1. **CALL TO ORDER/ROLL CALL**
   The meeting of the State Board of Higher Education was called to order at 10:18 a.m. by President Lussier.

   On roll call, the following Board members answered present:
   - Mr. Kerry Barnett
   - Mr. Roger Bassett
   - Mr. Tom Imeson
   - Ms. Leslie Lehmann
   - Dr. Geri Richmond
   - Mr. Don VanLuvanee
   - Ms. Erin Watari
   - Ms. Phyllis Wustenberg
   - Mr. Tim Young
   - Mr. Jim Lussier

   Absent: Bill Williams because of a business conflict.

   **Chancellor’s Office staff present:** Chancellor Richard Jarvis, Tom Anderes, Shirley Clark, Michael Green, Grattan Kerans, David McDonald, Ben Rawlins, Virginia Thompson, Diane Vines, and Susan Weeks

   **Others:** Dan Bernstine (PSU), Philip Conn (WOU), Phillip Creighton (EOU), Bill Danley (IFS), Martha Anne Dow (OIT), Dave Frohnmayer (UO), Lesley Hallick (OHSU), Andy Saultz (OSA), Tim White (OSU), and Elisabeth Zinser (SOU)

   Meeting attendees also included other institutional representatives, members of the Chancellor’s Office staff, and interested observers.

2. **APPROVAL OF MINUTES**
   - January 16, 2003, Board Work Session Minutes
   - January 17, 2003, Board Meeting Minutes

   The Board dispensed with the reading of the January 16, 2003, Board Work Session meeting and January 17, 2003, Regular Board meeting minutes. Director VanLuvanee moved and Director Wustenberg seconded the motion to approve the minutes as submitted. The following voted in favor: Directors Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Watari, Wustenberg, Young, and Lussier. Those voting no: none.

3. **BOARD PRESIDENT’S REPORT**
   **Welcome**
   President Lussier welcomed the Board, presidents, and others to the meeting at Oregon State University and thanked President Tim White for the informative and interesting afternoon and evening portions of the visit to the campus. “We had some very high quality and sophisticated entertainment at the dinner and heard from outstanding
faculty, administrators, and students in the afternoon. It’s always a great time to be on campuses and, as we mentioned last evening, it is wonderful to listen to students and their aspirations and achievements. It provides the Board with an opportunity to really see what higher education is all about and why we, as a Board, are here.”

**Tom Imeson Recognition**
President Lussier, in keeping with a tradition he began several months ago, presented Tom Imeson with a plaque to acknowledge his service to the Board as president from 1998-2000.

**President’s Observations**
President Lussier acknowledged that these are financially very austere times for the state and the Oregon University System. He indicated that the Board has asked the institutions to make major changes, staff reductions, and curtailment of programs and services. Students likewise have been put in very difficult positions because of increased tuition, decreasing opportunities, and uncertainties regarding their futures. “On behalf of the Board, I want to express our thanks and appreciation to each one of you for accommodating and managing your way through this period,” President Lussier added.

Continuing, he indicated that this time also offers tremendous opportunities to position the System for the future. “We have seven great universities; we have outstanding staff and faculty; and we have more than a full array of outstanding and great students who will eventually become the leaders of this state. Sometimes we think that all we have to do is live through this adversity and things will be brighter three or four years from now. But students are here now. This is their opportunity and they can’t put their lives off because of some economic adversity in the state. So that really does become our challenge.”

4. **CHANCELLOR’S REPORT**

**Preliminary Report**
Chancellor Jarvis highlighted the importance of the release of the preliminary report, “THE FIRST YEAR: 10th Grade Benchmark Standards and First Year College Performance,” which he described as a very important set of data for OUS and, in particular, for the K-12 sector partners. A collaborative study by staff from OUS, the Department of Education, and the Office of Community Colleges and Workforce Development, the study looked at a standards cohort of approximately 6,000 students entering OUS and community college institutions in the fall of 2001. It related their performance on the benchmark assessments in tenth grade to their subsequent success in the freshman year in college. “The bottom line result of the study is that the performance standards that we worked so hard to put in place in this state turn out to be as good or better predictors of the success of students in college as the standardized tests taken at a later time,” Chancellor Jarvis explained.
A direct benefit of the findings is that there is an opportunity to work with students in the tenth grade and, with early warning, guide them in ways that can better prepare them for higher education in the future. This study will also be a topic of considerable political discussion as efforts continue on the educational reform movement in Oregon. The Chancellor formally thanked Vice Chancellor Clark, Dr. Christine Tell, and Dr. David McDonald for their work on the project.

**Legislative Affairs**

Chancellor Jarvis indicated that he continues to make regular visits to legislators. In addition, he has given presentations to the House Education Committee, the Senate Education Committee, and participated in a briefing with the Governor’s staff on the state of the budget for the current biennium.

**Budget Outlook for 2003**

Chancellor Jarvis called on Vice Chancellor Anderes to brief the Board on the challenges facing OUS in light of the revenue projections. He indicated that the latest revenue forecast, due out within the week, would reveal an additional $300,000 shortfall from the most recent projections. The Governor’s office is instituting what they have termed a “cost avoidance process” that will impact all government agencies.

At the same time, the new legislature is faced with a revenue estimate that is approximately four percent below what the Governor’s recommended budget had anticipated. Vice Chancellor Anderes anticipated that the Ways and Means Committee hearings would be pushed farther back on the legislative agenda and that there could well be weekly meetings to work through the budgeting process.

**Secretary of State Audit Division Report**

The Secretary of State Audit Division issued a report on OUS’ internal audit functions. “The objective of the review was part of a comprehensive set of reviews of state agencies and the extent to which agencies are promoting compliance by optimally using their own internal audit functions. OUS internal audit system was one of a very few agencies that demonstrated full compliance with all applicable standards. “I would like to express my appreciation and on behalf of the Board acknowledge the great work of Patti Snopkowski and her staff,” Chancellor Jarvis concluded.

**Presidents’ Reports**

Dan Bernstine reported that he and Chancellor Jarvis had participated in a press conference at PSU with Congressman David Wu regarding a package of bills intended to make college more affordable, including an increase in the PELL grant. PSU is the recipient of a $2.5 million gift from Gordon Moore, $2 million from federal appropriations, and $1 million from the Department of Commerce and Department of Energy. PSU’s distinguished Chamber Choir performed at Carnegie Hall in New York City. Finally, President Bernstine reported that Eric Jenson, who was home schooled until the age of 16, graduated from PSU in 2002, and received a Gates-Cambridge fellowship. He will begin graduate studies at Cambridge in the fall.
Phillip Conn described the development and use of instructional technology at WOU that began three years ago with a program called Preparing Tomorrows Teachers for Technology (PT3) that was funded by the Department of Agriculture. At a conference on February 13, 2003, 30 projects were showcased to demonstrate innovations in computer-assisted teaching. To celebrate and emphasize WOU’s cultural and ethnic diversity, the third annual Chicanito tour was held. Over 200 middle and high school students of Latino or Hispanic origin were on campus for a day to experience the college environment.

Martha Anne Dow commented that Coach Danny Miles achieved his 700th win as basketball coach. Dawn Marquar, a senior in radiologic science, participated in a health technologies conference of ACERT in Las Vegas. ACERT is an accrediting agency in radiologic science as well as a professional association. Ms. Marquar placed first nationally with over 180 competitors from programs across the nation.

Dave Frohnmayer reported that the UO admissions flow is consistent with the projections that had been made and is probably the largest flow of applicants in history. A researcher at the UO has received a contract from the College Board to provide to every high school in the nation a set of plans by which they can more closely conform the new emerging performance standards with college success standards. The CD-ROM version of the Atlas of Oregon has won another national prize. The UO is very far advanced on the planning of a comprehensive campaign that will begin soon, dependent on an assessment of market conditions and readiness. The UO has developed academic priorities that will be unveiled to the UO Foundation Trustees in the coming weeks.

Elisabeth Zinser invited Board members to the groundbreaking on March 7, 2003, of SOU’s library. She indicated that Senator Hannon and Representative Bates would be among the legislators present at the event. SOU has had a reaffirmation of its accreditation. The report acknowledged the heroic efforts that SOU has made to accomplish the high level of quality it has in the face of extreme fiscal challenges. Kerry Lund, a SOU graduate and a high school teacher in Cave Junction, Oregon, was one of five selected nationally for the Mr. Holland’s Opus Award for outstanding teaching. At a ceremony at Carnegie Hall in New York, Mr. Lund was named outstanding teacher in the country. SOU received $500,000 support from the federal government to support the Theatre Education Institute. Finally, President Zinser commented that the Early Childhood Development program the Board was being asked to approve is to be offered in conjunction with Rogue Community College and is important to the overall mission of SOU.

Tim White acknowledged that the American College of Health Care Executives, for the first time, this year awarded prizes for undergraduate, graduate, and faculty manuscripts to students and one faculty member. Two received prizes – graduate division and undergraduate student. The Tech Laboratory for Plasma Spectroscopy has opened and allows access through the internet to look at geochemical analysis. It links to the
extremely large database on marine biology. For the first time, world access is available through a website to over 800 original letters, manuscripts, and notes between Linus Pauling and James Watson, Francis Kirk, and Rosalind Franklin regarding the discovery of DNA. OSU has been involved in the technical aspects of creating OPAN, which opens the unfiltered world of Oregon politics to every home in the state of Oregon. Finally, President White indicated that “the uncertain world in which we live was manifest when the scheduled live interaction with the space shuttle and OSU alum Don Pettit and high school and elementary students, had to be cancelled.”

Lesley Hallick commended the System for the change in the way in which the Annual Financial Statements have been prepared and acknowledged that they are much more user friendly. Dr. Hallick expressed gratitude to the partnerships that have existed and are continuing to expand among OUS institutions and she cited a number of examples of how these collaborative relationships have enriched programs at OHSU. A biodefense initiative, for which OHSU has applied, involved many entities and universities in the Northwest and West. Other projects have included partnerships with OIT, PSU, and OSU.

Phillip Creighton acknowledged that on February 10, 2003, the faculty at Eastern Oregon University voted, by a very close margin, to affiliate with the American Federation of Teachers. The union will be authorized on February 24th. President Creighton indicated this arrangement could make for significant differences on the campus and wanted the Board to be aware of this change.

5. **REPORTS**

**IFS President**

Professor Bill Danley began his report by commenting that this year continues to “bring news of a dramatic declining state economy, of deep concern for the health of our state, and a seemingly never-ending sequence of lowered revenue forecasts, unforeseen gaps between revenues and expenses, and overlaying all of that depressing news, we hear of calls to war and equally bad economic news on the national front.

Dr. Danley touched on the problems of continuing increases in tuition for students and the potential harmful effects of reform of the Oregon Public Employee Retirement System. He pointed out that it is the unintended consequences of these actions that threaten the System the most and offered the support of the faculty in working with the legislature to find solutions. (The full text of Dr. Danley’s comments is available in the Board’s office.)

**OSA President**

In the absence of OSA president Ms. Rachel Pilliod, Andy Saultz, OSA vice chair and chief-of-staff for the Associated Students of Oregon State University, provided the OSA report. Mr. Saultz expressed OSA’s concerns regarding raising admission standards at OIT and PSU, indicating that some of the most vulnerable students would be adversely affected. “Students that show the determination to apply to college should not be rejected by increasing admissions standards,” Mr. Saultz contended.
The second item of concern from OSA related to a proposal to implement a governance structure on campuses that would ensure that students were involved and heard as decisions were made affecting student life, finances, and enrollment. Appreciation was expressed for actions taken by the Board and the Chancellor to increase student involvement, but OSA asked for a resolution to the governance issues they had raised within the next two months. (A complete copy of Mr. Saultz's remarks is on file in the Board’s office.)

Director Young responded to OSA’s request by encouraging the Board to send some direction to the campuses to set up a structure where students are involved in more meaningful and effective ways with decisions on the campuses. Director Bassett indicated that the Board and the institutions have and will continue to make very painful decisions regarding tuition and access. “I plead with you to understand that we’re not insensitive, but we are trying to proceed on a course we’ve never seen before and we are placing great confidence in the responsibilities of institutional presidents and other leaders working with students and others to handle a situation that escapes handling at this Board table,” he concluded.

President Lussier indicated he would ask the Executive Committee to take the OSA proposal under advisement to determine what can be done to create a dialog around the governance issue to arrive at a mutually agreeable conclusion.

6. **System Strategic Planning Committee**

   **Action Item**

   a. **OUS Undergraduate Admission Policy for the 2004-05 Academic Year**

   **Docket Item:**

   **Background**

   Oregon State Board of Higher Education policy calls for approval of undergraduate admission requirements for each academic year in February of the preceding calendar year. This schedule is necessary for institutional planning, program implementation, publication production, and timely notice to prospective students.

   **Admission Policy Update**

   Beginning with the admission policy adopted by the Board for 1996-97, the Oregon University System (OUS) projected a transition from the traditional high school grade point average and subject-based admission standards to a proficiency-based admission standards system. An updated schedule for this policy transition was provided at the end of the document.

   **Admission Policy Changes for 2004-05**

   Admission policies for three OUS campuses have been revised to reflect campus enrollment considerations. For the other four campuses, there are no changes in the existing admission requirements. (See the chart *Undergraduate Admission Requirements for 2004-05 Academic Year.*) However, projected transition timelines to
the Proficiency-based Admission Standards System (PASS) have been updated to align with the projected schedule for the implementation of educational reform in Oregon’s schools. A separate report on the implementation of PASS was in the February 21, 2003, Board docket.

The Oregon Institute of Technology (OIT) proposed to increase its high school grade point average (GPA) requirement for entering freshmen from 2.50 to 3.00. OIT also adds criteria to be used in reviewing for admissions those students whose GPA falls between 2.50 and 3.00. Students with GPA’s in this lower range should have SAT (or ACT) math and composite scores that demonstrate potential for success at OIT. These changes are the result of a six-month planning effort by the Strategic Directions Planning Commission that involved representatives from the faculty, staff, and students; campus forums; the Faculty Senate; and OIT’s Academic Council. OIT is attempting to better match admission standards with the preparation needed to persist and succeed in the rigorous academic programs offered.

Portland State University (PSU) proposed to increase its minimum GPA for freshman admission from 2.50 to 3.00 to bring admission requirements into better alignment with the actual academic profile of entering students. PSU will consider applicants with GPA’s between 2.70 and 3.00 for admission depending upon their performance on the SAT or ACT exams. The proposed changes have been under study and consultation for more than a year and were most recently reviewed and supported by the PSU Council of Academic Deans as well as the Senior Enrollment Management Team. PSU has developed a communications plan to ensure that all constituent groups are advised of the changing requirements so that expectations about student preparedness and PSU’s commitment to access are understood.

The University of Oregon (UO) proposed to continue for 2004-05 the selective admission criteria for 2003-04 approved by the Board at the July 19, 2002, Board meeting. Specifically, the UO affirmed setting its minimum GPA for entering freshmen at 3.25. It also proposed to increase the number of high school subject requirements from 14 to 16. Students with GPA’s between 3.00 and 3.25 will be reviewed in a more comprehensive manner to determine the likelihood of college success. Recent rapid growth has brought the UO to near maximum enrollment; therefore, the more selective requirements have been implemented for enrollment management.

The OUS Academic Council deliberated these admission policy revisions at its November and December 2002 meetings and its January 2003 meeting.

Staff Recommendation to the System Strategic Planning Committee
Staff recommended (1) that the general undergraduate admission policy be approved as updated for the 2004-05 academic year and (2) that staff continue to work with Oregon schools, OUS campuses, and the Oregon Department of Education on the long term transition from the traditional admission policy to the proficiency-based admission standards system.
COMMITTEE DISCUSSION AND ACTION:
Director Bassett indicated that Board approval of the staff recommendation would revise standing admission policies for three OUS campuses, Oregon Institute of Technology, Portland State University, and the University of Oregon.

During the Committee discussion, the question was raised about criteria, other than GPA that were used to approve institution admissions. OUS is in the process of evolving toward PASS and changing from what in the past has been called the five percent special admit category of students. These are students who essentially fall below all institutional criteria but, nonetheless, the institution wants to give them encouragement to attempt to make it in the higher education environment.

Director Barnett was interested in what might happen with admission standards if enrollment caps were imposed. Could other criteria be imposed such as a history of disciplinary problems or a criminal record? Dr. McDonald explained that information of that type is not available to admission directors. “Traditionally what happens at open access universities (and we fall into that category) is that when students meet the minimum academic requirements, are able to pay the admission fee, apply on time, they are admitted.”

The question was raised as to whether or not Oregon was considering eliminating the SAT and ACT scores as in California. It was explained that at the present time, OUS requires the SAT exam and the score falls into the category of an additional indicator of potential for success. There was discussion of what was termed the “GPA gap,” that results because of the discrepancies in how grades are assigned from class-to-class and from school-to-school. There is general belief and hope that the standards, which are state-normed and independently verified, will be a more accurate predictor of potential success in college than the GPA.

BOARD DISCUSSION:
Director Watari expressed the opinion that when the standards of the GPA are raised, the System is contributing to the creation of an elite class of students. Several Board members underscored that in light of the discussion of admission standards, it was even more important to finish the work on policy issues regarding the relationship of access and quality.

Director Bassett added that the issue of admission standards is even larger than just the Oregon University System and includes the other education sectors of the state. “I think more likely in the SSP access work, rather than quality, we need to capture admission standards as one of the tools that affect access and determine the Board’s general view on the topic. It is appropriate for the Board to communicate broadly to the public the consequences of actions we are being required to take.”

President Frohnmayer explained that a student’s GPA is not the only determiner of whether or not they will be admitted to an institution. The GPA, he said, “is what you would call automatic admission of the student. It does not preclude what we call full-file
review of those who fall below that standard. In fact, that full-file review is given to hundreds, if not thousands, of students who apply.” It was further explained that it is very clear on institution application documents that GPA is only one of many components of a student’s background that might be considered for admission to an institution.

President Lussier added that the community colleges are facing enrollment management issues as well and that the work of the Joint Boards of Education is even more important as we together face the issues of declining enrollments and increased demand for postsecondary education opportunities.

**BOARD ACTION:**
Director Bassett moved and Director VanLuvanee seconded the motion to approve the staff recommendation. Those voting in favor: Directors Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Wustenberg, Young, and Lussier. Those voting no: Director Watari.

7. **BUDGET AND FINANCE COMMITTEE**

**ACTION ITEMS**

a. **Report on 2002-03 Tuition Surcharge Rates**

**DOCKET ITEM:**

*Background*

During the 2001-2003 biennium, the Oregon Legislature met in five Special Sessions to direct a series of state appropriation reductions from the amounts first set by the 2001 Legislature. In the fifth Special Session the Legislature referred Measure 28, an income tax surcharge, to be voted on in a special election on January 28, 2003.

In anticipation of the possible defeat of that measure and in an attempt to mitigate the impact of the pending cuts, the Board approved a temporary rule amending the 2002-03 Academic Year Fee Book (OAR 580-040-0040) authorizing tuition surcharges to be assessed winter and spring terms. This action was first approved by the Executive Committee of the Board on November 15, 2002, and subsequently ratified by the full Board on December 20, 2002. Institutions were given the option of assessing the surcharges in advance of the election with the directive to refund them if Measure 28 passed, or to delay until after the election and then assess winter term enrollees. EOU, OIT, PSU, SOU, and WOU elected to assess the surcharges in advance. OSU and UO elected to delay assessment until after January 28, 2003.

As the state’s economic outlook continued to decline, an additional state appropriation reduction was ordered by the Governor in December 2002. Subsequently, on January 17, 2003, the Board approved supplemental tuition surcharges requested by OSU, SOU, and UO to help offset this further reduction.

Since the first tuition surcharges were approved in November 2002, well in advance of the January 28, 2003, election, the approved rates of the surcharges were allowed to be
considered as preliminary. Staff assured the Board that a report would be made at the first opportunity following the January election outcome, on the final tuition surcharge rates being assessed.

Following are the individual institution decisions on the 2002-03 tuition surcharges.

**Institution Decisions**

**EOU**
EOU began assessing its tuition surcharges with the beginning of winter term and will continue spring term. Undergraduates are assessed $12.50 per credit hour for all credit hours enrolled. Graduates are assessed $50 per credit hour for all credit hours enrolled.

Total tuition and fees for undergraduates taking 14 credit hours will increase 14.3 percent and graduates taking 11 credit hours will increase 25.4 percent for residents and 14.5 percent for nonresidents over the original 2002-03 rates. The surcharge is expected to generate approximately $1 million over the two terms.

EOU intends to assess a tuition surcharge in summer term of $12.50 per credit hour for undergraduates and $50 per credit hour for graduates, the same surcharge being assessed spring term.

**OIT**
OIT began assessing its tuition surcharges with the beginning of winter term and will continue spring term. All students are assessed $12.50 per credit hour up to the plateau, with additional charges above the plateau.

Total tuition and fees for undergraduates taking 14 credit hours will increase 11.7 percent for residents and 3.4 percent for nonresidents; for graduates taking 11 credit hours, the rates will increase 6.4 percent for residents and 3.7 percent for nonresidents over the original 2002-03 rates. The surcharge is expected to generate approximately $577,000 over the two terms.

OIT intends to assess a tuition surcharge in summer term of $12.50 per credit hour, the same surcharge being assessed spring term.

**OSU**
OSU delayed assessment of its surcharges until after the January 28, 2003, Special Election. It had also determined to assess the supplemental tuition surcharge approved in January. It will now assess the combined surcharges for winter term and will continue spring term. Undergraduates are assessed $13 per credit hour up to a maximum of $157. Graduates are assessed $17 per credit hour up to a maximum of $157.

Total tuition and fees for undergraduates taking 14 credit hours will increase 11.7 percent for residents and 3.2 percent for nonresidents; for graduates taking 11 credit hours, the rates will increase 6.0 percent for residents and 3.5 percent for nonresidents
over the original 2002-03 rates; for Pharm D students taking 14 credit hours, the tuition and fee rates will increase 5.1 percent for residents and 2.5 percent for nonresidents; and, Vet Med tuition and fees will increase 3.8 percent for residents and 2.0 percent for nonresidents. The surcharges are expected to generate approximately $5.2 million over the two terms.

OSU is not assessing any tuition surcharges at its Cascades Campus since the 2001-2003 budget reductions separately impacted this campus.

OSU does not intend to assess any surcharges during summer term.

PSU
PSU began assessing its tuition surcharges with the beginning of winter term and will continue spring term. Undergraduates were assessed $10 per credit hour up to a maximum of $120. Graduates are assessed $14 per credit hour up to a maximum of $126.

Total tuition and fees for undergraduates taking 14 credit hours will increase 9.3 percent for residents and 2.7 percent for nonresidents; for graduates taking 11 credit hours the rates will increase 5.2 percent for residents and 3.1 percent for nonresidents over the original 2002-03 rates. The surcharge is expected to generate approximately $3.1 million over the two terms.

PSU intends to assess a tuition surcharge in summer term of $10 per credit hour for undergraduates and $14 per credit hour for graduates, the same surcharge being assessed spring term.

SOU
SOU began assessing its first tuition surcharge with the beginning of winter term. It had also determined to assess the supplemental tuition surcharge on resident students approved in January 2003, but will not assess a combined surcharge until spring term. Resident undergraduates are assessed $4.16 per credit hour winter term and $9.16 per credit hour spring term up to the plateau, with additional charges above the plateau. Nonresident undergraduates are assessed $10 per credit hour up to the plateau with additional charges above the plateau. Resident graduates are assessed $10 per credit hour winter term and $12.25 per credit hour spring term, up to the plateau with additional charges above the plateau. Nonresident graduates are assessed $16.66 per credit hour, up to the plateau, with additional charges above the plateau.

Total tuition and fees for undergraduates taking 14 credit hours will increase 8.9 percent for residents and 3.1 percent for nonresidents; for graduates taking 11 credit hours the rates will increase 5.1 percent for residents and 4.0 percent for nonresidents over the original 2002-03 rates. The surcharge is expected to generate approximately $725,000 over the two terms.
SOU intends to assess a tuition surcharge in summer term of $6.50 per credit hour for undergraduates. This is $2.66 less than the combined spring term surcharges.

**UO**
UO delayed assessment of its surcharges until after the January 28, 2003, Special Election. It had also requested approval to assess the supplemental tuition surcharge on all students as approved in January but, at the time of this report, had not yet decided whether to assess a combined surcharge spring term. All students are assessed $10 per credit hour winter term and may be assessed $13 per credit hour spring term for all credit hours enrolled. Law students are assessed $15 per credit hour for winter and spring term for all credit hours enrolled.

Total tuition and fees for undergraduates taking 14 credit hours will increase 12.5 percent for residents and 3.4 percent for nonresidents; for graduates taking 11 credit hours, the rates will increase 5.5 percent for residents and 3.2 percent for nonresidents; and for Law students taking 11 credit hours, the rates will increase 2.5 percent for residents and 1.8 percent for nonresidents over the original 2002-03 rates. The initial surcharge approved in December 2002, is expected to generate approximately $4.2 million over the two terms. If the supplemental surcharge is assessed spring term it is estimated to generate an additional $700,000.

UO intends to assess the $10 per credit hour surcharge summer term.

**WOU**
WOU began assessing its tuition surcharges with the beginning of winter term and will continue spring term. All students are assessed $12 per credit for the first hour. Undergraduates will be assessed an additional $8 per credit hour up to the plateau, with additional charges above the plateau. Graduates will be assessed an additional $11 per credit hour up to the plateau, with additional charges above the plateau.

Total tuition and fees for undergraduates taking 14 credit hours will increase 8.1 percent for residents and 2.5 percent for nonresidents; and graduates taking 11 credit hours will increase 4.6 percent for residents and 2.6 percent for nonresidents over the original 2002-03 rates. The surcharge is expected to generate approximately $500,000 over the two terms.

WOU intends to assess a tuition surcharge in summer term of $8 per credit hour for undergraduates and $11 per credit hour for graduates, the same surcharge being assessed spring term.

**Supplemental Material**
A summary of the tuition surcharges by institution was included in the supplemental material to the docket item.
Staff Recommendation to the Budget and Finance Committee
Staff recommended that the Board approve the report on the 2002-03 Tuition Surcharge Rates as submitted.

COMMITTEE DISCUSSION AND ACTION:
Vice Chancellor Anderes reminded the Committee that the surcharges are temporary – filling the gap for the remainder of this biennium. The Committee will address this issue again in April when there will be a combination of enrollment and tuition plans from the institutions. This will be done within the best parameters of information available on financial forecasts and budget projections from the legislature.

In response to a question from Director Imeson as to whether there were any themes or similar patterns among the institutions, Vice Chancellor Anderes indicated that there were not. Each institution is looking at the problem from a different perspective, taking into account fund balances, projected enrollment, and so forth.

It was pointed out that each institution is setting aside an amount of the surcharge that is proportional to the amounts they had under previous tuition scenarios for the most financially at-risk students. Director Young requested a report of the ways in which the issue of financial aid for the most needy was being handled.

Director VanLuvanee indicated that the Budget and Finance Committee approved the staff recommendation and suggested the full Board do the same. Director Watari voted against the motion.

BOARD DISCUSSION AND ACTION:
It was moved by Director VanLuvanee and seconded by Director Bassett that the Board approve the Committee recommendation. Those voting in favor: Director Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Wustenberg, Young, and Lussier. Those voting no: none. (Note: Director Watari was not in the room at the time of the vote.)

b. Annual Financial Audit Report

DOCKET ITEM:
Summary
The report titled Annual Financial Statements 2001-2002 (see supplemental materials) was prepared by the Chancellor’s Office and the financial statements included within were audited by Moss-Adams, LLP, under contract to the Secretary of State, Audits Division. The audit opinion issued by Moss-Adams, LLP, is an unqualified opinion, which means that their opinion as to the fair presentation of the financial statements was issued without qualification.

The information included in the report differs significantly from prior years due to the implementation of Governmental Accounting Standards Board (GASB) statement number 35, as well as other related GASB statements. These new accounting principles
are intended to provide greater comparability between the financial statements of public and private higher education institutions as well as make them more reader-friendly by making them similar to financial statements of private industry.

The most obvious difference is the format of the financial statements; moving from a multi-column format, which separated the financial activity by major fund group, to a single column format, which combines all fund groups and eliminates interfund transactions. Other significant changes include: the addition of a narrative section called “Management’s Discussion and Analysis,” which is intended to provide an objective and easily readable analysis of OUS’s financial activities; classifying assets and liabilities on the statement of net assets into “current” and “non-current” classifications; replacing the term “fund balance” on the statement of net assets with “net assets” to more clearly reflect the nature of the amounts presented; recording depreciation on capital assets; capitalizing expenditures made for capital assets; displaying net income or loss from operations; reporting appropriations as “non-operating” income; and including a statement of cash flows.

As stated above, Moss-Adams, LLP, has audited the financial statements of OUS and, in conjunction with that audit, has issued a letter to OUS Management (see supplemental materials) communicating observations and recommendations relating to OUS internal controls. OUS Management has issued a letter in response to these observations and recommendations (see supplemental materials) that includes general agreement with the observations and planned actions in response. None of the observations made by Moss-Adams, LLP, represent significant deficiencies in the design or operation of internal control.

_Staff Recommendation to the Budget and Finance Committee_

Staff recommended that the Budget and Finance Committee accept the Annual Financial Statements 2001-2002.

**COMMITTEE DISCUSSION AND ACTION:**

There were representatives from the State Auditor’s Office, Moss Adams (OUS contracted accounting firm), and Mike Green, OUS Controller. It was highlighted that the financial statements looked much different than in the past because of new standards the System implemented.

Mr. Green explained the financial statements and how they varied from previous years. He highlighted that the change in format made it very difficult to show comparability between years, since the data are presented in very different formats. He explained that this would improve over time as the system is fully implemented.

Nancy Young, Audit Administrator with the Secretary of State Audit Division, indicated that the Oregon Secretary of State has the constitutional responsibility to audit the accounts and the financial affairs of all state agencies and state aided institutions. The Audit Division elected to contract, through a competitive bidding process, with an
outside firm. The firm chosen was Moss Adams and Ms. Young introduced Mary Case, partner with the firm, and Scott Simpson.

Ms. Case explained the role that Moss Adams played in the present audit and the types of letters and reports they issued to OUS.

Ms. Young discussed some new accounting and auditing standards occurring in the accounting profession. One of them relates to Statement and Auditing Standard 99 that covers fraud in a financial statement audit. She explained that “management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, record, process, and report transactions consistent with management’s assertions embodied in the financial statements. As such, management should set the proper tone, create and maintain a culture of honesty and high ethical standards, and establish appropriate controls to prevent, deter, and detect fraud. When management and those responsible for the oversight of the financial reporting process fulfill those responsibilities, the opportunities to commit fraud can be reduced significantly,” Ms. Young explained.

Ms. Young also explained that the way in which audits have been performed would be changing as well. Risks facing OUS will have to be identified, assessed, and responded to. “This will mean that we’ll be required to do some surprise type of activities that may include coming at a different time and performing different procedures than we performed the year before,” she explained.

It was pointed out that the Audit Division has just initiated an information technology audit within OUS. This audit begins with a risk assessment at each institution regarding controls over information technology practices.

Director Imeson asked if the auditors had any observations or recommendations for the Board in terms of its responsibility in dealing with audits and, specifically, if they saw a need for a separate audit committee. Ms. Young observed that the important element is that the auditors have access to the right individuals within the System and the Board is a good representation of that. “It is key that the Board considers each of the recommendations and looks at the actions that have or have not been taken and ensures that there is follow-up to each one of those recommendations, whether it comes from the Internal Audit Division or an external auditor. That is a key role for the Board to play,” she concluded.

Continuing to explore the issue, Director Imeson indicated that there are instances, perhaps more in the private sector than in the public sector, when there is a direct relationship to the internal and external auditors by a board to ensure “that they are receiving, in an unfiltered and unvarnished way, whatever they need to receive. Perhaps we do need to look at our own structure to ensure that we have that capability.” Director Lehmann concurred, adding that since the Executive Committee was not meeting on a regular basis there might be another venue for audit considerations.
BOARD ACTION:
It was moved by Director VanLuvanee and seconded by Director Lehmann that the Board approve the Committee recommendation to accept the staff recommendation. Those voting in favor: Directors Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Wustenberg, Young, and Lussier. Those voting no: none. Director Watari was out of the room at the time of the vote.

CONTINUED BOARD DISCUSSION ON THE AUDIT REPORT AND FUNCTION:
Director Richmond, returning to the conversation that occurred during the Budget and Finance Committee, indicated that consideration should be given to creating a subcommittee for audit or having reports made to the Executive Committee. She emphasized that it is extremely important for the Board to separate the audit function and have reports made to an identified group.

President Lussier reminded the Board that a recommendation had been made at the Budget and Finance Committee meeting that the logical place for the function would be that Committee. Director Imeson stated, “for the most part, everything that comes to the Budget and Finance Committee comes through Tom Anderes. I think there needs to be, for his sake and everyone’s else, an independence in how audit reports come to the Board. This is going on in places where they previously didn’t have audit committees. They are creating them for this very reason – to ensure that there is absolute independence and a direct communication for a board. So perhaps it can be done through a subcommittee of the Budget and Finance Committee or simply a separate audit committee that is created for that purpose.”

Director VanLuvanee, indicating a desire to avoid creation of another committee, suggested that the name of the Budget and Finance Committee be renamed the Budget, Finance, and Audit Committee.

Several other directors added that there is increased need for independence and clearly stated channels directly to the Board in matters pertaining to audits. Director Barnett observed that “it really didn’t make any difference what committee or committees had responsibility for accepting audit reports. More important would be the protocols we set in place: what is the charter of the Budget and Finance Committee with respect to the audit? Maybe that involves a direct meeting with the auditors apart from the financial staff and maybe there are other suggestions as to how we can do it.”

Vice Chancellor Anderes reminded the Board that the audit function had been through a quality assurance review, conducted by external professionals. Part of the rationale for this review was to gain independence and a part of that was verifying the ability of Ms. Snopkowski and her staff. There are more meetings scheduled directly with the Chancellor and there could be more meetings with the group identified by the Board to assume responsibility for audits. He agreed to prepare and present alternatives to the Board.
BOARD ACTION:
Director VanLuvanee moved and Director Lehmann seconded the motion that the Budget and Finance Committee be designated as the committee to receive and review the audit reports. Those voting in favor: Directors Barnett, Bassett, Lehmann, Richmond, VanLuvanee, Wustenberg, Watari, Young, and Lussier. Those voting no: Director Imeson.

c. Sale of Land and Approval of Housing and Academic Services Agreement at PSU

DOCKET ITEM:
Summary
Portland State University (PSU) sought Board approval to authorize the Vice Chancellor of Finance and Administration to complete the proposed sale of two parcels of land with office facilities and associated parking, located at 621 SW Jackson Street and 1975 SW Sixth Avenue in Portland, Oregon, to Broadway Housing LLC, a wholly owned limited liability corporation affiliated with the PSU Foundation, for $625,000 for both parcels. Board approval is being sought to sell the facilities at cost and enter into an agreement that will result in the construction of a 10-story multi-purpose facility featuring first floor retail, second floor academic space, and eight floors of student housing with approximately 380 studio apartments. This $49 million facility will be owned by Broadway Housing, LLC, and will be operated and managed in accordance with University specifications. This 10-story, approximately 220,000 square foot facility will occupy three-quarters of a block, bounded by Broadway Street (to the west), Jackson Street (to the south), 6th Avenue (to the east), and College Street (to the north). Plans call for groundbreaking in April 2003, with construction to be completed by August 2004. It is imperative that the facility be completed in time to meet the housing and academic needs associated with Fall 2004 enrollments.

Staff Report to the Board:
Background
During fall term 2002, PSU had an enrollment of nearly 23,000 students, yet has only 919 student housing units to service this demand. A 2002 OUS study conducted by Anderson, Strickler LLC, entitled “Public Private Partnerships for Student Housing,” indicated that PSU is operating at capacity with a 98 percent occupancy for the academic year and that “there is pent up demand for more housing.” As evidence of this fact, the University currently has a waiting list for student housing that averages 500 students at any one time, with many more students who express interest in campus housing yet fail to sign up on this wait list as they feel the campus housing situation is hopeless. In addition, the PSU Admissions office reports that many potential students and parents (especially those from far away places in Oregon, out-of-state, and international areas) who have applied for admission and intend to enroll are lost due to this housing shortage. The University is embarking on a strategy for managing the budget reductions being encountered today by recruiting and enrolling more non-resident and international students as these students pay higher non-resident tuition. As mentioned above, a critical component of non-resident recruitment involves the
availability of convenient and affordable student housing, which is presently in short supply.

The facility will also provide needed retail services to students residing in the building, as well as serving the campus and neighborhood demands and will provide the University with needed academic space. Finally, the project will provide needed urban renewal for an area of campus that is currently underdeveloped and will assist in economic development through the provision of construction jobs, retail and facility/housing management job opportunities.

**Terms of the Proposed Transactions**

The facility will be funded with a combination of tax-exempt and taxable economic development revenue bonds issued by the City of Portland, through the Portland Development Commission. The tax-exempt bonds will cover the costs of the academic space, eight floors of housing, and a portion of the retail space (up to the maximum allowed under the private activity limitations associated with tax-exempt financing). Taxable bonds will fund the balance of the financing. The tax-exempt bonds issued will have a 40-year term in order to keep tenant rents to a minimum. The taxable bonds will have an 18-year term in order to limit the higher costs associated with taxable issuances. The bonds will be issued by Key Bank and will be insured by Ambac Financial.

The bond proceeds will be loaned to Broadway Housing LLC, a wholly owned LLC of the PSU Foundation. Pursuant to the loan documents, Broadway Housing LLC, will use the proceeds to: 1) purchase the land; and 2) build and operate the facility to PSU specifications as described above for the benefit of PSU. Broadway Housing will use the initial bond proceeds to purchase title to the land upon which this facility is to be built. The project combines several parcels of land comprising three-quarters of a block or 30,000 square feet. The two parcels that are owned by PSU/Board of Higher Education (the Beau Bradley properties acquired by PSU in March 2002) will require the approval of the Board to sell and complete the required property disposition processes in accordance with Department of Administrative Services rules. It is PSU's intention to sell these parcels to Broadway Housing LLC, at cost due to the desire to keep project costs and therefore future student rents to a minimum. The other two parcels are owned by Urban Housing (the entity in which PSU engaged in a land lease earlier this fall). The sale of these Urban Housing properties to Broadway Housing LLC, will result in the cancellation of these pre-existing lease agreements and obligations between PSU and Urban Housing.

Broadway Housing LLC, will enter into a Development Agreement or Construction Management Agreement with Urban Housing LLC, an affiliate of Gerding Edlen Development Company. This agreement will call for the construction of the building according to agreed construction documents and will have required performance bonds. The agreement will also require that the project be developed in compliance with the public works statutes, including required payment of prevailing wage rates.
Broadway Housing or its designee will enter into: 1) rental contracts with PSU students, 2) a lease or license agreement with PSU for the use of the academic space on the second floor, and 3) retail lease agreements with the retail tenants on the first floor. Student housing rents are currently estimated to be in the $540-$560 per month range and cost-saving value engineering and other efforts are underway to reduce these rents as much as possible in order to offer students affordable housing. All rent payments will be paid to Broadway Housing LLC, and will be deposited into a trust fund established by the Bond issuer or insurer to 1) make bond payments when due, and 2) establish a reserve for operating expenses for the facility.

Subject to Board approval, PSU will enter into a Housing and Academic Services agreement with Broadway Housing LLC. Pursuant to this agreement, Broadway Housing LLC, will own and operate the building in accordance with PSU’s needs for housing, academic, and ancillary retail space. The term of this agreement will mirror the 40-year term of the bonds. Broadway Housing LLC will operate the building, although they may contract the management out to a party acceptable to PSU, or have PSU perform these management services directly.

The fee paid by PSU to Broadway Housing LLC, will roughly equal: 1) the difference (if any) between the bond payments and the rental deposits; 2) a lease or rental fee for the academic floor; 3) the difference (if any) between the operating costs of the building and the rental deposits and operating reserve funds of Broadway Housing LLC; and 4) a reasonable management fee. If PSU is called upon to make any payments with regard to items 1 and 3 in the previous sentence, such payments shall be reimbursed by Broadway Housing LLC, (with interest) at such time as it begins to establish a surplus in its rental collection fund. Total annual rents from the facility are estimated at $3.4M. Annual expenses are estimated as follows: debt service $2.8M, operating costs, including maintenance of required reserves $.5M, and management fees of $.1M.

Eric Iverson and Wendy Robinson, assistant attorney generals with the Department of Justice, have been working with PSU and Chancellor’s Office staff to ensure that all terms and conditions outlined above are legally sufficient and are done in compliance with applicable State and OUS regulations and procedures.

**Legal Considerations**

The following conditions remain open and must be satisfactorily resolved prior to settlement:

**Seller - PSU**
Approval by the State Board of Higher Education.
Conveyance approved by the Assistant Attorney General and executed by the Board President and Secretary.

**Buyer- Broadway Housing LLC**
Acceptance of the purchase price; $625,00 plus closing costs.
Staff Recommendation to the Budget and Finance Committee

Staff recommended that the Board approve Portland State University’s request to perform the following actions, assuming that all conditions are met and that the final details are agreed upon by all parties, subject to final approval by the Vice Chancellor for Finance and Administration.

- Sell two properties, located at 612 SW Jackson Street and 1975 SW Sixth Street in Portland, Oregon, to Broadway Housing LLC, for $625,000.
- Enter into a Housing and Academic Services Agreement with Broadway Housing for a term of forty years.
- Request the Chancellor and Board to acknowledge, in accordance with the requirements of the administrative rules governing University/Foundation relationships (OAR 580-046-020), that the Foundation has established a limited liability corporate affiliate for the purpose of providing student housing services to PSU.

COMMITTEE DISCUSSION AND ACTION:
Vice Chancellor Anderes introduced the action item and asked Portland State University president Dan Bernstine, Jay Kenton, Vice President for Finance and Administration at PSU, and Wendy Robinson, Assistant Attorney General with the Department of Justice, to review the particulars of this unique project.

Director Barnett asked if the PSU Foundation was creating an LLC that would be either directly managing or contracting with a management entity to operate the facility. Dr. Kenton indicated that was correct and that it was a new role for a foundation, but one that is within the provisions of their charter.

Director Young raised a question concerning management of PSU facilities and if PSU would at some point be looking to assume the role. Dr. Kenton responded that PSU has been extremely satisfied with College Housing Northwest, with whom they have worked since 1969. In response to a question regarding the risks or obligations to the System with approval of this transaction, Dr. Kenton explained that one of the greatest risks would be if the rentals of the units were not to materialize. The present demand is so high that this does not look like a very great risk. The bond payments would need to be met whether occupancy occurred or not.

The Committee recommended the Board approve the staff recommendation.

BOARD DISCUSSION:
Director VanLuvanee underscored how important this item was for PSU and also that it provided additional housing while keeping the cost off the balance sheet of the institution.

BOARD ACTION:
It was moved by Director VanLuvanee and seconded by Director Lehmann that the Board approve the staff recommendation. Those voting in favor: Directors Barnett,

d. Resolution for the Sale of Article XI-G Bonds

DOCKET ITEM:

<table>
<thead>
<tr>
<th>2003 Spring Bond Sale for Capital Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Campuses Served with 5 Individual Projects</td>
</tr>
<tr>
<td>A Total of <strong>$61,330,500</strong> Recommended for Sale</td>
</tr>
</tbody>
</table>

**Summary**

Staff recommended the Board request the State Treasurer to issue **$61,330,500** of bonds for construction projects under authority of Article XI-G of the Oregon Constitution. This sale is currently scheduled to be held in May 2003.

**Staff Report to the Board**

**Background.** The 2001 Legislative Assembly authorized the Board of Higher Education to issue general obligation bonds, in specified amounts by fiscal year, with the proceeds to be used to finance capital construction and facilities repair and renovation projects in higher education. These bonds were authorized under two sections of the Oregon Constitution, Article XI-G and Article XI-F(1).

Article XI-G bonds are issued to construct and repair facilities classified as Education and General use, including classroom facilities, libraries, teaching laboratories, and general administrative space. These bonds are matched by an appropriation from the state General Fund and are general obligations of the state; the debt service is paid from the General Fund. The Legislature also established a mechanism whereby the General Fund match may be generated through gifts and/or federal and local governmental funds. These are first deposited to special project accounts in the Treasury and then treated as General Fund moneys for purpose of the match.

Article XI-F(1) bonds are issued to construct and repair facilities that are self-financing and self-supporting as determined by the Board, in accordance with Article XI-F(1) of the Oregon Constitution. Bonds of this type have been issued to cover projects for the construction and renovation of auxiliary enterprises space (such as parking facilities or student housing) where the source of debt service is from auxiliary funds. Bonds have also been approved for projects in student facilities (such as student unions, student health facilities, or student recreation facilities) where the debt service is repaid from the student building fee or from a special fee approved for this purpose by the Board. The preponderance of bonds sold for capital construction in higher education has been under Article XI-F(1).

$308,109,808 of Article XI-F(1) bonds. Due to a conflict with the existing limitation for Article XI-G bond issuance for the 2001-03 biennium, between the Capital Construction Bill and the Bond Bill, separate legislation is being introduced this session to correct SB 5525, which was not amended correctly to account for an increase in the amount of Article XI-G bonds to finance OSU's new Engineering Building.

Request for Board Authorization to Issue. The institutions are now seeking authorization from the Board to issue a total of $61,330,500 in Article XI-G bonds, as part of a sale currently planned by the State Treasurer for May 2003. All projects to be financed by these bonds have been authorized by the State Legislature or the Emergency Board of the State Legislature.

Prior to sale, a portion of the sale may be designated as taxable, due to space utilization by private entities in the projects to be financed under this sale. At present, the percentage of the total square footage for private use affected under this sale is not sufficient to cause any portion of the sale to be taxable.

Several tables are provided herein:

- Table A, also included in the resolution, identifies the Article XI-G projects recommended for the Spring 2003 Bond Sale.

- Table B displays information on Article XI-G bonded debt, beginning with 1991-1993, through 2001-2003. It compares the amount of the debt service paid with the total biennial budget for E&G all sources and General Fund E&G.

- Table C projects annual Article XI-G bonded debt outstanding and annual debt service beginning with the 1997-1999 biennium through 2004-2005, assuming approval of the proposed Spring 2003 Bond Sale.

In addition, summary information on each of the projects included in the proposed sale is provided in a supplement to this item.

Resolution for the Sale of Bonds for Capital Projects
The resolution before the Board authorized staff to pursue the sale of bonds for all projects currently identified by the campuses as needing bond funding consistent with the overall bond limitation imposed by the Legislature for the period 2001-2003. With this sale, a total of $101,221,792 of Article XI-G bonds will have been sold during the biennium.

Staff Recommendation to the Budget and Finance Committee
Staff recommended the Board adopt the following resolution for authorizing the sale of Article XI-G bonds for capital projects.
RESOLUTION FOR THE SALE OF BONDS FOR CAPITAL PROJECTS

WHEREAS, ORS 286.031 states, in part, that the State Treasurer shall issue all general obligation bonds of this state after consultation with the state agency responsible for administering the bonds proceeds; and

WHEREAS, ORS 286.033 states, in part, that the state agency shall authorize issuance of bonds subject to ORS 286.031 by resolution; and

WHEREAS, ORS Chapters 351, 288, and 286 provide further direction as to how bonds are sold and proceeds administered; and

WHEREAS, House Bill 2276, Chapter 849, Oregon Laws 2001, establishes Oregon Constitution limitations on the amount of bonds that may be sold pursuant to Articles XI-G and XI-F(1) for the 2001-2003 biennium; and

WHEREAS, Senate Bill 5525, Chapter 845, Oregon Laws 2001, lists those projects that may be financed pursuant to Articles XI-G and XI-F(1); and

WHEREAS, Chapter 890, Oregon Laws 1999, lists those projects that may be financed pursuant to Articles XI-G and XI-F(1) of the Oregon Constitution; and

WHEREAS, it is appropriate for this Board to authorize the State Treasurer to issue bonds for projects authorized by previous Legislation and pending bills, once adopted by the Legislature and signed into law by the Governor, and in amounts not greater than authorized by the bond bill and for other projects as may be provided by law and as otherwise required by law for the 2001-2003 biennium without requiring further action of this Board;

NOW, THEREFORE, be it resolved by the State Board of Higher Education of the State of Oregon as follows:

Section 1. Issue. The State of Oregon is authorized to issue general obligation bonds (the "Bonds"), in such series and principal amounts as the State Treasurer, after consultation with the Vice Chancellor for Finance and Administration of the Department of Higher Education, shall determine are required to fund projects authorized by Oregon law. The Bonds shall be designated, dated, authenticated, registered, shall mature, shall be in such denomination, shall bear such interest, be payable, be subject to redemption, and otherwise contain such terms as the State Treasurer determines, including the designations as Oregon Baccalaureate Bonds, after consultation with the Vice Chancellor for Finance and Administration. The maximum net effective interest rate for the Bonds shall not exceed 10 percent per annum.

Section 2. Article XI-F(1) Projects. N/A
Section 3. **Article XI-G Projects.** Bonds are authorized to be sold to provide funds for projects previously authorized or as may be authorized by the Oregon Legislature and as may be revised by the Vice Chancellor for Finance and Administration as authorized by Oregon law.

**Table A - Article XI-G Projects Recommended for Spring 2003 Bond Sale**

<table>
<thead>
<tr>
<th>Article XI-G Projects</th>
<th>Estimated Bond Cost</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOU-Regional Agricultural, Health and Life Sciences Building</td>
<td>$14,470,500</td>
<td>30 years</td>
</tr>
<tr>
<td>OSU – Veterinary Medicine Small Animal Hospital</td>
<td>$4,000,000</td>
<td>30 years</td>
</tr>
<tr>
<td>PSU – Northwest Engineering Science Center</td>
<td>$26,500,000</td>
<td>30 years</td>
</tr>
<tr>
<td>SOU – Library</td>
<td>$10,000,000</td>
<td>30 years</td>
</tr>
<tr>
<td>UO – Museum of Art Addition &amp; Alteration</td>
<td>$6,360,000</td>
<td>30 years</td>
</tr>
<tr>
<td><strong>TOTAL XI-G Projects</strong></td>
<td><strong>$61,330,500</strong></td>
<td><strong>NA</strong></td>
</tr>
</tbody>
</table>

Section 4. **Maintenance of Tax-Exempt Status.** The Board covenants for the benefit of the owners of the Bonds to comply with all provisions of the Internal Revenue Code of 1986, as amended (the "Code"), that are required for Bond interest to be excluded from gross income for federal income taxation purposes (except for taxes on corporations), unless the Board obtains an opinion of nationally recognized bond counsel that such compliance is not required in order for the interest to be paid on the Bonds to be so excluded. The Board makes the following specific covenants with respect to the Code:

(a) The Board shall not take or omit any action if the taking or omission would cause the Bonds to become "arbitrage bonds" under Section 148 of the Code, and shall assist in calculations necessary to determine amounts, if any, to allow the State to pay to the United States all "rebates" on "gross proceeds" of the Bonds that are required under Section 148 of the Code.

(b) Covenants of the Board or its designee in its tax certificate for the Bonds shall be enforceable to the same extent as if contained herein.

Section 5. **Sale of Bonds.** The State Treasurer, with the concurrence of the Vice Chancellor for Finance and Administration, shall sell the Bonds as the State Treasurer deems advantageous.

Section 6. **Other Action.** The State Treasurer, the Vice Chancellor for Finance and Administration, or the Controller of the Department of Higher Education is hereby authorized, on behalf of the Board, to take any action that may be required to issue, sell, and deliver the Bonds in accordance with this resolution.
Additional Information on Debt and Debt Service

Table B - Article XI-G Bonded Debt Historical Trends
(dollars in millions)

<table>
<thead>
<tr>
<th>Biennial E&amp;G All Sources*</th>
<th>Biennial E&amp;G Percent of E&amp;G Total</th>
<th>General Fund E&amp;G</th>
<th>Debt Service General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-1993 $ 818</td>
<td>1.55%</td>
<td>$515</td>
<td>2.46%</td>
</tr>
<tr>
<td>1993-1995 866</td>
<td>1.47%</td>
<td>482</td>
<td>2.64%</td>
</tr>
<tr>
<td>1995-1997 991</td>
<td>1.67%</td>
<td>422</td>
<td>3.79%</td>
</tr>
<tr>
<td>1997-1999 1,062</td>
<td>1.73%</td>
<td>496</td>
<td>3.69%</td>
</tr>
<tr>
<td>1999-2001 1,395</td>
<td>1.33%</td>
<td>740</td>
<td>2.51%</td>
</tr>
<tr>
<td>2001-2003 1,539</td>
<td>1.39%</td>
<td>749</td>
<td>2.85%</td>
</tr>
</tbody>
</table>

E&G = Education & General

* Excludes non-limited funds (such as sponsored programs).

Table C - Article XI-G Bonded Debt Outstanding Actual and Projected
(dollars in millions)

<table>
<thead>
<tr>
<th>Beginning Bonds Outstanding</th>
<th>Annual Debt Service</th>
<th>Biennial Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-1998 $ 64.2</td>
<td>$8.5</td>
<td>$18.0</td>
</tr>
<tr>
<td>1998-1999 73.6</td>
<td>9.5</td>
<td></td>
</tr>
<tr>
<td>1999-2000 75.8</td>
<td>9.7</td>
<td>18.6</td>
</tr>
<tr>
<td>2000-2001 94.4</td>
<td>8.9</td>
<td></td>
</tr>
<tr>
<td>2001-2002 89.3</td>
<td>9.7</td>
<td>21.4</td>
</tr>
<tr>
<td>2002-2003 123.2</td>
<td>11.7</td>
<td></td>
</tr>
<tr>
<td>2003-2004 177.4</td>
<td>16.2</td>
<td>30.8</td>
</tr>
<tr>
<td>2004-2005 170.5</td>
<td>14.6</td>
<td></td>
</tr>
</tbody>
</table>

COMMITTEE DISCUSSION AND ACTION:
The Committee recommended that the Board approve the staff recommendation.
BOARD ACTION:
It was moved by Director VanLuvanee and seconded by Director Young that the Board approve the staff recommendation that the Board adopt the resolution for authorizing the sale of Article XI-G bonds for capital projects. The following voted in favor: Directors Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Watari, Wustenberg, Young, and Lussier. Those voting no: none.

CONSENT ITEMS
a. OSU Veterinary Medicine Additional Funding Request

DOCKET ITEM:
Summary
Oregon State University (OSU) sought Board approval to authorize the Vice Chancellor of Finance and Administration, or designee, to seek an additional $2.2 million of Other Funds limitation from the Legislature for additional costs associated with the OSU Veterinary Medicine Expansion Project.

Staff Report to the Board
Background
The April 2002 Legislative Emergency Board approved a total of $8.0 million in spending authorization for the project. The authorization included $4.0 million of Article XI-G Bonds matched with an equal amount from the General Fund. Subsequent to this approval, a Legislative Special session reduced the General Fund authorization by $180,000. However, this reduction was later restored by the Legislature with an Other Funds limitation funded by a gift from the OSU Foundation.

Since the initial authorization, design and coordination of the equipment and the building have been substantially completed. Cost estimates and early constructability reviews have shown that the earlier authorization will not be sufficient to complete the instructional laboratories and small animal hospital expansion. Early plans envisioned a freestanding building. The current plans combine the existing large animal hospital with the new small animal hospital as an expansion of the existing Magruder Hall. The combination allows a smaller surgical staff to respond to emergencies in multiple surgery suites without having to travel between buildings. The reduced staffing more closely mirrors private sector surgical staffing conditions and is a marked reduction in operating costs. Relocation of existing offices allows the surgical core to expand into the first floor of the new addition. All told, these new elements result in the need for an additional $2.2 million in authorization and can be summarized as follows:

- Renovation of existing surgical suite and instructional space: $1,055,000
- Added Exam and Treatment Rooms with reduced Lab Fit-out in new expansion: $168,000
- Relocation of Business Office and Library: $947,000

Statement of Need
As a Land Grant University, this program is integral to Oregon State University in
fulfilling its mission to support agriculture in the State of Oregon. This project was considered an “emergency” under the definition of the State Legislative Emergency Board, which approved the capital project in order to implement the approved expansion of the College of Veterinary Medicine DVM program from a two-year to a full four-year resident program. The Washington Idaho Oregon (WOI) contract, which was signed in 1981 by Oregon State University and Washington State University, provided 36 seats for Oregon State University students in the Washington State University second and third year small animal DVM program. This contract will expire in 2004.

**Schedule**
Design of the project is substantially complete. The construction contractor has prepared initial bids and review of the building, which awaits the additional funding authorization to proceed with construction. If approved during the 2003 Legislative Session, ground breaking would occur in mid-April, with completion in August 2004.

**Financial Considerations**
Funds for the unforeseen work will be provided by the OSU Foundation in the form of gifts.

**Staff Recommendation to the Budget and Finance Committee**
Staff recommended that the Board approve Oregon State University’s request to authorize the Vice Chancellor of Finance and Administration, or designee, to seek additional Legislative spending limitation for $2.2 million in unforeseen costs associated with the OSU Veterinary Medicine Project.

**COMMITTEE DISCUSSION AND ACTION:**
The Committee voted in favor of the staff recommendation.

**BOARD ACTION:**
Director VanLuvanee moved and Ms. Lehmann seconded the motion to approve the staff recommendation. Those voting in favor: Directors Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Watari, Wustenberg, Young, and Lussier. Those voting no: none.

b. **OSU Intercollegiate Athletics Department Fiscal Status Report, December 31, 2002**

**DOCKET ITEM:**
**Summary**
The purpose of this report was to communicate the fiscal status of the Intercollegiate Athletics Department (Athletics) of Oregon State University (OSU) in accordance with the request of the Budget and Finance Committee (Committee). In their April 19, 2002, meeting, the Committee requested monthly reports on the financial condition of OSU Athletics in order to more closely monitor the progress being made by Athletics in meeting their deficit reduction commitments.
The attached financial statement presents the revenues, expenses, and changes in fund and cash balances of Athletics as of December 31, 2002 and 2001. The year-to-date amounts as of December 31, 2002, were compared to the results as of December 31, 2001, and explanations for material variances between the year-to-date amounts were provided by OSU (see below). Footnotes to the financial statement are also attached to provide additional disclosure and explanation.

**University’s Analysis of Operations**

Variances in the operating results through December 31, 2002, from the operating results through December 31, 2001, that were in excess of $0.5 million were identified for further analysis. The amounts reported for Operating Revenues varied from the prior year results by over $0.5 million and explanations have been provided below for these variances:

- Operating revenues totaled $6.1 million through December 2002, compared to the prior year amount of $5.4 million, resulting in an increase of $772 thousand. The increase in current year receipts is attributed to Football revenue. OSU Football had seven home games in 2002 compared to five home games in 2001 and increased prices for the University of Oregon game.

- Operating expenses totaled approximately $11.3 million through December 2002, compared to the prior year amount of $10.3 million, resulting in a variance of $1 million. Approximately $407 thousand of the variance is a current year depreciation expense. This expense category was not recorded until January of the prior year. Insight Bowl expenses are attributed to $330 thousand of the variance. The balance of the variance is related to increased compensation and other operating expenses.

It is expected that Athletics will meet the Board’s mandated deficit reduction commitment for the fiscal year ending June 30, 2003.

**Chancellor’s Office Review**

*Process*

The Chancellor's Office has reviewed the financial statement and analysis prepared by OSU to test the reasonableness of the amounts reported, the projections presented, and management's assumptions. This review included the following:

- Reconciliation of amounts reported to the accounting records
- Selected review of unusual amounts, trends, etc.
- Review of material accounts receivable balances
- Review of management's explanations of material variances for reasonableness

**Analysis**

The amounts reported in the financial statements reconciled to the accounting records and review of material accounts receivable balances further substantiates the operating results. In addition, the explanations provided by OSU for the material variances
between actual amounts reported through December and the prior year amounts for the same time period were reasonable.

The fiscal condition of OSU Athletics has improved over the prior year by $.2 million. The University’s projections indicate that Athletics will meet its deficit reduction commitment for the year ending June 30, 2003.

Staff recommendation to the Budget and Finance Committee
Staff recommended that the Board accept the OSU Intercollegiate Athletics Department Fiscal Status Report, December 31, 2002, as submitted.

Oregon State University Intercollegiate Athletics
Fund Balance, Revenue, Expense, and Cash Analysis
Fiscal Year-to-Date December 31, 2002 and 2001

<table>
<thead>
<tr>
<th>Description</th>
<th>12/31/2002</th>
<th>12/31/2001</th>
<th>Current Yr. vs. Prior Yr.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Favorable (Unfavorable)</td>
</tr>
<tr>
<td>Beginning Fund Balance (Deficit)</td>
<td>$ (4,684,091)</td>
<td>(5,633,020)</td>
<td></td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td>6,149,336</td>
<td>5,377,155</td>
<td>$ 772,181 14.36%</td>
</tr>
<tr>
<td>Student Fees</td>
<td>413,973</td>
<td>387,600</td>
<td>26,373 6.72%</td>
</tr>
<tr>
<td>Lottery</td>
<td>203,921</td>
<td>113,900</td>
<td>90,021 78.94%</td>
</tr>
<tr>
<td>Gifts, Foundation, and Booster</td>
<td>1,870,410</td>
<td>2,081,753</td>
<td>(211,343) -10.15%</td>
</tr>
<tr>
<td>Other</td>
<td>45,296</td>
<td>47,872</td>
<td>(2,576) -5.51%</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>8,682,936</td>
<td>8,008,280</td>
<td>674,656 8.42%</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td>11,286,229</td>
<td>10,280,325</td>
<td>(1,005,904) -9.78%</td>
</tr>
<tr>
<td>Scholarships</td>
<td>3,106,976</td>
<td>3,238,221</td>
<td>131,245 4.05%</td>
</tr>
<tr>
<td>Other</td>
<td>209,808</td>
<td>322,500</td>
<td>112,692 34.94%</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>14,603,013</td>
<td>13,841,046</td>
<td>(761,967) -5.51%</td>
</tr>
<tr>
<td>Net Income (Loss) from Operations</td>
<td>(5,920,077)</td>
<td>(5,832,766)</td>
<td>$ (87,311) -1.50%</td>
</tr>
<tr>
<td>Fund Balance (Deficit) Before Subsidy</td>
<td>(10,604,168)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutional Funds Subsidy</td>
<td>2,012,595</td>
<td>2,640,736</td>
<td></td>
</tr>
<tr>
<td>Ending Fund Balance (Deficit)</td>
<td>$ (8,591,573)</td>
<td>(8,825,050)</td>
<td></td>
</tr>
<tr>
<td>Cash (Overdraft)</td>
<td>$ (4,342,187)</td>
<td>(3,848,945)</td>
<td></td>
</tr>
<tr>
<td>Loans Outstanding</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due General Fund (note 3)</td>
<td>(4,500,000)</td>
<td>(8,000,000)</td>
<td></td>
</tr>
<tr>
<td>Cash (Overdraft) – Net of Borrowed Funds</td>
<td>$ (8,842,187)</td>
<td>(11,848,945)</td>
<td></td>
</tr>
</tbody>
</table>

Unaudited - Prepared for Management Purposes Only
Oregon State University Intercollegiate Athletics  
Notes to Financial Statement  
Fiscal Year-to-Date December 31, 2002 and 2001

1. Basis of Presentation  
The statement includes only the operations of OSU Intercollegiate Athletics. This statement is for internal use only; it is not purported to be presented in accordance with generally accepted accounting principles.

2. Material Variances from Prior Year Amounts  
Variances in the operating results through December 31, 2002, from the operating results through December 31, 2001, that were in excess of $0.5 million, were identified for further analysis. The amount reported for Operating revenues varied from the prior year results by over $0.5 million and the explanation provided by OSU Management is summarized below for this variance:

- **Operating Revenues**  
  Operating revenues through December 31, 2002, were $.8 million higher than the prior year amount for the same time period. Current year revenues were higher in football due to having seven home games in 2002 compared to five in 2001 and increased prices for the University of Oregon game.

- **Operating Expenses**  
  Operating expenses through December 31, 2002, were $1.0 million higher than the prior year amount for the same time period. Current year expenses were higher by $.4 million relating to depreciation that was not recorded in the prior year, $.4 million relating to the Insight Bowl, and increases in compensation and other expenses.

3. Loans Outstanding Due General Fund  
As of December 31, 2002, OSU had advanced a total of $4.5 million from its E & G funds to cover Athletics’ cash shortages. The advances are treated as interest bearing loans and are to be paid back on or before June 30, 2003. Interest is being charged at the Oregon State Treasury rate for S8 Bank overdrafts.

Unaudited - Prepared for Management Purposes Only

COMMITTEE DISCUSSION AND ACTION:  
The Budget and Finance Committee voted to support the staff recommendation for Sale of Land and approval of housing and academic services Agreement at PSU.

BOARD DISCUSSION AND ACTION:  
It was moved by Director VanLuvanee and seconded by Director Wustenberg that the Committee accept the report on the sale of land and approval of housing and academic services agreement at PSU. Those voting in favor of the motion: Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Watari, Wustenberg, Young, and Lussier. Those voting no: none.
8. **FULL BOARD ACTION ITEM**

a. **Amendments to Internal Management Directives (IMD) 1.3005(1) and 2.001(1) Regarding Board Oversight of Higher Education Curricula and Institutions and Establishing and Naming Schools or Colleges.**

**DOCKET ITEM:**

**Background**
The Internal Management Directives 1.305(1) and 2.001(1) relate to locus of authority for establishing and naming schools or colleges within System institutions. They state specifically:

- **IMD 1.305 Establishing and Naming Schools or Colleges**
  1. The Board shall approve the establishment or elimination of schools or colleges.

- **IMD 2.001 Board Oversight of Higher Education Curricula and Institutions**
  1. The Board shall exercise general oversight of curricula and instruction in the System including, but not limited to, approval and deletion of curricular allocations, and the establishment and closure of schools or colleges. The Board’s primary consideration, in meeting curricular responsibilities, shall be to ensure that high-quality educational opportunities are provided to qualified citizens in as accessible and cost-effective manner as possible.

State Board of Higher Education records indicate that from as early as the 1950s, there have been adjustments regarding where the authority to establish and name schools and colleges within institutions should be vested. For a long period of time it has been required that the Board approve the establishment and closure of schools and colleges. This procedure impedes an institution’s ability to reorganize in a timely manner.

With the severe budget shortfalls facing higher education now and into the foreseeable future, reorganization of schools or colleges is one way in which savings can be realized. It is cumbersome and time consuming for institutions to have an intermediate step of seeking Board approval for such changes. Therefore, as the System continues to examine ways to streamline Board operations, and upon advice of the institution presidents and provosts, it is recommended that the Board delegate authority for the establishment and change of schools and colleges to the Chancellor.

**Staff Recommendation to the Board**
Staff recommended the following changes to IMD 1.305(1) and IMD 2.001(1):
IMD 1.305 Establishing and Naming Schools or Colleges
(1) The Board shall approve delegate to the Chancellor the establishment or elimination of schools or colleges.

IMD 2.001 Board Oversight of Higher Education Curricula and Institutions
(1) The Board shall exercise general oversight of curricula and instruction in the System including, but not limited to, approval and deletion of curricular allocations and the establishment and closure of schools or colleges. The Board’s primary consideration, in meeting curricular responsibilities, shall be to ensure that high-quality educational opportunities are provided to qualified citizens in as accessible and cost-effective manner as possible.

BOARD DISCUSSION:
Chancellor Jarvis indicated to the Board that this request was for a change in the IMD relative to establishment and closure of schools and colleges. It was explained that this was in an effort to move some functions from the Board to the Chancellor and raises the question of how much time and effort Board members want to spend on the internal operations of the institutions. “I am simply wanting to streamline the process which right now requires a proposal to come to the Board to indicate there would be a staff review. It is much easier for internal institutional changes to occur with the changes in the IMD.”

BOARD ACTION:
Director Wustenberg moved and Director Lehmann seconded the motion to accept the staff report. On roll call the following voted in favor: Directors Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Watari, Wustenberg, Young, and Lussier. Those voting no: none.

CONSENT ITEMS
a. OSU, M.A., Applied Ethics

DOCKET ITEM:
Oregon State University proposed to offer the Master of Arts in Applied Ethics, effective immediately. The proposed program, offered through the Philosophy Department, would be the only one of its kind in the state. The University of Oregon offers the M.A. in philosophy, which provides a broad knowledge of the history and recent developments in the basic fields of philosophy. Portland State University offers a master's degree in conflict resolution, which focuses on mediation, violence prevention, dispute systems, negotiation, and facilitation. No other Oregon college or university offers a similar graduate major.

Oregon State University currently offers the baccalaureate degree in philosophy and, for the past four years, has offered an undergraduate certificate in applied ethics. OSU has also developed a program for Ethics, Science, and the Environment, which was selected by the Templeton Foundation as a model for ethics education. That program's purpose is to help OSU to recognize, understand, and resolve “value conflicts” in the
scientific inquiry, biotechnology, and natural resource use. The program achieves its purpose by sponsoring research and research conferences, organizing student bioethics conferences, developing a regular series of interdisciplinary presentations and seminars on campus, sponsoring student-faculty research, and publishing a newsletter. This program, which is housed in the Philosophy Department, is a supporting resource for the proposed master’s program.

The goals of the proposed master’s program are:

- Enable students to identify, analyze, and suggest solutions to ethical problems by providing them with the knowledge base and analytic skills of classical and contemporary ethics.
- Enable students to address ethical problems that arise in their professional and civic lives, by teaching them to examine the connection of ethical theory and practice in a variety of practical contexts.
- Provide students with experience of the real-life constraints and pressures that shape policy decisions through internships in the professions.

Students will be required to complete 45 credits: 30 in philosophy and 15 in a disciplinary or integrated minor, with focus areas in bioethics, environmental ethics, and art and morality. Three core courses will provide students a foundation in general ethical theory. The remaining philosophy credits include such courses as environmental ethics, world views and environmental values, biomedical ethics, death and dying, art and morality, and philosophy of science. Three credits of internship will be required, as well. Students will work with a public agency, nonprofit organization, or private business. (Additional credit will be assigned for more extensive internships; however, such additional credits will not supplant other required credits.) OSU anticipates enrolling 12 students within the first five years, with a minimum of four students graduating each year.

The growing interest in applied ethics in American society is a direct consequence of the expansion of public dialogue regarding a wide range of political and scientific issues, nationally and internationally. Traditionally within the purview of medicine, business, and law, ethics issues are pervasive in such diverse areas as agriculture, art, education, resource management, and humanitarian endeavors. Regardless of the area, applied ethics should be a cornerstone of policy development and decision-making. This program would prepare students to apply moral reasoning in complex situations, such as a debate about the extraction and consumption of natural resources, preservation and extension of human life, genetic engineering, or business practices.

Demand for a master’s program in applied ethics is evidenced by queries from OSU students and students in other states. The proposed program will enhance the professions of graduates in virtually any profession (e.g., natural resource management, health care, law, biotechnology, work in nonprofit organizations or government). Both public and private organizations hire ethics officers to help improve internal operations.
and external relations. Some federal research agencies (e.g., National Institutes of Health) require ethics training of science graduate students for funding grants in life sciences. Some students may be returning to school after having established their careers, while others may be planning to use this degree as a stepping-stone to further study. Whatever the purpose, students will be prepared to be more skillful at the workplace arts of collaboration and consensus, and better prepared for responsible citizenship.

Faculty demand for this program is on the rise, especially during the last ten years. Many OSU departments (e.g., Molecular and Cellular Biology, Fisheries and Wildlife, Forestry, Exercise and Sports Science) seek out Philosophy faculty to lecture on ethics in graduate courses or team teach graduate-level ethics courses. As program faculty work with professionals in various fields of business and industry, they’re aware of more people genuinely seeking ways to make decisions in morally defensible ways.

Dr. Brian Schrag, executive secretary of the Association for Practical and Professional Ethics (Indiana University), served as the external review team chair. Dr. Deni Elliott, ethics professor at the University of Montana-Missoula and director of The Practical Ethics Center, was the second member of the team. Their review was positive, overall. OSU concurred with minor curricular recommendations, such as maintaining the core coursework at graduate level only and perhaps expanding coursework in other areas (e.g., negotiation, conflict management and resolution, public policy ethics). The team found the program aligned with faculty strengths and recommended that the retiring faculty member with expertise in environmental ethics be replaced. OSU concurred and initiated a search, with the new faculty member starting in September 2004. Process recommendations included formalizing the internship aspect of the program and regularizing program data collection. Oregon State has begun addressing those recommendations. Finally, suggested professional journals will be added to the library holdings.

Modest additional resources are required to support graduate teaching assistants, journal subscriptions, and minor operating costs. OSU has committed funds for the first four years of the program, largely through internal reallocation of resources. The program relies heavily on courses that are currently offered, so additional course development time is not required, and no additional staff, other than the 1.0 FTE replacement faculty member, are needed.

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

Staff Recommendation to the Board
Staff recommended that the Board authorize Oregon State University to establish a program leading to the M.A. in Applied Ethics. The program would be effective immediately, and the OUS Office of Academic Affairs would conduct a follow-up review in the 2008-09 academic year.
BOARD DISCUSSION AND ACTION:
It was moved by Director Bassett and seconded by Director Lehmann to approve the staff recommendation. Those voting in favor: Directors Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Watari, Wustenberg, Young, and Lussier. Those voting no: none.

b. SOU, B.A./B.S., Early Childhood Development

DOCKET ITEM:
Southern Oregon University proposed to offer a program leading to the baccalaureate degree in Early Childhood Development, effective fall 2003. The proposed program, offered through SOU's Education Department, is articulated with the Rogue Community College (RCC) A.A.S. in Early Childhood Education (ECE). Students who are working toward, or have attained, the ECE degree may transfer all applicable credits earned at RCC into SOU and continue their education, earning a bachelor's degree in the same field. Graduates of the program will be strong candidates for SOU’s M.A. in Teaching (MAT) program.

The program’s curriculum objectives are aligned with the professional standards of the National Association for the Education of Young Children: (1) promoting child development and learning; (2) building family and community relationships; (3) observing, documenting, and assessing to support young children and families; (4) meeting multiple teaching and learning objectives; and (5) becoming a professional. Students will complete approximately 90 to 105 upper-division credits at SOU. To help smooth the transition to Southern, faculty from both institutions have designed four new, one-credit courses that allow RCC students to apply their knowledge in early childhood settings, thus strengthening their foundation for upper-division courses.

The proposed SOU program will be the first bachelor's degree program in Oregon devoted solely to early childhood development. All Oregon University System education programs (except UO’s) offer a program for teacher licensure in early childhood. A similar relationship was recently worked out between Oregon State University and Linn-Benton Community College; LBCC students in Early Childhood Education may now transition smoothly into OSU’s Human Development and Family Sciences undergraduate major, which have two different early childhood options.

There is potential for SOU to collaborate with other institutions to share this program in Klamath Falls and Northern California. Both RCC and SOU have extensive experience in establishing cooperative educational endeavors with OIT and the College of the Siskiyous.

This program is important to both the region and the nation. Oregon Employment Department occupational projections for the region suggest six percent annual employment growth through 2006 in the area of early childhood. (Employment growth at three percent per year is considered average.) The proposed program also aligns with national priorities. The federal “No Child Left Behind” initiative includes programs
targeting early childhood education, recognizing that building a solid learning foundation often begins at a very young age. The 1988 Head Start Reauthorization Act requires that at least half of all Head Start teachers in center-based programs have an associate's degree by 2003. One of the 2003 goals for the National Head Start Association is that, by 2008, all teachers will have at least an associate's degree and that a loan forgiveness and scholarship incentive program will be added into Head Start to provide support for teachers who seek an advanced degree.

Student interest is high. Enrollment in the RCC program is 84 students, 30 of whom have indicated their intention to transfer to SOU if the proposed program is approved. Also, about 20 SOU students who minor in education in fall 2002 indicated interest in early childhood education. SOU anticipates serving approximately 40 to 50 students per year, with a total of 40 to 50 graduates at the end of five years.

Five ranked SOU education faculty will be involved in offering the program, two of them serving as core faculty. The structure of the program allows students to complete their first two years at RCC. Faculty from both institutions will be involved in the program during the third year, and the fourth year will involve SOU faculty only. One part-time (.5 FTE) adjunct faculty member will be needed to implement the program. Current staff, facilities, equipment, and technology are sufficient to offer the program.

The SOU Preschool Program and the Schneider Children's Center will serve as resources for students and faculty in this program. In addition, a proposal is being developed to involve the Lincoln Elementary School (Ashland School District) as a lab school environment. Local Head Start programs will also be a valuable resource for students.

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

**Staff Recommendation to the Board**

Staff recommended that the Board authorize Southern Oregon University to establish a program leading to the B.A./B.S. in Early Childhood Development. The program would be effective fall 2003, and the OUS Office of Academic Affairs would conduct a follow-up review in the 2008-09 academic year.

**BOARD DISCUSSION AND ACTION:**

Director Bassett moved and Director Lehmann seconded the motion to approve the staff recommendation. Those voting in favor: Directors Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Watari, Wustenberg, Young, and Lussier. Those voting no: none.
c. PSU, M.A./M.S., Interdisciplinary Studies

DOCKET ITEM:
Portland State University proposed to offer the master’s degree in Interdisciplinary Studies, administered by the PSU Office of Graduate Studies, for immediate implementation. The goal of the program is to provide highly motivated graduate students the opportunity to develop an individualized interdisciplinary program that is otherwise not available on campus. The program is designed to serve a small number of students who have specific, well-articulated goals that cannot be achieved within PSU’s existing degree structure.

Students would be required to obtain the consent of a tenured or tenure-track faculty advisor in each of the two or three intended departments. These faculties must accept the general plan of study and anticipated outcomes and be willing to serve on the student’s advisory and final examination committee. There is also a limit of two interdisciplinary studies advisees per faculty, and changes to the advising committee or plan of study must be approved in advance by the Office of Graduate Studies. This will ensure that only students who have designed rigorous programs with well-articulated goals are admitted to the program.

Students will complete a minimum total of 54 credits, the majority of which utilize coursework from either two or three departments. Twenty credits per department are required for a program in two departments and 6 thesis/project credits. For programs involving three departments, 15 credits per department and 6 thesis/project credits are required. All students will be required to pass an oral examination on the thesis/project, with a faculty member from a different department selected by the PSU Office of Graduate Studies on the final examination committee.

Two other Oregon University System institutions offer a master’s degree in interdisciplinary studies. Although the same title is used, they are very different programs. Oregon State University requires students to complete a minimum of 45 credits and integrate three fields of study, one of which must be in the College of Liberal Arts. The University of Oregon requires a 54-credit minimum, with specific specializations (e.g., Interdisciplinary Studies: Individualized Studies: Folklore).

Two Oregon independent schools also offer similar master’s degree programs. Marylhurst University offers the M.A. in interdisciplinary studies (MAIS) with concentrations in gerontology, organizational communication, spiritual traditions and ethics, and liberal arts. Reed College offers the M.S. in liberal studies (MALS), which is an interdisciplinary program. An inquiry from Marylhurst about PSU’s proposed program resulted in Marylhurst indicating no concerns about the proposed program from an adverse-impact point of view.

Student interest in this type of program has been significant, especially in the last few years. PSU’s Office of Graduate Studies receives approximately three inquiries per week regarding the availability of such a program. The value of a graduate-level
interdisciplinary studies program is great; regardless of the occupational sector, most substantial problem solving requires an interdisciplinary approach.

The individualized nature of this program will allow part-time, nontraditional students to shape the program to meet their professional and personal goals. PSU anticipates serving fewer than 20 students per year in this program. An admission limitation will be instituted if the number of students becomes unwieldy.

No additional resources for faculty, staff, facilities, equipment, or technology are necessary to offer this major. Because the program represents a thoughtful combination of graduate programs that have already undergone external review, the requirement for external review of graduate programs has been waived.

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

Staff Recommendation to the Board
Staff recommended that the Board authorize Portland State University to establish a program leading to the M.A./M.S. in Interdisciplinary Studies. The program would be effective immediately, and the OUS Office of Academic Affairs would conduct a follow-up review in the 2008-09 academic year.

BOARD DISCUSSION AND ACTION:
It was moved by Director Bassett and seconded by Director Lehmann that the Board approve the staff recommendation. Those voting in favor: Directors: Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Watari, Wustenberg, Young, and Lussier. Those voting no: none.

d. Authorization to Award Honorary Degrees, OSU and PSU

DOCKET ITEM:
Summary
Board of Higher Education policy permits institutions, with the concurrence of their faculty, to award honorary degrees. Each institution proposing the award of honorary degrees has received the Chancellor’s approval of criteria and procedures for selection that ensure the award honors distinguished achievement and outstanding contributions to the institution, state, or society.

Oregon State University
Oregon State University requested authorization to award honorary doctorates to William McDonough and James Poirot at its June 2003 Commencement ceremony.

William McDonough is an internationally recognized designer known for a profoundly different approach to design and commerce, incorporating concern for economic prosperity, social equity, and environmental intelligence into the projects on which he works. McDonough is the founding principal of two design firms: William McDonough +
Partners, Architecture and Community Design; and McDonough Braungart Design Chemistry, LLC. The first company practices ecologically, socially, and economically sustainable architecture around the world. The latter is a product- and process-design firm that assists people with designing profitable and ecologically intelligent products and systems.

_Time Magazine_ recognized McDonough as a “Hero for the Planet” in 1999, stating that “his utopianism is grounded in a unified philosophy that – in demonstrable and practical ways – is changing the design of the world.” His ideas and efforts were also honored in 1996, when he was the only individual ever to receive the Presidential Award for Sustainable Development, the nation’s highest environmental award.

His visionary ideas, projects, and writing have inspired many to rethink how we approach the most pressing problems of the 21st century, such as how we can bring health and quality of life to people living in a world in danger of collapsing under the weight of environmental contamination and runaway resource extraction. McDonough’s eco-effective designs range in scale from molecules to regions – from the environmental optimization of product chemical compositions to community plans that restore native habitat and hydrology while spurring economic development. For example, while designing an environmental studies center at Oberlin College in Ohio, he asked himself and college faculty and staff, “How can we design a building like a tree? A fecund structure that purifies waters and makes oxygen and food.” When completely commissioned, the new Adam Joseph Lewis Center for Environmental Studies at Oberlin will produce more energy than it consumes. McDonough is much more than an architect. In collaboration with German chemist Michael Braungart, he has begun or completed designs for nontoxic shower gels, fabrics that do not contain mutagens or carcinogens, dolls made without PVCs, biodegradable yogurt cartons, and a recyclable Nike sneaker made with soles that, when they disintegrate, will serve as nutrients for the soil.

A former dean of the School of Architecture at the University of Virginia, McDonough holds professorships at the University of Virginia’s Darden Graduate School of Business Administration and at Cornell University. He is the chair of Second Nature, a nonprofit organization working to make sustainability “second nature” in higher education. He is also U.S. chair and member of the Board of Councilors of the China-U.S. Center for Sustainable Development, a nonprofit based in Portland, Oregon, with a mission to accelerate sustainable design and development in China, the U.S., and around the world.

In 2002, the Resource Renewal Institute recognized Oregon as the state with the most capacity for achieving sustainable development. This capacity comes from innovative thinking in the public and private sector, actions by individuals as well as organizations, and a tradition of collaboration and cooperation among citizens of the state. By honoring Bill McDonough with an honorary doctorate, Oregon State University can demonstrate its recognition that revolutionary thinking will be necessary for finding solutions to the complex problems we face.
James W. Poirot is one of the country’s most respected engineering leaders, committed to influencing how engineers can improve the way people interact with the earth. He challenges engineers to accept their responsibility for the world’s environmental problems and charges them to be involved in shaping global environmental principles, ethics, and policies.

Poirot retired from the engineering firm CH2M HILL as chairman of the board in 1995. His career before and after retirement has been exemplary in leadership and service to the engineering profession and to OSU. He has taken an active role in engineering education with the Accreditation Board for Engineering and Technology and delivered lectures on more than 30 university campuses.

Since leaving CH2M HILL, Poirot has been active as an environmental advocate through his work with the World Federation of Engineering Organizations (WFEO), as a founding board member of the World Engineering Partnerships for Sustainable Development, and with the Earth Charter. His responsibilities with the WFEO include collaborating with United Nations Educational Scientific and Cultural Organization (UNESCO), United Nations Environmental Program (UNEP), United Nations Industrial Development Organization (UNIDO), United Nations Commission for Sustainable Development (UNCSD), the World Bank, the World Federation of Technical Assessment Organizations, the Institute for Leadership Development, Water for People, and the Earth Council.

Throughout his career, Poirot has exhorted his fellow engineers to be involved in their communities and to be lifelong learners. He has traveled the world extensively, especially during the last six years, because of his commitment to the environment and sustainability. In June 2000, he spoke at the ceremony launching of the Earth Charter in The Hague, Netherlands, representing the WFEO.

In 1993, Poirot was elected to the National Academy of Engineers (NAE) for “providing leadership in the development of quality management systems for engineering organizations.” Only 16 of OSU’s 25,000 engineering graduates since 1983 have been elected to NAE. In 2001, he was elected to honorary membership of the Japan Society of Civil Engineers.

Locally, Poirot has served as a member of the OSU College of Engineering’s Advisory Board since its inception and on boards of nine other universities, as well. He has served as chair of the OSU Alumni Board and chair of the CH2M HILL Alumni Center Building Campaign. In 1998, he was inducted into the OSU College of Engineering Hall of Fame (inaugural class) and, in 1999, he was the recipient of the Alumni Association’s E.B. Lemon Award.

Poirot has a legacy of exemplary service to his profession, OSU, and the worldwide community. In retirement, he has devoted himself to world service activities. He has been a positive influence on the careers of thousands of engineers worldwide.
Portland State University
Portland State University requests authorization to award an honorary doctorate to The Honorable Kathryn Harrison at its June 2003 Commencement ceremony.

Kathryn Harrison is a native Oregonian who has made public service her mission in life for the past 30 years. Orphaned at ten years old, she was in foster homes until the age of 14, when she was sent to the Chemawa Indian Boarding School.

Harrison graduated from the Chemawa Indian School high school and, in 1972, became a licensed practical nurse (LPN). After working briefly as a nurse, she turned her attention to outreach work in the Siletz Indian Alcohol program in Siletz, Oregon. She initiated a meals program for the elderly of the Siletz tribe and non-Indian community. She also assisted in establishing the first Alcoholics Anonymous program in the area. Subsequent work continued to center around service to the Native American population. Harrison increased the number of Indian elders served by Lane County’s nutrition program. In Coos Bay, she gave oral presentations to Coos and Curry County schools regarding Indian history and culture.

Kathryn Harrison has served in numerous leadership, advocacy, and policy roles for Native American priorities. Among her major accomplishments are garnering support for the federal restoration of both the Siletz and Grand Ronde Tribes and serving as an elected official (including first chairwoman) of the Confederated Tribes of the Grand Ronde Community of Oregon. In that capacity, Harrison represented the Tribe or Tribal Council at regional, state, and national levels, including providing Congressional testimony regarding the Grand Ronde restoration. As Congresswoman Elizabeth Furse wrote, “Ms. Harrison’s . . . efforts led to Congressional Acts that restored not just the federal status of those tribes, but the dignity of the affected tribal members. She is a nationally recognized leader, not only in Native American communities, but in non-Indian circles as well. She is renowned as a community organizer, consensus builder, and peacemaker in a world where non-Indian and Indian people frequently experience difficulties in understanding one another. In her tireless dedication to her life’s work, she continues to work on community solutions, even though she has retired from elected office.”

Kathryn Harrison has been the recipient of the American Indian Business Leaders’ “The White Crown Award” for 1999, which honors “an American Indian leader who has used their wealth of knowledge and experience to further the cause of American Indian people locally and nationally.” She received the 1999 Women of Achievement Award from the Oregon Commission for Women and the Tom McCall 2001 Leadership Award from SOLV. In 1995, Harrison received the Distinguished Service Award from the League of Women Voters and was also named one of four Women of Achievement by the YWCA.

Kathryn Harrison’s leadership and liaison activities continue in her work as Ambassador for the Confederated Tribes. In addition, she serves on the Board of PSU’s Institute for
Tribal Government in the Mark O. Hatfield School of Government. As a distinguished fellow at the Institute, she directs the Great Tribal Leaders of Modern Time series.

**Staff Recommendation to the Board**
Staff recommended the Board authorize Oregon State University to award honorary doctorates to William McDonough and James Poirot, and Portland State University to award an honorary doctorate to Kathryn Harrison, at their June 2003 Commencement ceremonies.

**BOARD ACTION:**
It was moved by Director VanLuvanee and seconded by Director Wustenberg that the Board approve the staff recommendation to award honorary doctorates at PSU and OSU. Those voting in favor: Directors Barnett, Bassett, Imeson, Lehmann, Richardson, VanLuvanee, Watari, Wustenberg, Young, and Lussier. Those voting no: none.

e. **Agreement to Transfer Emergency Medical Technology, A.A.S., from OHSU to OIT**

**DOCKET ITEM:**
At the July 2001 meeting, the Oregon State Board of Higher Education approved the agreement to transfer two Oregon Health and Science University (OHSU) programs, the bachelor’s degree in Clinical Laboratory Science and the undergraduate certificate program in Paramedic Education, to the Oregon Institute of Technology (OIT), with OHSU continuing in a joint, collaborative role. OHSU and OIT have mutually agreed that OHSU will transfer the related academic Associate of Applied Science (A.A.S.) program in Emergency Medical Technology (EMT) to OIT, effective upon approval by the Board. As in the case of the previous transfers, OHSU and OIT plan to collaborate, as appropriate, in offering the program.

This A.A.S. in EMT was originally approved by the Board in May 1996 and has been in operation since September 1996. The program prepares students at the paramedic level, which is the highest of three levels of EMT. The A.A.S. degree has only been required for paramedic certification in Oregon for four years. In that time, 85 students have graduated from the paramedic program; 20 students earned the A.A.S. degree through a joint arrangement with OHSU and Chemeketa Community College, with the majority of students meeting the degree requirement by holding an associate’s or baccalaureate degree before entering the EMT-certification program.

Currently, 31 students are enrolled in the program. The transfer will affect no students or employees. The original curriculum has been adapted to meet the 1999 U.S. Department of Transportation national paramedic curriculum.

As indicated to the Board in July 2001, with the transfer of related allied health programs, OHSU is sharpening its mission to focus more on graduate education and research areas. This coincides with OIT’s plan to expand its programmatic presence in
the Portland area. The two institutions have agreed that it is to their mutual advantage and to those of their constituents to collaborate in the offering of the program.

OIT currently offers allied health programs in Dental Hygiene, Radiologic Science, Sonography, Vascular Technology, and Health Sciences, in addition to the two joint OIT/OHSU programs mentioned above.

Office and classroom space for the program will be provided by the Tualatin Valley Fire and Rescue at the Regional Training and Simulation Center in Sherwood. Tualatin Valley Fire and Rescue currently provides space for the certification program in Paramedic Education. The space is adequate and well maintained; the location offers excellent access to the EMT community.

OIT has worked closely with Portland Community College, which supports the program transfer as long as the program continues to be offered at the Tualatin Valley Fire and Rescue; enrolls approximately the same number of students as previously enrolled; and does not increase the number of “clinicals” offered in the Portland area.

Currently, there is a shortage of paramedics in the U.S., a situation that is expected to continue. Students are actively recruited by prospective employers both in-state and out-of-state. Most internship sites have offered students employment after graduation. All recent graduates have been hired to work in their field of training.

Staff Recommendation to the Board
Staff recommended that OIT be authorized to accept the transfer of the A.A.S. degree in Emergency Medical Technology, effective immediately.

BOARD DISCUSSION AND ACTION:
Director Bassett moved and Director Lehmann seconded the motion to authorize OIT to accept the transfer of the A.A.S. degree in Emergency Medical Technology. Those voting in favor: Directors Barnett, Bassett, Imeson, Lehmann, Richmond, VanLuvanee, Watari, Wustenberg, Young, and Lussier. Those voting no: none.

10. OTHER COMMITTEE REPORTS
   Joint Boards Working Group
Roger Bassett reported on the progress of the Joint Boards Working Group that is regularly meeting each month. The work of that group closely mirrors that of the Strategic Planning Committee in that the issues of quality, affordability, and access are the priority topics. “The work of the Joint Boards Working Group will bring up the broader postsecondary education version of the same issues,” Director Bassett pointed out.

   OHSU
Director Imeson reviewed the items raised earlier by Provost Hallick, underscored that the institution is moving forward with the River Campus, and aggressively looking for cost savings within the budget to deal with cuts and shortfalls. Dr. Hallick noted that an
added reduction for the institution is the reductions in Medicaid, which is more severe than the general fund reductions. This is having a devastating effect, according to Dr. Hallick, on staff, patients, and all of those associated with the institution.

**Oregon College Savings Plan**
Director Lehmann reported that the assets in each of the 529 plans offered under the Oregon College Savings Plan continue to grow. There is, at present, about $96 million in the accounts that represent a total of over 25,000 separate investment accounts.

**Oregon Council on Knowledge and Economic Development**
President Lussier reported that OCKED and ETIC are very active at the present time. There is a strong relationship between some of the priorities of the UO and OSU with reference to the signature research centers and proposals that are being presented. “There is a lot going on between the partnerships among higher education, OCKED, and ETIC,” Mr. Lussier observed. “Our future lies in technology in a lot of respects and a lot is going on.”

President White agreed that very important collaborative efforts are on-going between UO and OSU and they have great potential for economic development activities within the state. President Frohnmayer added that the initiatives are going forward with two principal investigators, one from OSU and one from UO. “We think this is the harbinger of a very, very significant state development in nanotechnology and nanoscience. Oregon may be in a very good position to pursue these fields internationally,” he added.

**OSU Presidential Search Committee**
Director Barnett indicated that the OSU presidential search is proceeding on schedule and the Search Committee is working well together. In spite of a short timeframe for recruitment, the Committee is on schedule and moving ahead on all aspects of the search.

**Federal Appropriations**

**DOCKET ITEM:**
In a continuing effort to respond to requests from the staff of the seven-member Oregon Congressional delegation, the Oregon University System has compiled a Federal Appropriations Priorities List for Fiscal Year 2004. A single priority document, forwarded by the Chancellor, enables Congressional delegation members to address a clear set of stated campus appropriation objectives.

As House and Senate committees continue deliberations on the Federal government’s fiscal year 2003 budget, the document also prepares congressional staff to deal effectively with specific campus appropriation requests for Fiscal Year 2004. At this writing, an omnibus budget reconciliation bill for FY 2003 has not been completed. In light of the uncertainties that had shrouded the adjournment of the 107th Congress, and the fiscal hesitancy that began the convention of the 108th Congress, the campuses have worked diligently to provide a slate of well-conceived projects for FY 2004.
As always, each OUS institution bears responsibility for the development of the rationale, background material, executive summary, and identification of a likely federal funding source for the institution’s “Top Three” priorities. Participants who have been enlisted for the discussion, and the selection of the projects, have remained at the president's discretion.

The project summaries describe partnerships, the overall value of the project to the institutions’ programmatic goals, and a rationale illustrating how the project serves long-standing or emerging statewide and regional needs. The funding priorities of each institution accurately reflect the mission of OUS in furthering aspects of instruction, research, and public service.

Chancellor Jarvis had the opportunity to present the compiled OUS priorities list in a series of meetings and briefings throughout the month of February.

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<thead>
<tr>
<th>INSTITUTION</th>
<th>PROGRAM</th>
<th>APPROPS BILL</th>
<th>AGENCY</th>
<th>ACCOUNT</th>
<th>$AMOUNT REQUESTED</th>
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<td>Department of Energy</td>
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Eastern Oregon University

1. **Eastern Oregon University Learning Center:** Eastern Oregon University (EOU) requests $1 million from the Institute of Museum and Library Services for expansion of the Pierce Library. The specific objective of the expanded library is to create a regional hub of information to provide greater educational, cultural, and employment opportunities for residents of eastern Oregon and will be renamed the EOU Learning Center. This expanded library will incorporate state of the art technology increasing access to distance education services, job retraining, aid in the education and application of nursing services, and support public and school libraries throughout Oregon. The Learning Center is the next step in a 10-year strategy to improve and sustain the economy and quality of life in Oregon’s 10-county, 41,178-square-mile, easternmost region. The first phase of this project will begin with the support of local government and private sector entities, as well as sister academic institutions throughout the state. These partnerships will help initiate the process to integrate academic curricula with community development through regional and statewide collaborations. Phase I will establish key academic partnerships in several areas of regional and national need.

2. **Rural Frontier Delivery Healthcare Education Program:** Eastern Oregon University (EOU) requests $1.5 million for continuation and expansion of the Rural Frontier Delivery (RFD) program to provide educational resources and training for nurses to deliver unmet health care needs for residents who live and work in the rural communities of eastern Oregon. The specific objective of the RFD program is to curtail the critical shortage of registered nurses in remote counties of eastern Oregon.
Oregon Institute of Technology

1. Oregon Institute of Technology, Center for Health Professions: To enhance and expand capacity in the education of healthcare professionals and the workforce. The Problem: A significant long-term shortage of health professionals, including nursing, in Oregon and throughout the nation.

a. Oregon Institute of Technology, a significant provider of bachelor's level education in the healthcare professions statewide, does not have the programmatic capacity to increase access to students to meet the workforce demand.

b. OIT’s limited and dated facilities prevent it from increasing the number of students. In some fields, these limitations threaten accreditations.

c. The nursing shortage will require expansion of educational programs.

d. There is a need to prepare Oregonians for careers in healthcare as well as provide opportunities for continuing education.

The Solution: Establish a Center for Health Professions at OIT.

a. Build modern facilities to strengthen OIT’s bachelor’s degree programs.

b. Provide opportunities to develop significant new and strengthen current partnerships with Oregon’s healthcare providers.

c. Enhance and expand educational programs, clinical and laboratory experiences, and applied research.

d. Provide new opportunities to partner with regional medical centers to increase services in rural areas.

e. Enhance partnerships with OHSU and community colleges to increase the workforce in nursing.

f. Develop continuing education opportunities for employed healthcare workers.

2. Building WISE (Women In Science and Engineering) Scholars: The goal of this project is to encourage and enable women to pursue careers in engineering and other sciences. Many studies have indicated that women have increased their presence in the U.S. workforce, but they continue to lag behind men in engineering and the sciences. Educators and employers recognize that this is a problem where women account for less than nine percent of all U.S. engineers. OIT believes that there is a lot of untapped talent at a time when it is most needed. Furthermore, a part of the problem can be traced back to the nation's universities, where retention rates for women studying engineering are poor, particularly in the freshman and sophomore years. WEPAN (Women in Engineering Programs & Advocates Network) reports that while women may achieve the same academic success as their male counterparts, female students in engineering and science must struggle with a university environment still heavily dominated by men and often a gender-biased classroom environment. Women face roadblocks that discourage many from pursuing careers in engineering and sciences. OIT believes that the proposed project will enforce the success of women students majoring in engineering and other sciences.
3. A Proposal to Support the Growth and Development of a Clean Energy Business Incubator: OIT requests funds to support the growth and development of a clean energy-oriented business incubator to help emerging businesses develop applications for their technologies, develop business plans, and find investment capital. Many clean energy businesses are not prepared to make the jump between product development and marketing. The OIT incubator will complement the renewable energy development and commercialization projects in OREC. This incubator also will provide opportunities for clean energy entrepreneurs to receive management training, market research, and business development. The incubator focus would be on investor needs and interests, helping businesses find venture capital and markets for their products.

Oregon State University

1. Business and Information Technology (BIT) Extension Program: This pioneering outreach program will assist Oregonians in adopting leading-edge technology as an integral part of their community, business, and personal lives. Residents will gain business and information technology skill sets that are especially useful in fostering new enterprises and economic diversification in disadvantaged areas. BIT Extension training will widely benefit audiences of all ages statewide by offering three inter-related program elements: (1) Adult components enhancing business, local government, agencies, and non-profits use of technology through applied learning – then sharing. Modeled after the very successful Master Gardener program, some learners will become BIT Masters who provide a formal “payback” by sharing what they learn with other interested groups and individuals. (2) Youth components in which 4-H Youth Development program participants learn in order to teach their families and other youth. Applied 4-H projects will also advance small community’s use of technology and create business opportunities for youth trained in providing technical support for rural interests in remote Oregon regions. (3) OSU student components provide a 12-week funded Extension BIT Internship along with academic credits for students infusing technology into small rural enterprises, communities, and governments. These students will be located in County Extension offices throughout the state to conduct projects in tandem with mentoring OSU Extension staff and campus faculty.

2. Virtual Center for Transboundary Waters: A Universities Partnership: To create shared knowledge and open dialogue among parties involved in transboundary water issues across the nation and the world, OSU is proposing to establish the Virtual Center for Transboundary Waters, a consortium of expertise including nine universities on five continents. OSU will serve as the lead administrative institution and will partner with Sandia National Laboratories Cooperative Monitoring Center as the North American node. The activities of the Virtual Center will focus on key socioeconomic and geopolitical issues in transboundary water management at local, regional, national, and international levels. All activities would be explicitly linked and integrated within four coordinated Virtual Center focus areas: (1) Shared and unified data accumulation, analysis, and distribution; (2) Training workshops for local, regional, and international
basin stakeholders; (3) Coordinated applied research; and, (4) Graduate and professional certification in transboundary water resources management.

3. Fire Intensified Research and Education (FIRE) Program: Experiences in Oregon have demonstrated that programs integrating fundamental and adaptive research with extended education, conducted in close cooperation with local resource managers, can be very successful. A key ingredient to success is placing interdisciplinary teams of scientists in local communities where problems are most pronounced. This was clearly demonstrated by the Forestry Intensified Research (FIR) Program (1978-1991) and the Coastal Oregon Productivity Enhancement (COPE) Program (1987-1999). These programs provide a model of interagency collaboration to meet the most pressing information needs. But the funding mechanism used in FIR and COPE, earmarks to federal appropriations that redirected existing research dollars to the university, is not desirable. Building on these successes of interagency science partnerships and proposing a different funding model, the FIRE Program will provide research-based information focused on local needs determined by local information users and scientists working together as managers solve actual problems. Unlike FIR and COPE, research funding would come from an authorized portion of total appropriations for fuels management treatments, fire management, and post-fire restoration work.

The plan for the FIRE Program in Oregon is a model that could and should be replicated in other western states. In Oregon, the model calls for the establishment of four interdisciplinary, interagency teams of scientists with one team located in each of the following areas: Southwestern Oregon, east slope of the Cascade Mountains, Northeastern Oregon, and Corvallis. The Corvallis team will conduct research requiring sophisticated laboratory and analytical facilities. The FIRE Program will have a 12-year duration.

Portland State University

1. Engineering and Transportation Research in a Metropolitan Community: Portland State University and the region’s policymakers have been engaged in a partnership to: strengthen the central city and its urban university, enhance engineering and computer science programs to meet the industry needs, and build on the already existing signature transportation research center that exists at the University. Portland State University is seeking funding for a new engineering complex, including an intelligent transportation research center to prepare tomorrow’s transportation engineers and planners and to provide lifelong learning and training opportunities for the regions’ transportation agencies. This facility will serve as a research magnet for businesses needing close access to high quality faculty and students and provide needed assistance to the area’s transportation and planning agencies.

The proposed engineering facility is projected to cost $70 million, including $10 million in equipment donations. Additionally, PSU and its transportation agency partners have identified a need to expand intelligent transportation systems research. PSU will pursue
a collaborative funding strategy for this facility, including local, state, federal, and private support. The State of Oregon has approved $26.5 million in Article XI-G bonds (where the State pays the debt service). Portland’s Mayor Katz has provided $5 million from the Portland Development Commission for this effort. Additionally, the University has raised over $8 million dollars from individuals, corporations, and foundations demonstrating a high degree of support from the philanthropic community.

2. Branford P. Millar Library/Middle Eastern Studies Center/Judaic Studies Program: Portland State University is seeking funding to enhance and increase the accessibility of its library collections in the area of Middle Eastern and Judaic Studies.

The Middle East Studies Center (MESC) is the first federally supported undergraduate program in the United States for Arabic language and area studies. Dating from 1961, the Center’s mandate today is to support the academic study of the Middle East at PSU and to provide information on the people, cultures, languages, and religions of the region in an open and objective atmosphere. MESC is one of PSU’s oldest, successful institutional bridges between the campus--its resources and expertise--and the community. MESC also serves as a regional information center providing support to political, business, media, and educational systems throughout the Northwest and the nation. In addition to this longstanding focus on Middle Eastern studies, Portland State University has recently begun the process of expanding an innovative community-based Judaic Studies Program, primarily funded through private donations. Beginning in 2001, PSU is host for the Oregon School of Judaic Studies, a regional partnership of schools, that offer courses to students and the general public on Israel and the Middle East taught by visiting faculty from Israel and the United States.

3. Interdisciplinary Center for Law and Entrepreneurship (“ICLE”): The School of Business at Portland State University and the Lewis & Clark Law School are embarking on a nationally unique collaboration to teach future lawyers and business people how to work together to assist developing businesses. The ICLE will advance economic development in the region by assisting small and emerging businesses with legal and business advice, and produce better-trained lawyers and MBA’s in the process.

Future business leaders and lawyers need to know how to leverage each other’s strengths to achieve more efficient and effective outcomes. Entrepreneurs need attorneys who can recognize critical risks and further the entrepreneur’s cause without “overlawyering.” Entrepreneurs need to understand legal, as well as business, risks in order to successfully negotiate the start-up process. The educational goal of ICLE is to find ways to enhance these abilities by providing shared classroom and clinical experiences for MBA students from Portland State University, and law students from Lewis & Clark Law School. Working together in teams, law and MBA students will be interviewing, analyzing, and providing recommendations on issues faced by regional business clients. Of equal importance, ICLE will provide emerging businesses with legal and business consulting. Evidence indicates many such businesses do without legal and business planning assistance because of cost or lack of availability. With assistance from ICLE, early stage businesses will be in a better condition to survive and
perhaps grow into the next Pixelworks, Planar Systems, Mentor Graphics, In Focus, Tektronix, or Intel. Economic development starts one business at a time, and ICLE will serve many such businesses each year.

Southern Oregon University

1. Computer Security Information Assurance: Growth in the number of students enrolled in the Southern Oregon University Computer Science program has resulted in its ability to recruit faculty with substantial professional, as well as academic teaching experience. In conjunction with Oregon’s Engineering Technology Industry Council (ETIC), Southern Oregon University has developed one of the few undergraduate Computer Security Information Assurance (CSIA) programs. In addition to the development and implementation of integrated plans for physical and cyber protection of critical infrastructure and key assets, the CSIA program at Southern Oregon University is a fast-growing training ground for workforce-ready graduates trained to protect the integrity and security of the computer network infrastructure.

Southern Oregon University seeks to expand the CSIA program to directly assist first-responders and officials statewide during an emergency. Federal funding would allow Southern Oregon University and the CSIA program to complete technical planning and enhance the CSIA curriculum and enhance the program’s applied education, increasing the number of workforce-ready CSIA graduates, and supporting applied research. CSIA courses would be enriched, two courses added, and online courses would be developed. The Oregon Trial for Emergency and Security Technology (O-TEST) is a secure interoperable information network that will support first responders during emergencies. O-TEST planning will be supported through direct involvement with the O-TEST steering committee.

2. AuCoin Institute for Ecology, Economics & Civics: Southern Oregon University is working to become a model of higher education instruction for: training scientists and public policy makers to be at home in their alternative professional worlds; integrating the fields of ethics, economics, sociology, the natural sciences, history, and political science into the field of environmental education; and community education and conflict resolution on western public lands policy, with a particular focus on assistance to stewardship training for private property owners. The University is requesting funding for institutional development of the Institute. The Institute will serve as an educational training resource for federal wildlife and resource employees whose academic experience typically does not adequately prepare them to intermediate effectively with private property owners, policy makers, and the public at large. It will prepare future policy makers with an improved understanding of scientific processes. It will conduct community forums and conflict workshops to help residents of the region manage their resource-use differences with civility and improved understanding of each other’s unique traditions and needs. It will also feature visiting scholars representing a diversity of views about western lands to assist SOU faculty develop cross-cutting courses of study and to conduct university-sponsored community forums on major environmental-
economic issues such as wildfire, salmon, and preservation of agricultural lands, environmental collaborators, mill owners, union works, and conservationists.

3. Center for First Nations Studies: Southern Oregon University is a small regional liberal arts and sciences non-PhD granting university with faculty primarily engaged in teaching. Southern has a high faculty to student ratio serving a diverse population including many underprivileged, first-generation college students from rural areas in Alaska, Hawaii, and Oregon. Southern Oregon University is committed to diversity, and regional distinctiveness and responsiveness. An example of that commitment is the Native American Studies (NAS) program, which emphasizes the culture, history, art, and literature of the indigenous peoples of the United States and Canada. It is the only one of its kind in the Oregon University System. Areas of emphasis for the Center include cultural and language preservation, and conflict resolution between/among the urban and rural native tribes. The Center will be working with rural tribes to identify and address sovereign nation and legal issues across governmental entities and international groups. A concentration for students and faculty will be the awareness and preparedness of Homeland Security measures of Native American Nations and trust lands in rural western United States.

University of Oregon


It is recommended that $6 million be included in the RDT&E, Medical Research section of the Department of the Army’s FY 2004 budget for continuing development of the BBMI in association with TATRC. The major new objective would be to develop an advanced fMRI facility optimized for animal studies to permit the direct study of genetic influences on brain function. These small animal and mammalian studies, supported by further enhancements in UO’s genomics, proteomics, and neuroimaging research facilities, would be integrated with studies of human brain function and behavior. Specifically, UO would begin to use the results of the fMRI studies of genetically manipulated animals to guide studies of brain structure and function in humans. Such studies ultimately would include human subjects at risk for specific genetic disorders, and those in whom disease-related genes have been expressed. Through the continuing DoD support, UO would be uniquely positioned to address the most fundamental questions about the human brain and mind through combining its expertise in molecular biology, the genetics of neural development, and cognitive neuroscience.

2. Museum of Natural History - Collections Storage Facility and Research Laboratory: The University of Oregon Museum of Natural History is running out of room. Its collections, now held in five buildings on campus in addition to the main museum building, grow continuously through gifts and with the specimens and related data generated by ongoing archaeological research in Oregon. To continue to provide
and support research and educational opportunities, and to ensure the security of the collection, the museum must improve and expand its collection storage areas. The needed facility would provide new collections space, storage shelving, faculty and administrative offices, laboratory space, and field equipment storage. It would replace antiquated and irreparable facilities, greatly improving the physical conditions under which much of the collection is currently stored.

3. **Inherently Safer Materials and Manufacturing Initiative:** The University of Oregon Inherently Safer Materials and Manufacturing Initiative is a research project merging green chemistry and nanoscience to enhance public safety, security, sustainability, and economic development. The use of chemical substances or materials in our society presents a number of risks to human health and the environment. In addition to the direct impacts of the materials, many manufacturing processes do not make efficient use of raw materials and are therefore not sustainable processes. Plus, the use of large volumes of hazardous materials in manufacturing environments poses additional security risks because these materials may become targets for terrorist groups. Each of these risks can be substantially eliminated by rational (re)design of chemical products and processes employing the principles of “green chemistry.” Researchers within UO’s Materials Science Institute are now defining the field of green nanoscience and are poised to make major breakthroughs in this emerging field that will bring together fundamental new properties found at the nanoscale with green chemistry principles to produce: (1) safer products and processes – through deliberate design at the molecular or nanoscale level, products and processes are invented that pose dramatically decreased risk to human health; (2) more secure manufacturing facilities – safer products and processes can be designed that eliminate the use of large volumes of potentially dangerous materials that could be terrorist targets; and (3) products and processes that make more efficient use of raw and reusable resources can be designed to minimize impact on the environment.

11. **PUBLIC INPUT**
   There was no public input.

12. **ITEMS FROM BOARD MEMBERS**
   Director Watari thanked President White for the visit and dinner and indicated that she had accepted a fellowship in Washington, D.C. with Congressman Honda from California. The internship will last for four months.

   Director Richmond acknowledged the courage and creativity of the presidents as they are navigating their way through some very difficult times. Director VanLuvanee added that “all institution presidents, whether you think you have stepped up or not, you have, and clearly you’re talking about the kinds of things that I’ve had in my dreams for a long time. I applaud all of you and thank you so much.”

   In turn, Director Wustenberg acknowledged the students who were present at the meeting to demonstrate their concern about their education. Director Barnett added that
Board members do read the signs of students, hear their messages, and appreciate the passion and energy they bring to their causes.

Director Bassett acknowledged president-emeritus John Byrne’s presence at the meeting. He also thanked President White for the visit and the great sense of community at OSU.

Director Young acknowledged that he treats every meeting as his last, since his term has already expired and observed that “Oregon is leading the country in cuts to higher education and this happened on our watch. I feel responsible to help continue to advocate for higher education as a citizen and am exploring the possibilities of forming a System political action committee,” he said.

Director Lehmann and President Lussier added their thanks and words of commendation to President White and those who participated in the informative visit. Mr. Lussier also acknowledged the presence of fellow Board member Imeson who was not present at the recent meetings because of his responsibility of heading the Governor’s Transition Team. Continuing, he invited Board members to offer suggestions for the format and schedule of Board meetings. “The goal is to be as inclusive as we can to get through items in a more deliberative fashion,” he concluded.

13. **DELEGATION OF AUTHORITY TO BOARD’S EXECUTIVE COMMITTEE**

Interim Board Secretary Thompson read the statement pertaining to delegation of authority to the 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, which is scheduled for April 18, 2003. 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.”

Board members agreed to the delegation of authority as stated.

14. **ADJOURNMENT**

The Board meeting adjourned at 12:20 p.m.

Virginia L. Thompson  
Secretary of the Board

James T. Lussier  
President of the Board