pending review and approval by the Emergency Board to release the funds. Below is the text of the budget note relating to this project:

"The Subcommittee approves a $2,081,250 General Fund appropriation to the Emergency Board for the special purpose of developing an integrated K-16 student data system. The Department, with the assistance of the Department of Education and the Department of Community Colleges and Workforce Development, shall report to the Joint Legislative Audit
Committee on proposed performance measures for the integrated student data system prior to requesting an allocation of the appropriated funds. The Department shall report to the Emergency Board on the design, architecture, and total cost to complete the data system, and report on the timeline to completion and implementation, and the expected outcomes of system implementation. The Subcommittee understands that any allocation or expenditure limitation increase approved by the Emergency Board for this purpose is of a one-time nature, and that funds will be phased-out in the development of the 2007-2009 biennium budget for the Department.”

Staff from the Chancellor’s Office, the Department of Community Colleges and Workforce Development, and the Oregon Department of Education have been collaborating on a coordinated request for the release of funds for this project, in anticipation of a presentation to the Emergency Board in January 2006. The collaboration includes articulation of the design and scope of the project; identification of project technologies and processes; clarification of costs and timelines; and development of coordinated performance indicators for the project, cast in the broader context of long-term outcomes to be advanced by the infrastructure provided by the IDTS. The complete set of documents for the Emergency Board request, as well as the accompanying request to the Joint Legislative Audit Committee, will be completed by early December 2005. The complete set will include information about and request for funding for the amounts also held by the Emergency Board for the Oregon Department of Education and the Office of Community Colleges and Workforce Development. Those agencies have separate amounts withheld at the Emergency Board for their portions of the IDTS.

As part of the process for requesting funds from the Emergency Board, staff must secure approval of the Board to pursue this request. Because the deadline for submission of items to the Department of Administrative Services (DAS) for consideration at the January meetings of the Emergency Board is in early December, staff is asking now for approval to present the plan to the Emergency Board. The documents sent to DAS will be provided to the Board at the January Board meeting, which is scheduled before the Emergency Board sessions.

**Staff Recommendation to the Board:**
Staff requested Board authorization to proceed with preparation of a request to the Emergency Board for release of funds earmarked by the Legislature for the Integrated Data Transfer System project.

**BOARD DISCUSSION AND ACTION:**

President Lorenzen turned to Vice Chancellor Susan Weeks to explain the Integrated Data Transfer System request. Weeks noted that, at the end of the legislative session, the $2.1 million OUS portion of the K-16 integrated data system project funds were held pending an OUS presentation to the Legislative Emergency Board. Weeks stated that
OUS was working with K-12 and community colleges on a coordinated presentation to request the release of the funds. She observed that part of the presentation was this request to the Board to authorize staff to ask for the release of the funds. Pernsteiner added that OUS was working with the Department of Community Colleges and Workforce Development and the Oregon Department of Education on the indicators. He stated that staff would not go to the Emergency Board until after the January Board meeting, so the Board would be able to see the package before it was presented to the Legislature.

President Lorenzen called for a motion to approve the request to approach the Legislative Emergency Board to ask for the release of the Integrated Data Transfer System funds. Director Schuette moved approval of the request and Director Dyess seconded the motion. All in favor: Burns, Dyess, Mendoza, Nesbitt, Richmond, Schuette, Sohn, von Schlegell, Van Vliet, and Lorenzen. Opposed: none. Motion passed.

Director von Schlegell asked if the project was on the radar screen of the Joint Boards and Director Schuette observed it was, particularly with the Unified Educational Enterprise subcommittee of the Joint Boards Working Group.

c. Establishment of an OUS Research Council

DOCKET ITEM:

Background:
In July 2005, the Board’s Academic Excellence/Economic Development Working Group recommended the creation of an OUS Research Council, the purpose of which would be to serve as an advisory council to the Board on research issues within the Oregon University System. The functions of the Research Council would include:

- Promoting inter-campus and interdisciplinary research collaborations, exchange of ideas, and identification of best practices in the development and support of research;
- Developing a coordinated research support infrastructure within OUS to facilitate technology transfer and research commercialization at all OUS campuses;
- Supporting faculty efforts in grant writing, revenue generation, publishing, and consulting;
- Working with OUS presidents and provosts to create opportunities and curricula for student research experiences at all student levels;
- Building research partnerships with other universities within Oregon, with other public agencies, and with private industry;
- Collaborating with the Chancellor’s Office to identify, develop, and report on research outcomes;
- Reinforcing the important connections between instruction and research within the broad mission of the Oregon University System; and
- Communicating the research excellence residing within OUS.
The Chair of the Research Council would be expected to report regularly to the Board on the progress of Council activities and initiatives.

Proposed membership of the Research Council would include:

- OUS vice presidents for research at Oregon State University, University of Oregon, and Portland State University, one of whom would serve as chair on a rotating basis;
- Two members of the Oregon State Board of Higher Education;
- A provost from either Eastern Oregon University, Southern Oregon University, Western Oregon University, or Oregon Institute of Technology;
- A representative from Oregon Health and Science University;
- A representative from an Oregon private college;
- A representative from the natural resources sector;
- An attorney with expertise in patents and technology transfer;
- A venture capitalist; and
- A representative from a research unit in private industry.

 Recommendation to the Board:
The AEED Working Group recommended the establishment of an OUS Research Council, constituted with the functions and membership listed above.

BOARD DISCUSSION AND ACTION:

President Lorenzen recognized Vice Chancellor Weeks for a review of the OUS Research Council proposal and she asked Director Dyess to lead the discussion. Director Dyess explained that the OUS Research Council would be a body that would promote collaboration on research, both within OUS and outside OUS, with other institutions and private industry. She stressed the importance of developing and highlighting best practices. Director Dyess noted that critical legislation permitted commercialization, including tax advantage programs. She stated that she wanted to be sure to include the regional institutions in the technology transfer and commercialization efforts. Director Dyess observed that the Board should have regular reporting on the spires of excellence that were at each of the OUS institutions.

Director Dyess moved to the proposed membership of the OUS Research Council, outlining the three vice presidents for research at the three large OUS institutions, two members of the State Board, a provost from one of the regional institutions, an OHSU representative, a representative from an independent Oregon college, a representative from the natural resource sector, an attorney with expertise in technology transfer, a venture capitalist, and a representative from a private industry research institution. Director Dyess noted that the proposed Graduate Research Program Officer staff the OUS Research Council as the Provosts' Council was engaged in the approvals of graduate programs.
Director Richmond observed that the Provosts' Council was not looking at graduate programs, Director Dyess clarified that the Council was looking at graduate programs presently and Director Richmond replied that it was not the long-term intent. Director Richmond shared that she disagreed with the Provosts' Council handling the approvals of graduate programs. Director Van Vliet asked for clarification regarding the staff and Director Dyess noted that the Research Council would report to the Board. She stated that AEED would be a temporary group to work through specific issues, but the Research Council would be an ongoing group that would report to the Board on a regular basis. Director Richmond clarified her disagreement, noting that a graduate program council would have a different mission from that of the Provosts' Council. She stressed that there could be some overlap between membership of the Provosts' Council, a graduate programs council, and the Research Council, but that she felt strongly about a graduate program council outside of the Provosts' Council.

Director Dyess asked if there was enough opportunity to merge the two proposed councils and Director Richmond explained the necessary membership of a graduate programs council. President Lorenzen observed that many of the council issues were too important to decide at the meeting without further discussion and that the Board had the Research Council proposal before it. Director Dyess stressed the critical importance of the Research Council and Director Richmond noted that she agreed with Director Dyess, but did not want the Research Council to replace the proposed graduate programs council. Chancellor Pernsteiner noted that the proposal was regarding the Research Council and did not speak about the graduate program council.

Director Nesbitt observed that the proposal did not discuss staffing or budget and that he was uncomfortable not knowing whether or not the Board would need to approach the Legislative Emergency Board for funding. Pernsteiner explained that the Research Council would be staffed by the GARP position, but the question that had been discussed was whether there would be more than one committee. He stressed the staff position was in the budget.

Director von Schlegell stated that he agreed with the philosophy behind the Research Council, but asked what the Board would do with the Council, asking for an example of the type of decision that the Board would make. Director Dyess explained that if the Board wanted to collaborate effectively across state lines, it could use the Research Council to assist it in allocating more resources to get federally or privately funded research. She stressed the importance of getting visibility for this type of work, particularly after the AEED working group was disbanded. Director Dyess also observed that the Research Council could assist the regional campuses with commercialization. Director von Schlegell reiterated his question about the Board's role other than visibility, asking whether the Board would have access to money. Director Dyess replied the Board could pursue money. Director von Schlegell asked if the Board would approve research projects and Director Dyess replied not with the federal government, but the Board could weigh in on research projects when they were funded by private dollars.
Director Richmond observed that the larger universities already had research offices and Director Dyess explained that the Research Council could help share resources across the institutions, adding that the only place that the OUS spires of excellence emerge was through the AEED working group. Director Richmond stated that she was concerned about creating a structure before the GARP position and graduate programs council structure was in place. Director Dyess responded that an AEED subgroup was currently dealing with the requirements of Senate Bill 853 and it would be a perfect issue for a Research Council to tackle. Director Richmond asked if there was a problem with delaying the Research Council for a few months and Director Dyess replied that she believed it should move forward. Director Van Vliet asked if it could be a retreat item and Director Dyess noted that she did not believe any scenario at the retreat would state that institutions would stop going after research dollars.

Director von Schlegell added that he was convinced, noting that if a different governance model emerged from long-range planning, the Board could always return to Councils to determine how they fit into a new structure. Director Richmond stated that she was fine as long as flexibility was retained. President Zinser noted that she was pleased with the explicit inclusion of the regional campuses. She returned to Director Nesbitt's question about staffing and noted that she hoped it would resonate with how regional campuses integrate undergraduate, graduate, and research activities on campus. Director Van Vliet shared that he was concerned with the practicality, particularly from the vantage of a Council telling researchers what they might research. He added that he was somewhat leery of adding independent institutions to the Council. Director Dyess replied that she thought the private institutions could bring something to the table.

President Lorenzen called for a motion to approve the OUS Research Council. Director von Schlegell moved approval and Director Dyess seconded the motion. Before the vote, Director Nesbitt asked if the Board would consider changing "would" to "could" in describing the membership of the Council. Directors Dyess and von Schlegell stated that they did not have a problem with the amendment. All in favor: Burns, Dyess, Nesbitt, Richmond, Sohn, von Schlegell, Van Vliet, and Lorenzen. Opposed: none. Motion passed.

8. COMMITTEE REPORTS

a. Standing Committee

President Lorenzen called on Director von Schlegell for a report from the Finance and Administration Committee. Director von Schlegell reported the Committee covered quarterly management reports, an investment report, and a discussion on the debt policy. He noted that the Committee did not enact the debt policy, but started the discussion. President Lorenzen observed the Committee discussed the financial update of University Place and the report was positive.
b. Working Groups

No working group reports.

c. Other Board Committees

President Lorenzen recognized Director Nesbitt for an update from the College Savings Plan Board. Director Nesbitt noted the promotional giveaways and other strategies designed to reach other groups of Oregonians ready to save for college. President Ray added that he suggested that Oregon Treasurer Randall Edwards come speak to 4-H students and President Zinser noted that many middle-school students were on campus during summer programs and could be reached in that way.

President Lorenzen turned to Director Dyess for an OHSU update. She offered that OHSU was currently focused on its presidential search. Director Dyess observed that the search committee had selected an agency, had started to engage the entire OHSU community, and OHSU hoped to have some candidates on campus in the spring.

9. Public Input

President Lorenzen noted three members of the public signed up for public input. He stated that David Zupan had written testimony regarding the Westmoreland discussion and that it would be distributed to Board members. He called on Lane County Commissioner Pete Sorenson for comments.

Sorenson shared that he possessed three degrees from OUS institutions, was a former state legislator, and was sympathetic to funding issues education faced in Oregon. Sorenson offered that he, as well as others, learned about the Westmoreland issue in the press and that it was probably not a good way to start the issue. He asked that the Board not take action on the matter and that the Board keep the record open so others might offer comments in the future. Sorenson stated that he was curious with how quickly the UO appeared to be moving this forward. He thanked the Board for its willingness to serve. President Lorenzen confirmed that the Board took no action on the Westmoreland matter.

President Lorenzen recognized Brooke Jacobsen for comments. Jacobsen introduced herself as the president of the local union representing part-time Portland State University faculty. She shared that it was the last day of Campus Equity Week, a time designed to focus attention on issues facing part-time and contingent faculty. Jacobsen noted national increases in the use of part-time faculty, the lower salaries of part-time faculty, and the fact that many do not have benefits. She observed that contract negotiations were successful at PSU, but the provisions did not go far enough to meet the rapid cost of living increases and health care premiums. Jacobsen commented on the gap between full-time and part-time faculty and lack of job security due to term-by-term appointments. She commented that part-time faculty should have access to buy
into PSU group health insurance plans and asked the Board to direct more attention to the issues facing part-time faculty.

10. BOARD COMMENTS

President Lorenzen congratulated President Ray and Diane Sawyer for completing the Portland Marathon.

11. DELEGATION OF AUTHORITY TO BOARD’S EXECUTIVE COMMITTEE

“Pursuant to Article II, Section 5 of the Bylaws of the Board of Higher Education, the Board delegates to the Executive Committee authority to take final action as here designated or deemed by the committee to be necessary, subsequent to the adjournment of this meeting and prior to the Board’s next meeting. The Executive Committee shall act for the Board in minor matters and in any matter where a timely response is required prior to the next Board meeting.”

President Lorenzen called for a motion to approve the delegation of the Board's authority to the Executive Committee as included in the Board materials. Director Sohn moved approval of the delegation and Director Nesbitt seconded the motion. All in favor: Burns, Dyess, Mendoza, Nesbitt, Richmond, Schuette, Sohn, von Schlegell, Van Vliet, and Lorenzen. Opposed: none. Motion passed.

12. ADJOURNMENT

President Lorenzen adjourned the meeting at 2:07 p.m.

Henry C. Lorenzen
President of the Board

Ryan J. Hagemann
Secretary of the Board