# MINUTES OF THE REGULAR MEETING OF THE
## STATE BOARD OF HIGHER EDUCATION (#760)
### UNIVERSITY OF OREGON, EUGENE, OREGON
#### FEBRUARY 2, 2006

<table>
<thead>
<tr>
<th></th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Call to Order/Roll Call/Welcome</td>
<td>1</td>
</tr>
<tr>
<td>2. Approval of Minutes</td>
<td>2</td>
</tr>
<tr>
<td>3. Action Items</td>
<td>2</td>
</tr>
<tr>
<td>a. Resolution for the Sale of Articles XI-F(1) and XI-G Bonds</td>
<td>2</td>
</tr>
<tr>
<td>b. Annual Financial Report</td>
<td>9</td>
</tr>
<tr>
<td>c. University Venture Development Funds; Proposed Administrative Rules Related to Recently Enacted Legislation</td>
<td>11</td>
</tr>
<tr>
<td>d. Undergraduate Admission Policy for the 2007-08 Academic Year</td>
<td>17</td>
</tr>
<tr>
<td>e. PSU, Proposed Master Lease of the Unitas Building</td>
<td>31</td>
</tr>
<tr>
<td>4. Board Comments</td>
<td>36</td>
</tr>
<tr>
<td>5. Delegation of Authority to Board’s Executive Committee</td>
<td>37</td>
</tr>
<tr>
<td>6. Adjournment</td>
<td>38</td>
</tr>
</tbody>
</table>
1. **Call to Order/ Roll Call/ Welcome**

President Henry Lorenzen called the meeting of the State Board of Higher Education to order at 3:02 p.m. **Board members present included:** Directors Gerry Blakney, Don Blair (arrived at 3:25), Bridget Burns (arrived at 3:07), Kirby Dyess, Henry Lorenzen, Adriana Mendoza, Tim Nesbitt (arrived at 3:25), Geri Richmond, and Tony Van Vliet. John von Schlegell, Gretchen Schuette, and Howard Sohn were absent due to business conflicts.

**OUS staff present included:** George Pernsteiner, Mike Green, Jay Kenton, Ben Rawlins, Bob Simonton, Marcia Stuart, and Susan Weeks.

**Others present included:** Presidents Martha Anne Dow (OIT), Khosrow Fatemi (EOU), Dave Frohmayer (UO), John Minahan (WOU), Ed Ray (OSU), and Elisabeth Zinser (SOU). Provosts Lesley Hallick (OHSU) and Roy Koch (PSU) were also present.

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

President Lorenzen greeted attendees and addressed members of the public in attendance who were interested in the potential sale of the Westmoreland Family Housing. “In our past meetings, we have provided an opportunity for public comment and twice we have heard from Westmoreland residents and those interested in that project. We’ve shortened our agenda for this particular meeting to the bare minimum to consider just the most pressing matters. There will be no reports from the Board, presidents, or others. We will not have a public hearing relating to Westmoreland,” he emphasized. “However, at a later time, there will be a lengthy and extensive public hearing and an opportunity for everyone to have their say and do it in a manner in which the Board can be fully informed of all considerations. That will occur once the UO has put together a detail of its plan so there is something to which you can provide comment after having had the opportunity to be fully informed of what is anticipated to be done.

“I recognize that this time we are here at the UO and it would seem as if this would have been the appropriate time to have a lengthy opportunity for public comment. I express my apologies because we don’t have the time. But I want to stress that there will be the opportunity to provide extensive public comment at the appropriate time.”
Mr. Gerry Blakney was introduced as a newly confirmed student Board member. He is President of the Associated Students at Western Oregon University and also serves on the Council of the Associated Students. Director Burns will continue to serve on the Board, but will not officially be able to vote. “We ran into a snag as a result of a proscription contained within the Oregon Statutes that provides that not more than three Board Directors can be graduates of any one of the state universities at one time. The fact is that, at the present time, there are four graduates of Oregon State University. As a result, Bridget was required to step down in her official capacity; but she will continue to serve in an ex officio capacity with no diminished voice – only a diminished vote,” President Lorenzen added.

The new director of the Oregon Student Assistance Commission, Mr. Dennis Johnson, was introduced.

2. **Approval of Minutes**
   - Board Work Session, October 6, 2005

A motion was made by Director Kirby Dyess to approve the minutes of the Board Work Session of October 6, 2005, as presented. Those voting in favor: Directors Blakney, Dyess, Lorenzen, Mendoza, Richmond, and Van Vliet. Those voting no or abstaining: None. Motion passed.

3. **Action Items**

   a. **Resolution for the Sale of Articles XI-F(1) and XI-G Bonds**

   **Docket Item:**

   | 2006 Spring Bond Sale for Capital Projects |
   | Four Campuses Served with Nine Individual Projects; Four Systemwide Allocation Programs |
   | A Total of $66,241,329 Recommended for Sale, plus issuance costs for Article XI-F(1) Bonds |

   **Summary:**

   The staff recommended the Board approve a request to the State Treasurer to issue $40,150,000 of bonds under authority of Article XI-F(1) of the Oregon Constitution and $26,091,329 of bonds for construction projects under authority of Article XI-G of the Oregon Constitution. This sale is currently scheduled to be held in April 2006. The total sale requested is for $66,241,329, plus estimated issuance costs of $803,000 for Article XI-F(1) bonds. All projects included in this sale have received both Board and legislative approval.
Staff Report to the Board:

Background:
The 2005 Legislative Assembly authorized the State Board of Higher Education to issue general obligation bonds, 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-F(1) and Article XI-G.

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. The preponderance of bonds sold for capital construction in higher education has been under 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 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.


Request for Board Authorization to Issue. Institutions are now seeking authorization from the Board to issue a total of $66,241,329 in bonds plus estimated issuance costs of $803,000 for Article XI-F(1) bonds, as part of a sale currently planned by the State Treasurer for April 2006.

Of this amount, a total of $40,150,000 was requested in Article XI-F(1) bond authorization, plus Article XI-F(1) bond issuance costs, and a total of $26,091,329 is requested in Article XI-G bond authorization.

Article XI-F(1) bond issuance costs are estimated at 2 percent ($803,000) and will be charged against each project for which Article XI-F(1) bonds are sold under this sale.

Prior to sale, the Board’s bond counsel may designate a portion of the sale as taxable, due to space utilization by private entities in the projects to be financed under this sale.
Several tables are provided herein:

- Table A, included in the resolution, identifies the Article XI-F(1) projects recommended for the April 2006 Bond Sale.

- Table B, also included in the resolution, identifies the Article XI-G projects recommended for the April 2006 Bond Sale.

Three tables are provided after the resolution, to display information on debt service issues:

- Table C displays the amount of Article XI-F(1) bonds to be sold as well as the estimated annual debt service requirements associated with the projects proposed to be included in the April 2006 Bond Sale, by campus and Systemwide.

- Table D displays information on Article XI-G bonded debt, beginning with 1993-1995 through 2003-2005. 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 E projects annual Article XI-G bonded debt outstanding and annual debt service beginning with the 1997-1999 biennium through 2005-06, assuming approval of the proposed April 2006 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 financing consistent with the overall bond limitation imposed by the legislature for the period 2005-2007.

Staff Recommendation to the Board:
Staff recommended that the Board adopt the following resolution: (1) finding that the projects for which Article XI-F(1) bonds are proposed meet the self-liquidating and self-supporting requirements of Article XI-F(1), Section 2, of the Oregon Constitution and authorizing the sale of Article XI-F(1) bonds; and, (2) authorizing the sale of Article XI-G bonds.

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, Chapter 787, Oregon Laws 2005 and Chapter 845, Oregon Laws 2001 lists those projects that may be financed pursuant to Articles XI-F(1) and XI-G 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 2005-2007 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. Article XI-F(1) Projects. Pursuant to Section 2 of Article XI-F(1) of the Oregon Constitution, the Board hereby finds that the projects listed below in Table A conservatively appear to the Board to be wholly self-liquidating and self-supporting from revenues, gifts, grants, or building fees. Bonds are authorized to be sold under Article XI-F(1) to provide funds to pay these projects and costs of issuance of these bonds.

Table A - Article XI-F(1) Projects Recommended for April 2006 Bond Sale

<table>
<thead>
<tr>
<th>Article XI-F(1) Projects</th>
<th>Estimated Bond Cost, excluding issuance costs</th>
<th>Maximum Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systemwide: Capital Repair/Code Compliance</td>
<td>$15,000,000</td>
<td>30 years</td>
</tr>
<tr>
<td>Systemwide: Small Capital Projects</td>
<td>3,000,000</td>
<td>15 years</td>
</tr>
<tr>
<td>Systemwide: Misc. Student Building Fee Projects</td>
<td>1,500,000</td>
<td>15 years</td>
</tr>
<tr>
<td>Systemwide: Project Reserves</td>
<td>3,500,000</td>
<td>30 years</td>
</tr>
<tr>
<td>OIT: Health Professions Center</td>
<td>10,000,000</td>
<td>30 years</td>
</tr>
<tr>
<td>PSU: Retail Development-Various Locations*</td>
<td>1,000,000</td>
<td>20 years</td>
</tr>
<tr>
<td>PSU: Smith Memorial Student Union Renovations</td>
<td>1,500,000</td>
<td>20 years</td>
</tr>
<tr>
<td>PSU: NW Engineering Science Center Phase 1*</td>
<td>400,000</td>
<td>30 years</td>
</tr>
<tr>
<td>UO: Earl Residence Hall Complex Accessibility Upgrade</td>
<td>750,000</td>
<td>20 years</td>
</tr>
</tbody>
</table>
In accordance with past practice, approximately 2 percent issuance cost for Article XI-F(1) bonds will be added to the total project cost at the time of issuance to cover underwriting and other costs associated with the sale.

Section 2. Article XI-G Projects. Bonds are authorized to be sold under Article XI-G to provide funds for the projects described below in Table B.

Table B - Article XI-G Projects Recommended for April 2006 Bond Sale

<table>
<thead>
<tr>
<th>Article XI-G Projects</th>
<th>Estimated Bond Cost, excluding issuance costs</th>
<th>Maximum Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systemwide: Capital Repair/Code Compliance</td>
<td>$11,796,329</td>
<td>20 years</td>
</tr>
<tr>
<td>EOU: Regional Ag. Health &amp; Life Science Building*</td>
<td>1,695,000</td>
<td>30 years</td>
</tr>
<tr>
<td>PSU: NW Engineering Science Center Phase 1</td>
<td>5,000,000</td>
<td>30 years</td>
</tr>
<tr>
<td>UO: School of Music Addition/Alteration</td>
<td>7,600,000</td>
<td>30 years</td>
</tr>
<tr>
<td>TOTAL XI-G Projects</td>
<td>$26,091,329</td>
<td>NA</td>
</tr>
</tbody>
</table>

*Taxable Bonds

Section 3. Terms, Sale, and Issuance. The bonds authorized by this resolution (the "Bonds"), shall be issued in such series and principal amounts as the State Treasurer, after consultation with the Chancellor of the Oregon University System or the Chancellor’s designee (the “Designee”), shall determine are required to fund the projects described in Sections 1 and 2 of this resolution. The Bonds shall mature, bear interest, and otherwise be structured, sold, and issued as the State Treasurer determines after consultation with the Chancellor. The maximum net effective interest rate for the Bonds shall not exceed 10 percent per annum.

Section 4. Maintenance of Tax-Exempt Status. The Chancellor, the Designee, or the Controller of the Department of Higher Education are hereby authorized to covenant, on behalf of the Board, to comply with the provisions of the Internal Revenue Code of 1986, as amended (the
Oregon State Board of Higher Education

"Code"), that are required for interest on tax-exempt Bonds to be excluded from gross income for federal income taxation purposes.

Section 5. Other Action. The State Treasurer, the Chancellor, or Designee, 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 C – April 2006 Bond Sale for Article XI-F(1) Bonds:**
Magnitude of Bonds to be Sold and Associated Annual Debt Service
(dollars in millions)

<table>
<thead>
<tr>
<th>Campus</th>
<th>Bonds Outstanding as of 6/30/05*</th>
<th>Annual Debt Svc as of 6/30/05*</th>
<th>April 2006 Bond Sale</th>
<th>April 2006 Bond Sale Increment of Debt Service**</th>
<th>Repayment Sources for Projects Proposed in this Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systemwide</td>
<td>$87.3</td>
<td>$5.5</td>
<td>23.0</td>
<td>1.9</td>
<td>Various</td>
</tr>
<tr>
<td>EOU</td>
<td>24.3</td>
<td>1.4</td>
<td>0.0</td>
<td>0.0</td>
<td>N/A</td>
</tr>
<tr>
<td>OIT</td>
<td>8.3</td>
<td>.6</td>
<td>10.0</td>
<td>0.7</td>
<td>Tuition &amp; Resource Fees</td>
</tr>
<tr>
<td>OSU</td>
<td>143.4</td>
<td>9.0</td>
<td>0.0</td>
<td>0.0</td>
<td>N/A</td>
</tr>
<tr>
<td>PSU</td>
<td>131.3</td>
<td>8.6</td>
<td>2.9</td>
<td>0.2</td>
<td>Rental Income/ SBF</td>
</tr>
<tr>
<td>SOU</td>
<td>18.3</td>
<td>1.1</td>
<td>0.0</td>
<td>0.0</td>
<td>N/A</td>
</tr>
<tr>
<td>UO</td>
<td>146.7</td>
<td>9.0</td>
<td>4.3</td>
<td>0.3</td>
<td>Housing/ SBF</td>
</tr>
<tr>
<td>WOU</td>
<td>24.5</td>
<td>1.8</td>
<td>0.0</td>
<td>0.0</td>
<td>N/A</td>
</tr>
<tr>
<td>TOTAL DEBT OUTSTANDING</td>
<td><strong>$584.10</strong></td>
<td><strong>$37.00</strong></td>
<td><strong>40.2</strong></td>
<td><strong>$3.1</strong></td>
<td></td>
</tr>
</tbody>
</table>

* Excludes OHSU debt outstanding, which is paid by OHSU per OUS/OHSU Debt Service Agreement.

** The majority of the projects to be included in the April 2006 Bond Sale would generate additional revenue necessary to make the projects self liquidating and self-supporting. Building fee debt service would be covered under existing revenue streams.
Table D - Article XI-G Bonded Debt Historical Trends
(dollars in millions)

<table>
<thead>
<tr>
<th>Biennial E&amp;G All Sources*</th>
<th>Debt Service 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>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 1,115</td>
<td>1.67%</td>
<td>530</td>
<td>3.52%</td>
</tr>
<tr>
<td>2001-2003 1,353</td>
<td>1.58%</td>
<td>617</td>
<td>3.46%</td>
</tr>
<tr>
<td>2003-2005 1,534</td>
<td>1.73%</td>
<td>543</td>
<td>4.87%</td>
</tr>
</tbody>
</table>

E&G = Education & General
* Excludes non-limited funds (such as sponsored programs).

Table E - 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>1997-98</td>
<td>$ 64.2</td>
<td>8.5</td>
</tr>
<tr>
<td>1998-99</td>
<td>73.6</td>
<td>9.5</td>
</tr>
<tr>
<td>1999-00</td>
<td>75.8</td>
<td>9.7</td>
</tr>
<tr>
<td>2000-01</td>
<td>94.4</td>
<td>8.9</td>
</tr>
<tr>
<td>2001-02</td>
<td>89.3</td>
<td>9.7</td>
</tr>
<tr>
<td>2002-03</td>
<td>123.2</td>
<td>11.7</td>
</tr>
<tr>
<td>2003-04</td>
<td>147.8</td>
<td>12.5</td>
</tr>
<tr>
<td>2004-05</td>
<td>155.6</td>
<td>11.9</td>
</tr>
<tr>
<td>2005-06</td>
<td>175.2</td>
<td>12.8</td>
</tr>
</tbody>
</table>

BOARD DISCUSSION AND ACTION:

Mr. Bob Simonton, Assistant Vice Chancellor for Capital Programs, indicated that the item before the Board was a recommendation to request the State Treasurer to issue a total of $66,241,329 of bonds that are currently scheduled for sale in April 2006. The legislative assembly has authorized the Board to issue general obligation bonds to finance the capital
construction projects as listed in the docket materials. Each project has received all the required approvals, including approval from the Board, the Governor’s recommendation, and the legislatively approved spending authorizations. It was pointed out that the Article XI-F bonds must be self-liquidating and self-supporting.

The four Systemwide and seven campus projects total $40.15 million and are related to academic, housing, retail, and student building fee projects. The majority of the Systemwide projects will be available to repair and modernize auxiliary buildings, including student housing, parking, athletics, and student fee buildings. The second type of funding is the Article IX-G bonds that are used for state-supported construction and repair projects. These bonds must include a one-for-one match of General Fund dollars, gift funds, and grants prior to their sale.

“The State Treasurer has calculated the F-bond credit limit to be approximately $2.2 billion. So if we add the April bond sale to the outstanding debt for F-bonds, we are still only at 28 percent of our total capacity,” Mr. Simonton pointed out.

It was moved by Director Richmond, seconded by Director Van Vliet to approve the staff Resolutions for the sale of Articles XI-F and XI-G Bonds. Those voting in favor: Directors Blakney, Dyess, Lorenzen, Mendoza, Richmond, and Van Vliet. Those voting no or abstaining: None. Motion approved.

b. Annual Financial Report

DOCKET ITEM:

Summary:
The report titled 2005 Annual Financial Report (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 2005 Annual Financial Report is the fourth year implementation of Governmental Accounting Standards Board statement number 35 (GASB 35). These new accounting principles provide for greater comparability between the financial statements of public and private higher education institutions and are more similar to financial statements of private industry.

The 2005 Annual Financial Report is the second year implementation of GASB statement number 39. For financial reporting purposes, GASB 39 recognizes university foundations as component units to the OUS annual financial statements. As a result, the 2005 Annual Financial Report includes summarized financial activity of the university foundations’ audited financial statements.
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 and compliance with federal grants and contracts. 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 for 2005 but could have an impact in future years.

As part of the financial statement audit, Moss Adams, LLP, is required to communicate certain matters related to the conduct of the audit to those who have responsibility for oversight of the financial reporting process.

**Staff Recommendation to the Board:**
Subject to the report of Moss Adams, LLP, staff recommended that the Board accept the 2005 Annual Financial Report.

**BOARD DISCUSSION AND ACTION:**

Mr. Green, Controller, presented the Annual Financial Report for the fiscal year ended June 30, 2005, and indicated that there were no material audit adjustments made to the financial results reported to the Board at that time. He introduced Ms. Mary Case, Audit Partner for Moss Adams, Mr. Scott Simpson, Senior Manager in charge of field auditors, and Ms. Kelly Olson from the Secretary of State’s Audit Division.

Ms. Olson reminded the Board that the Secretary of State has the constitutional audit authority to audit the OUS financial audit. For the past four years, that responsibility has been contracted out to Moss Adams. In addition to conducting the financial statement audit, Moss Adams performed an audit on selected federal programs that were assigned to them and, this year, they audited the research and development cluster.

This is the last year of the state’s contract with Moss Adams. The Secretary of State’s office will be putting the contract out for bid, thus opening it to other CPA firms.

Ms. Case discussed the audit process indicating that the work occurred in the spring of 2005. All of the institutions were a part of the audit and an information technology assessment was also included as part of the entire planning of the audit project. Research and development programs involve a very significant amount of federal funding for the System and the audit is very important to insure compliance with all the federal rules and regulations.

It was pointed out that the reports by Moss Adams were dated October 31, 2005, the last day of the fieldwork during the audit. There were approximately 10 auditors involved in the engagement. Moss Adams expressed an “unqualified opinion on the fairness of the financial statements in accordance with generally accepted accounting principles. Because the University
System is such a large recipient of federal funding, we also conduct the audit in accordance with government auditing standards so that report on internal control and compliance reported no material weaknesses. We also had no findings reported to the Secretary of State for inclusion in the state single audit report in their schedule of findings and cost questions, so we applaud that,” she reported.

Mr. Simpson noted that while Moss Adams’ audit provides a reasonable basis for their opinion, it does not provide legal determination on the System’s compliance with the requirements of federal programs. “We look at it, we do some sampling, we do some testing, but we cannot provide a legal opinion with regard to compliance,” he said. Mr. Simpson indicated that the auditors had received the full cooperation of System management during the course of the audit and the Controller’s Office as very forthcoming in providing financial information.

Director Blair asked if the presence of comments from Moss Adams for two years regarding the transition from the System to the institutions of financial responsibilities regarding bank reconciliations meant that the Board should keep in on their “radar screen.” Ms. Case responded that was the intent. As small or large changes occur, the auditors want to assure that people are thinking about the fiscal changes that go along with more responsibility on the campuses.

Director Blair indicated that, given the resources that are available to OUS and the constraints, “a clean audit opinion means the numbers are right; it doesn’t mean the numbers are leading you where you want to go.”

Mr. Green extended special recognition to Paul Bartlett, a dedicated and hard working member of his staff, who worked extensively to make the audits and the reporting successful.

Ms. Case closed by complimenting the OUS staff, in particular the Controller’s Office, and the individuals on the campuses for their cooperation. “It has been a really distinct pleasure working with all of them,” she said.

Director Van Vliet moved, seconded by Director Blair to accept the audit report as presented. Those voting in favor: Directors Blakney, Blair, Dyess, Lorenzen, Mendoza, Nesbitt, Richmond, and Van Vliet. Those voting no or abstaining: None.

c. University Venture Development Funds; Proposed Administrative Rules Related to Recently Enacted Legislation

DOCKET ITEM:

Staff Report to the Board:
Senate Bill 853 (Oregon Laws 2005, Chapter 592) directed the State Board of Higher Education to adopt policies implementing the bill. At the January 2006 meeting of the State Board of Higher Education, an overview of the proposed rules was presented.
There are no current administrative rules related to this law. The rules before the Board will implement the procedures necessary for each institution to establish a venture development fund, allocate authority to raise funds and issue tax credits, authorize the Board to reallocate this authority after two years, set forth eligibility to receive grants, detail guidelines as to how and under what conditions a tax credit certificate may be issued, establish how gross royalty income received will be handled, and set forth recordkeeping requirements.

**Recommendation to the Board:**
Staff recommended the Board approve the proposed rules and direct that rulemaking be commenced.

OREGON UNIVERSITY SYSTEM

DIVISION 043

UNIVERSITY VENTURE DEVELOPMENT FUNDS

580-043-0060

Purpose; Definitions

(1) Purpose
Chapter 580, Division 043, authorizes each Institution to establish one Venture Development Fund for the purpose of facilitating the commercialization of research and development. The purpose of an Institution's Fund shall be to provide qualified grant applicants with moneys to facilitate the commercialization of the Institution's research and development. Within the scope of this purpose and subject to these administrative rules, an Institution may use moneys in its Fund to provide: (a) capital for university entrepreneurial programs; (b) opportunities for students to gain experience in applying research to commercial activities; (c) proof-of-concept funding for transforming research and development concepts into commercially viable products and services; and (d) entrepreneurial opportunities for persons interested in transforming research into viable commercial ventures that create jobs in this state. Contributors to an Institution's Fund are eligible for Oregon income tax credits to the extent set forth in the 2005 Act and these rules.

(2) Definitions
(b) Entity: any governmental body or agency, association, partnership, corporation, limited liability company, or other organization, however described or named and regardless of legal status, other than a Person.
(c) Person: A natural person or sole proprietorship.
(d) Venture Development Fund or Fund: A fund authorized by the 2005 Act.
(e) Venture Grant Program or Program: A grant program authorized by the 2005 Act.
(f) Institution: An institution of the Oregon University System.
(g) Department of Revenue: the Oregon Department of Revenue.

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*Oregon State Board of Higher Education*
Page 12
(h) General Fund: the general fund of the State of Oregon.

(i) Remain in Oregon: maintaining the Entity headquarters in Oregon; or employing a majority of employees (on a full-time equivalent, head-count, or payroll basis) in Oregon.

(j) State Board of Higher Education or Board: the Board created by ORS 351.010.

(k) Tax Credit Certificate: a certificate authorized by the 2005 Act and in a form designated by the Board that evidences a contribution to a Venture Development Fund.

(l) Donor: a person or entity that makes a contribution to a Fund authorized by the 2005 Act and these rules.

(m) Taxpayer: a person or entity that makes a contribution to a Fund authorized by the 2005 Act and these rules and that applies for a tax credit certificate authorized by the 2005 Act and these rules.

(n) Gross Royalty Income: income accruing to the Board on behalf of an Institution as a result of grants made under the Program, including royalty income from licensing and patent agreements, the sale, lease, or licensing of technologies, and cash actually realized from the sale of an equity interest in a corporation or company.

Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.
Hist:

580-043-0065

Establishment of a Venture Development Fund by an Institution

(1) An Institution may establish a Fund in accordance with the 2005 Act and these rules.

(2) Each Institution that establishes a Fund shall: (a) notify the Board and the Department of Revenue of the establishment of the Fund; (b) either directly or through its affiliated foundation solicit contributions to the Fund; (c) subject to the 2005 Act and these rules, issue tax credit certificates to contributors to the Fund; (d) establish a grant program that meets the requirements for a Venture Grant Program under these rules; (e) subject to available moneys from the Fund, provide qualified grant applicants with moneys to transform research and development concepts undertaken by the Institution into commercially viable products and services; and (f) report to the Department of Revenue the amounts of tax credit certificates issued by the Institution and maintain records of licensing and royalty revenue received by the Institution as the result of grants made from the Fund and records of amounts paid to the General Fund under the 2005 Act.

(3) An Institution may request that the State Treasurer establish a Fund within the State Treasury for the receipt, management, and disbursement of moneys contributed to the Fund. Interest earned by such moneys shall be credited to the Fund. The State Treasurer may assess a fee for the administration of the Fund as provided by law.

(4) The use of moneys donated under these rules may not be directed by a Donor. Rather, all moneys shall be available for the purposes set forth in the 2005 Act and these rules without regard to specific Donor instructions.

(5) At the election of an Institution, moneys in a Fund may be held in the form of an endowment. An Institution may discontinue endowment treatment at any time.

Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.
Hist:
580-043-0070
Allocation of Authority to Institutions to Raise Funds and Issue Tax Credits
(1) The Board will not allocate fund raising or tax credit certificate issuance authority to an Institution until the Institution has established a Venture Development Fund in accordance with the 2005 Act and these rules.
(2) Oregon State University, Portland State University, and University of Oregon: The Board allocates fund raising authority and commensurate authority to issue tax credit certificates among Oregon State University, Portland State University, and the University of Oregon as follows:
   Portland State University: $0.88 million
   Oregon State University: $5.35 million
   University of Oregon: $3.27 million
   Such authority shall be contingent on the establishment of a Fund in accordance with the 2005 Act and these rules and subject to the rule on redistribution of authority to raise funds and issue tax credits.
(3) Eastern Oregon University, Oregon Institute of Technology, Southern Oregon University, and Western Oregon University: The Board by order or resolution shall allocate $500,000 in fund raising authority and commensurate authority to issue tax credit certificates among Eastern Oregon University, Oregon Institute of Technology, Southern Oregon University, and Western Oregon University. An allocation of authority shall be contingent on the establishment of a Fund in accordance with the 2005 Act and these rules and subject to the rule on redistribution of authority to raise funds and issue tax credits.
(4) All Universities, collectively, may issue tax credit certificates evidencing no more than $10 million in contributions to Institution Venture Development Funds.

Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.

Hist:

580-043-0075
Redistribution of Authority to Raise Funds and Issue Tax Credits
No earlier than two years from the effective date of this rule, the Board, by order or resolution, may, to further the purposes of the Act, reallocate unused fund raising authority and commensurate authority to issue tax credit certificates from one Institution to another. An Institution may receive additional authority only if it has exhausted its existing authority or can demonstrate that it would likely do so. Reallocation of authority shall not require amendment of section 0030.

Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.

Hist:

580-043-0080
Eligibility to Receive Grants
(1) Subject to compliance with these rules, an Institution may make grants to itself for use by a constituent part of the Institution or to Entities but not to Persons. Each Institution shall establish criteria for the receipt of grants under the Program. Each prospective recipient
shall submit an application to the Institution. Each grant shall be documented and implemented through an appropriate grant agreement and each grant agreement shall provide that the recipient, if other than a public agency, remain in Oregon for at least five years following the final disbursement of funds under the agreement or repay the grant plus compound interest at 8 percent per annum. Other criteria shall be as determined by the Institution except for the following:

(a) All grants must be used to facilitate the commercialization of an Institution's research and development;

(b) Priority should be given to applicants who can demonstrate with specificity that their efforts will result in technology with high commercial potential, that they are close to realizing economic development potential, and that proof-of-concept funding will assist them in transforming research and development concepts into commercially viable products or services.

(2) To at least some degree, a Program as a whole, but not each individual grant, must provide:

(a) Capital for university entrepreneurial programs;

(b) Opportunities for students to gain experience in applying research to commercial activities;

(c) Entrepreneurial opportunities for persons interested in transforming research into viable commercial ventures that create jobs in this state; and

(d) Proof-of-concept funding for transforming research and development concepts into commercially viable products and services.

(3) Each institution shall screen potential awards for conflicts of interest. No award shall be made if an identified conflict of interest cannot be eliminated or managed.

Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.
Hist:

580-043-0085
Issuance of Tax Credit Certificates

(1) Taxpayers making a contribution to an Institution's Fund and wishing to receive a tax credit certificate evidencing that contribution must submit the contribution, together with an application for tax credit certificate, in a form designated by the Institution, to the Institution.

(2) An Institution may begin accepting contributions and applications after it has established a Fund in accordance with the 2005 Act and these rules and received an allocation of fund raising and tax credit certificate issuance authority from the Board.

(3) An Institution shall consider applications for tax credit certificates in the chronological order in which the applications are received.

(4) An Institution shall act on an application for a tax credit certificate within 60 days of its receipt unless unanticipated or extraordinary circumstances reasonably prevent the Institution from acting within that timeframe, in which case the Institution shall act on the application as soon as reasonably possible thereafter.

(5) Subject to section 6 of this rule, an Institution shall approve an application for a tax credit certificate if the application is complete and the Institution has verified receipt of the
contribution. Within 45 days of application approval, an Institution shall issue to the Taxpayer a tax credit certificate that specifies the amount of the contribution.

(6) An Institution shall deny an application for a tax credit certificate and may not issue a tax credit certificate to the Taxpayer if:

(a) The Taxpayer’s contribution to the Fund, together with the amounts specified on all tax credit certificates previously issued by the Institution, exceeds the Institution’s then-current tax credit certificate issuance authority allocated by the Board;

(b) The Taxpayer’s application is incomplete; or

(c) The Institution cannot verify receipt of the Taxpayer’s contribution.

(7) If an Institution denies a Taxpayer’s application for a tax credit certificate, the Institution shall notify the Taxpayer in writing within 45 days of the denial.

(8) A Taxpayer who receives a notice of denial of an application for a tax credit certificate may request, in writing and within 90 days after the receipt of the notice of denial, a refund of its contribution to the extent the contribution was actually received. The Institution shall ensure that the refund is issued within 60 days after its receipt of the request for the refund.

(9) Eligibility for a tax credit (as distinguished from the receipt of a tax credit certificate from an Institution) shall be subject to Section 5 of the 2005 Act, the rules of the Department of Revenue, and other applicable law.

Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.
Hist:

580-043-0090

Tax Credit Certificate and Grant Record-Keeping and Reporting

(1) Each Institution shall retain copies of all tax credit certificates that it issues. Upon every issuance of a tax credit certificate by the Institution and promptly after Board adoption of an order or resolution establishing or modifying the Institution’s allocation of tax credit certificate issuance authority, the Institution shall calculate and record in its records the amount, if any, of its fund raising and tax credit certificate issuance authority then remaining unused.

(2) As requested by the Board from time to time but no less often than annually, each Institution shall submit a written report to the Board summarizing its fund raising and issuance of tax credit certificates since its most recent prior report to the Board under this section and specifying its fund raising and tax credit certificate issuance authority and the amount of that authority remaining unused as of the date of the report. The report shall include the number of tax credit certificates issued and the amount of funds raised by the Institution since its most recent prior report to the Board under this section.

(3) As requested by the Board from time to time but no less often than annually, each Institution shall submit a written report to the Board summarizing the grants made by the Institution under its Program and how they serve the goals of the 2005 Act and these rules.

Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.
Hist:
Recoupment of Tax Credits
An Institution that has established a Fund and has made grants under a Program shall monitor the use of such grants and identify sources of Gross Royalty Income received by the Institution as the result of the use of the grants. Gross Royalty Income results from the use of a grant when it is traceable to the grant. The Institution shall transfer 20 percent of such Gross Royalty Income to the General Fund until the amount transferred to the General Fund equals the amount of tax credits claimed due to contributions to the Fund. This does not preclude transfers from other sources. The Institution shall maintain records of all transfers to the General Fund.
Stats. Implemented: Or Laws 2005, ch 592, §§ 1, 2.
Hist:

BOARD DISCUSSION AND ACTION:
Mr. Rawlins, General Counsel, noted that the primary purpose of this Administrative Rule was to facilitate the commercialization of the institutions’ research and development activities. The statute requires that the Board promulgate rules that will authorize each institution to issue tax credits to contributors. Individual contributions are limited to $50,000, on an annual basis, with the resulting tax benefit flowing to the donor. The regulations, as presented to the Board, were approved by a joint group of research directors and counsels for the respective OUS institutions and had been shared at each necessary and important level with members of the business communities for the state and has their support. Board approval was sought on a temporary basis to enable institutions to begin activities as soon as possible.

Director Dyess added that this was a very important piece of legislation that was being put into practice and urged support to put it into action as soon as possible.

Director Dyess, seconded by Director Richmond, made a motion to approve the staff recommendation. Those voting in favor: Directors Blakney, Blair, Dyess, Lorenzen, Mendoza, Nesbitt, Richmond, and Van Vliet. Those voting no or abstaining: None.

d. Undergraduate Admission Policy for the 2007-08 Academic Year

DOCKET ITEM:

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

No Systemwide changes are proposed to the 2007-08 admission requirements. Two institutions, Oregon Institute of Technology and Portland State University, propose changes or
clarifications to their institutional requirements for 2007-08. In addition, there is language proposed by Chancellor’s staff as an update on alignment of admission standards with K-12.

All appropriate university committees and the OUS Provosts’ Council have positively reviewed the proposed changes to the admission policy.

**Oregon Institute of Technology:** OIT requests the following changes in language to better clarify the intent of the changes made to the admission requirements last year.

**Current language:** Applicants who do not have an Associate’s or a Bachelor’s degree must have at least 33 college-level credits that are not in Physical Education and no more than 10 percent of such an applicant’s credits may be in Physical Education.

**Proposed language:** Applicants who do not have an Associate’s or Bachelor’s degree must have at least 33 college-level credits that are not in Physical Education. If more than 10 percent of an applicant’s credits are in Physical Education, credits beyond the 10 percent threshold will not be counted toward meeting GPA requirements.

**Portland State University:** PSU requests the following changes be made for the transfer admission requirement as described below.

**Current language:** Portland State transfer admission requirements include a minimum grade point average that has three tiers:
- Minimum 2.00 entry GPA for resident, in-state transfer students;
- Minimum 2.25 entry GPA for nonresident, domestic students; and
- Minimum 2.50 entry GPA for nonresident, international transfer students.

**Proposed language:** The entry GPA for transfer students having 30 transferable credits be set at 2.00 for all students who present an Oregon Transfer Module or a transferable Associate’s degree. For those students transferring without the fundamental general education preparation of an Associate’s degree or Oregon Transfer Module, a minimum 2.25 entry GPA is recommended. This admission standard would apply to all students regardless of their geographic residency. [Apart from entry GPA, international transfer students must also present proof of English proficiency --TOEFL or IELTS -- per the present policy.]

**Brief Update on Aligning Undergraduate Admission with K-12 Student Learning**

Higher education shares responsibility for building a stronger K-16 pipeline by aligning admission standards with K-12 academic standards. Oregon is already seeing positive outcomes as the result of its pioneering work in aligning K-12 standards and assessments with OUS expectations for student admission, as directed by the Joint Boards of Education. As reported to both Boards and the legislature in 2003, *The First Year Study* – based on data from more than 6,000 OUS freshmen and 10,000 community college students – found that students who met
Benchmarked standards in high school are more likely to attain academic success in their first year of college than those who do not. Subsequent data from the First Year Study confirm these results with even stronger correlations.

Currently, the Joint Boards of Education have been tasked by the Governor with creating a Unified Education Enterprise, building a student-centered pipeline that maximizes educational opportunity and achievement for all Oregon students. The recent announcement about possible elimination of the Certificates of Initial and Advanced Mastery (CIM and CAM) is a first step for the Oregon Department of Education (ODE) in crafting a reasonable standards-based education system tied to real-world outcomes for students. In partnership with ODE and the Department of Community Colleges and Work Force Development (CCWD), OUS will work over the next year to examine the current framework of standards and assessments in Oregon to close the gap between high school exit expectations for most students and the proficiency needed to take the next step into post-secondary education.

The Board of Higher Education has had a long-standing policy direction of recommending more proficiency information in the student’s admission profile. This is consistent with many other states, as well as with policy recently urged by the National Governors Association. As the K-12 framework of proficiency evolves, OUS will continue to respond by holding to a few key principles. Among them:

- Commitment to an aligned framework of standards along a continuum of learning, not just a minimum level of performance;
- Identification of an array of appropriate assessment options, including teacher judgment of student performance;
- Use of comprehensive student information to support students appropriately; and
- Maximum alignment with K-12 expectations and maximum use of state assessments.

To implement this policy fully, Oregon’s high schools and postsecondary institutions need improved student data connections. Much progress has been made in the past three years toward the design and implementation of an electronic K-16 Integrated Data-Transfer System (IDTS). The ODE, CCWD, and OUS are collaborating in constructing the system with funding from the Oregon legislature over the next year-and-a-half. The target date for final statewide implementation is fall 2007, pending funding approval. When the system is in place, student applicants will be able, through their high schools, to send OUS and community colleges a more comprehensive set of information about their performance for use in admission and placement.

Even with the targeted completion schedule for the data-transfer system, statewide implementation is still unlikely to be complete for all high schools and students by fall 2007. Therefore, students applying in 2007 are encouraged, but not required, to include evidence of proficiency, if it is available to them, to complement undergraduate admission requirements.
Evidence of proficiency may include scores from state assessments, national assessments, and teacher-verified PASS\textsuperscript{1} information.

**Recommendation to the Board:**
The OUS Provosts’ Council recommended that the Undergraduate Admission Policy be approved as updated for the 2007-08 academic year.

**Undergraduate Admissions**

The following two charts summarize freshman and transfer admission requirements for 2007-08. Subsequent sections of the report provide more detailed information.

<table>
<thead>
<tr>
<th><strong>Undergraduate Freshman Admission Requirements for 2007-08</strong> (Residents and Nonresidents)</th>
<th>EOU</th>
<th>OIT</th>
<th>OSU</th>
<th>PSU</th>
<th>SOU</th>
<th>UO</th>
<th>WOU</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High School Graduation</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Subject Requirements – 14 Units (4-English, 3-Math, 2-Science, 3-Social Studies, 2-Second Language)</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>SAT Reasoning/ACT Scores\textsuperscript{1}</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>High School GPA</strong></td>
<td>3.00\textsuperscript{2}</td>
<td>3.00</td>
<td>3.00\textsuperscript{3}</td>
<td>3.00</td>
<td>2.75</td>
<td>3.00\textsuperscript{3}</td>
<td>2.75</td>
</tr>
<tr>
<td><strong>Additional Campus Review Required (Evidence of proficiency, if available, will be considered here.)</strong></td>
<td>Below 3.00 portfolio required</td>
<td>2.50 to 2.99</td>
<td>Below 3.00; or fewer than 14 subject units</td>
<td>2.70 to 2.99</td>
<td>Below 2.75</td>
<td>Below 3.25; or fewer than 16 subject units</td>
<td>Below 2.75</td>
</tr>
</tbody>
</table>

\textsuperscript{1} Minimum test scores are not set, but test results must be submitted and may be used during additional campus review processes. Beginning Fall 2006, OUS schools require a standardized writing exam. Students submitting the new SAT II Reasoning exam will be submitting a standardized writing exam. Students submitting the ACT should submit scores from the optional writing examination.

\textsuperscript{2} In courses taken to satisfy the subject requirements.

\textsuperscript{3} OSU automatically admits applicants who have a 3.00 high school GPA and 14 units of subject requirements. Applicants below the 3.00 high school GPA or lacking subject requirements will receive additional campus review. OSU requires the Insight Résumé.

\textsuperscript{4} UO automatically admits applicants who have a 3.25 high school GPA and 16 units of subject requirements including the 14 OUS subject requirements and 2 additional academic units. Applicants below the 3.25 high school GPA or 16 units of subject requirements will receive additional campus review.

\textsuperscript{1} Proficiency-based Admission Standards System (PASS) was created in response to House Bill 3565 in 1991. Senate Bill 919 (1997) further required OUS to continue implementation of PASS.
NOTE: All OUS institutions conduct more comprehensive reviews of applicants who do not meet the minimum required GPA for admission. Reviews include additional factors such as standardized test results, rigor of courses taken, review of writing sample or personal essays, Proficiency-based Admission Standards System (PASS) performance information, and other indicators that predict success in college.
Minimum College Credits Required 1

<table>
<thead>
<tr>
<th></th>
<th>EOU</th>
<th>OIT</th>
<th>OSU</th>
<th>PSU</th>
<th>SOU</th>
<th>UO</th>
<th>WOU</th>
</tr>
</thead>
<tbody>
<tr>
<td>GPA (Residents)</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.00</td>
</tr>
<tr>
<td>GPA (Nonresidents)</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>2.50</td>
<td>2.00</td>
</tr>
<tr>
<td>All Applicants Must Meet Specified Course Requirements 5</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

1 All institutions: Students who have completed fewer than 12 transferable quarter credit (or 8 semester hours) must meet freshman admission requirements. Students who have completed from 12 to the minimum college credits required by the school and listed in the chart above.

2 OIT: Transfer applicants who hold an Associate’s or Bachelor’s degree will be admitted with a 2.00 GPA.

3 PSU: Applicants who hold a transferable Associate’s or Bachelor’s degree or an Oregon Transfer Module will be admitted with a 2.00 GPA.

4 SOU: Applicants who graduate with an AAOT degree from an Oregon community college or an Associate’s degree from an approved exchange partner will be admitted with a 2.00 GPA.

5 Courses required: OSU and UO require one writing course beginning with WR 121 with a grade of C- or above; and college algebra or above with a grade of C- or above, or the equivalent of Math 105.

EOU requires successful completion of a minimum of two courses in the sciences, social sciences, or humanities. College-level writing and math are strongly recommended.

OIT requires demonstration of readiness for college-level mathematics and writing; for example, by completion of the equivalent of Math 95 Intermediate Algebra (or higher) and WR 115 Introduction to Writing (or higher) with grades of C or above. Applicants who do not have an Associate’s or a Bachelor’s degree must have at least 33 college-level credits that are not in Physical Education. If more than 10 percent of an applicant’s credits are in Physical Education, credits beyond the 10 percent threshold will not be counted toward meeting GPA requirements.

6 OSU requires the Insight Résumé.

NOTE: All OUS institutions require two years of same high school-level second language with a grade of C- or above, or two terms of a college-level second language with a grade of C- or above, or acceptable performance on proficiency-assessment options. American Sign Language meets the second language requirement. The second language requirement applies to transfer students graduating from high school in 1997 and thereafter.
Freshman Admission

To be admitted to freshman standing, students must fulfill each of the requirements (or alternatives) as specified in 1. through 4. below. Applicants failing to meet all of these requirements may receive a comprehensive review of their application that may result in an offer of admission.

1. High School Graduation

Nongraduates qualify for admission by taking the GED, as follows:

Meet the minimum score and average subtest score on the test of the General Educational Development (GED) as listed below.

<table>
<thead>
<tr>
<th>Campus</th>
<th>Minimum Score on Each Exam*</th>
<th>Minimum Overall Average Score for Five Subtests*</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOU</td>
<td>400</td>
<td>510</td>
</tr>
<tr>
<td>OIT</td>
<td>410</td>
<td>580**</td>
</tr>
<tr>
<td>OSU</td>
<td>410</td>
<td>580</td>
</tr>
<tr>
<td>PSU</td>
<td>410</td>
<td>460</td>
</tr>
<tr>
<td>SOU</td>
<td>410</td>
<td>550</td>
</tr>
<tr>
<td>UO</td>
<td>410</td>
<td>580</td>
</tr>
<tr>
<td>WOU</td>
<td>410</td>
<td>550</td>
</tr>
</tbody>
</table>

* For tests taken before January 1, 2002, scores were reported in a two-digit format. To convert a pre-2002 score to the current three-digit format, add a zero. (For example, a 41 becomes 410.)

** OIT: Applicants with GED composite scores between 550 and 570 (55 and 57) and a minimum of 410 (40) on each subtest must have minimum SAT Reasoning scores of 400 math and 800 combined Math and Critical Reading (formerly Verbal) or ACT scores of 17 math and 17 composite. For scores between 500 and 540 (50 and 54) and a minimum score of 410 (40) on each subtest must have minimum SAT Reasoning scores of 500 math and 1000 combined Math and Critical Reading (formerly Verbal) or ACT scores of 21 math and 21 composite.

1 Students with any college credit note Transfer Admission, 1.
Graduates of Nonstandard or Unaccredited High Schools

Public high school graduates must have graduated from a standard\(^2\) high school.

Private high school graduates must have graduated from an accredited\(^3\) high school.

Graduates of nonstandard or unaccredited high schools must qualify for admission by meeting institutional SAT Reasoning Exam/ACT requirements and have an average score of 470 or above (940 total) on two College Board SAT Subject Tests (Math level I or IIC and another test of the student’s choice. An examination in a second language is strongly recommended to qualify student for admission by meeting the language proficiency requirements. Students who do not take an SAT Subject test in a second language must prove language proficiency through another approved process.)

<table>
<thead>
<tr>
<th>Campus</th>
<th>ACT* or SAT Reasoning</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOU</td>
<td>Portfolio Required</td>
</tr>
<tr>
<td>OIT</td>
<td>21 or 1470</td>
</tr>
<tr>
<td>OSU</td>
<td>23 or 1540</td>
</tr>
<tr>
<td>PSU</td>
<td>21 or 1470</td>
</tr>
<tr>
<td>SOU</td>
<td>21 or 1480</td>
</tr>
<tr>
<td>UO</td>
<td>22 or 1540</td>
</tr>
<tr>
<td>WOU</td>
<td>21 or 1470</td>
</tr>
</tbody>
</table>

\(^*\) ACT scores are subject to change with additional information from ACT on integration of the optional writing exam.

2. Admission Tests (ACT and SAT)

Applicants must submit scores on the SAT Reasoning or American College Test (ACT) that include a standardized writing examination.

SAT Subject Tests are required for applicants who are graduates of unaccredited high schools, including home-schooled students.

Test scores are used:
- as an alternate means of meeting the GPA and/or subject requirements;
- to comply with the admission policy for graduates of unaccredited high schools;
- in selectively admitting qualified applicants; and

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\(^2\) Standard high schools are public high schools that are certified as meeting specified levels of resources, services, and quality established by the Oregon Department of Education.

\(^3\) Accredited high schools are those that are reviewed and recognized by a regional entity, such as the Northwest Association of Schools and Colleges, as meeting an appropriate level of academic rigor and support.
• for advising, guidance, and research purposes.

3. **OUS Subject Requirements**

Applicants must satisfactorily (grade of C- or above) complete at least 14 units\(^4\) (one year equal to one unit) of college preparatory work in the following areas. Graduates of Oregon high schools may also use the Proficiency-based Admission Standards System (PASS) option to substitute for English, mathematics, science, social science, and second language subject requirements.

**English (4 units).** Shall include the study of the English language, literature, speaking and listening, and writing, with emphasis on and frequent practice in writing expository prose during all four years.

**Mathematics (3 units).** Shall include first-year algebra and two additional years of college preparatory mathematics selected from geometry (deductive or descriptive); advanced topics in algebra, trigonometry, analytical geometry, finite mathematics, advanced applications, calculus, and probability and statistics, or courses that integrate topics from two or more of these areas. One unit is strongly recommended in the senior year. (Algebra and geometry taken prior to ninth grade will be accepted.)

**Science (2 units).** Shall include a year each in two fields of college preparatory science such as biology, chemistry, physics, or earth and physical science. It is strongly recommended that one year be taken as a laboratory science and that a total of three years of science be taken.

**Social Studies (3 units).** Shall include analysis of societal issues and events. It is strongly recommended that study include knowledge and use of geographic information, patterns of United States history, patterns of human history, structures and systems of US Government, and analysis of economic systems.

**Second Language (2 units).** Shall include two years of the same high school-level second language, or a C- or above in the third year of a high school-level language, or two terms of a college-level second language with a grade of C- or above, or satisfactory performance on an approved assessment of second language proficiency. Demonstrated proficiency in American Sign Language meets the second language requirement. The second language requirement only applies to applicants graduating from high school in 1997 or later. Students failing to meet this requirement must complete it with a grade of C or above or with two terms of the same college-level second language.

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\(^4\) Minimum requirements for admission to UO include these 14 units. For automatic admission, students must complete two additional approved units in any of the five subject requirements.
4. **High School Grade Point Average (GPA) and Subject Requirements**

**Eastern Oregon University**
- High School Graduate or Portfolio Review
- Admission Test (ACT or SAT Reasoning)
- 3.00 high school GPA in courses that satisfy the OUS Subject Requirements
  - Alternative to GPA Requirement:
    - Review of a submitted portfolio that includes an essay on educational goals, recommendations, grades, coursework, test scores, and any other evidence of academic and community achievement.
- Subject Requirement: 14 units
  - Alternative to Subject Requirement:
    - Students who have below a 3.00 high school GPA in all subject requirement coursework may be selectively admitted based on a review of a submitted portfolio that includes an essay on educational goals, recommendations, grades, coursework, test scores, and any other evidence of academic and community achievement.

**Oregon Institute of Technology**
- High School Graduate
- Admission Test (ACT or SAT Reasoning)
- 3.00 cumulative high school GPA
  - Alternative to GPA Requirement:
    - High School GPA between 2.75 and 2.99: SAT Reasoning Math 400 or above and SAT Reasoning Math and Critical Reading combined score of 800 or above or ACT math of at least 17 and composite of at least 17.
    - High School GPA between 2.50 and 2.74: SAT Reasoning Math of 500 or above and SAT math and verbal combined score of 1000 or above or ACT math of at least 21 and composite of at least 21.
- Subject Requirement: 14 units
  - Alternative to Subject Requirement:
    - Score an average of 470 or above (940 total) on two College Board SAT Subject Tests (Math Level I or IIC and a second test of the student’s choice. Students who do not take an SAT Subject test in a second language must prove language proficiency through another approved process.)

**Oregon State University**
- High School Graduate
- Admission Test (ACT or SAT Reasoning)
- 3.00 minimum cumulative high school GPA and 14 academic subject requirements. Applicants with a GPA below 3.00 will be considered based on additional criteria listed below.
  - Strength of Curriculum: OUS Subject Requirement, 14 units, with additional consideration for:
o Math course(s) beyond Algebra II
o Advanced Placement courses
o International Baccalaureate courses
o College-level courses
o Oregon PASS scores

➤ Insight Résumé (written experiential assessment)

• Alternatives to Subject Requirement:
  ➤ Score an average of 470 or above (940 total) on two College Board SAT Subject Tests (Math Level I or IIC and a second test of the student’s choice. An examination in a second language is strongly recommended to qualify student for admission by meeting the language proficiency requirements. Students who do not take an SAT Subject test in a second language must prove language proficiency through another approved process.) OR
  ➤ Successfully completing course work (high school or college transfer) for specific subject deficiencies.
• Alternatives should be completed by high school graduation.

**Portland State University**

• High School Graduate
• Admission Test (ACT or SAT Reasoning)
• 3.00 high school cumulative GPA
  ➤ Alternative to GPA Requirement:
    o 1000 SAT Critical Reading (formerly Verbal) and Math or 21 ACT
• Subject Requirement: 14 units
  ➤ Alternative to Subject Requirement:
    o Score an average of 470 or above (940 total) on two College Board SAT Subject Tests (Math Level I or IIC and a second test of the student’s choice. An examination in a second language is strongly recommended to qualify student for admission by meeting the language proficiency requirements. Students who do not take an SAT Subject test in a second language must prove language proficiency through another approved process.)

**Southern Oregon University**

• High School Graduate
• Admission Test (ACT or SAT Reasoning)
• 2.75 high school cumulative GPA
  ➤ Alternative to GPA Requirement:
    o 1010 SAT Critical Reading (formerly Verbal) and Math or 21 ACT
• Subject Requirement: 14 units
  ➤ Alternative to Subject Requirement:
    o Score an average of 470 or above (940 total) on a minimum of two College Board SAT Subject Tests (Math Level I or IIC and a second test in the area of deficiency. An examination in a second language is strongly recommended to qualify student for admission by meeting the language proficiency requirements. Students who do not take an SAT Subject test in a second language must prove language proficiency through another approved process.)
proficiency requirements. Students who do not take an SAT Subject test in a second language must prove language proficiency through another approved process.

- If admitted by exception to the second language requirement, the admission deficiency must be made up through two terms of a college-level second language.

**University of Oregon**
- High School Graduate
- Admission Test (ACT or SAT Reasoning)
- 3.00 minimum cumulative high school GPA and 14 academic subjects. Automatic admission requires a 3.25 GPA and two additional subject requirements.
  - Applicants below a 3.25 GPA or with less than 16 academic units are considered for admission through a comprehensive review, which includes:
    - Rigor of courses taken in high school;
    - Grade trends throughout high school;
    - Number of senior year academic courses;
    - Quality of admission essay; and
    - SAT Reasoning or ACT scores and other factors provided by the applicant.
- Subject Requirement: 14 units (16 for automatic admission)
  - Subject requirements can also be met alternatively by:
    - Score an average of 470 or above (940 total) on two College Board SAT Subject Tests (Math Level I or IIC and a second test of the student’s choice. An examination in a second language is strongly recommended to qualify student for admission by meeting the language proficiency requirements. Students who do not take an SAT Subject test in a second language must prove language proficiency through another approved process.)

**Western Oregon University**
- High School Graduate
- Admission Test (ACT or SAT Reasoning)
- 2.75 high school GPA
  - Alternative to GPA Requirement:
    - 1000 SAT Critical Reading (formerly Verbal) and Math or 21ACT
- Subject Requirement: 14 units
  - Alternative to Subject Requirement:
    - Score an average of 470 or above (940 total) on two College Board SAT Subject Tests (Math I or IIC and a second test of the student's choice. Students who do not take an SAT Subject test in a second language must prove language proficiency through another approved process.)
Five Percent Special Admission
Institutions are authorized to admit a quota of freshmen totaling no more than 5 percent of the institution’s first-time freshman class for the previous academic year as exceptions to the stated admission requirements. To qualify for 5 percent special admission, applicants are considered on a case-by-case basis. If admitted by exception to the second language requirement, the admission deficiency must be made up by completion of two terms of a college-level second language or by demonstration of proficiency in a second language.

Selective Admission
Institutions are authorized to manage enrollment to ensure the maintenance of academic quality. Thus, simply qualifying for admissions does not guarantee admission; institutions may use a number of other factors in making a final admissions decision.

Transfer Admission

1. All Transfer Applicants
   - Students who have earned between 12 and 36 quarter credit hours of college-level work (OIT, PSU, SOU, UO); 30 (EOU, PSU); or 24 (WOU) must meet both freshman and transfer admission requirements. Students who have completed fewer than 12 transferable quarter credits (or 8 semester hours) must meet freshman admission requirements.
   - Students who meet the above minimum college credits to be reviewed using transfer admission criteria must meet GPA requirements in acceptable college work: 2.25 (EOU, OIT, OSU, PSU, SOU, UO) or 2.00 (WOU).
   - Transfer applicants under freshman admission or transfer requirements must have completed two terms of a college-level second language with an average grade of C- or above, or two years of the same high school-level second language with an average grade of C- or above, or satisfactory performance on an approved second language assessment of proficiency. Demonstrated proficiency on American Sign Language meets the second language requirement. The second language requirement applies to transfer applicants graduating from high school in 1997 or after.

2. Applicants Must Meet Institutional Requirements
   
   Eastern Oregon University
   - A minimum GPA of 2.25 or above in 30 or more quarter credit hours of acceptable college-level work.
   - Successful completion of a minimum of two courses in the sciences, social sciences, or humanities. College-level writing and math are strongly recommended.
**Oregon Institute of Technology**
- A minimum GPA of 2.25 or above in 36 or more quarter credit hours of acceptable college-level work. Students who hold an Associate or Bachelor’s degree will be admitted with a 2.00 GPA or higher.
- Applicants who do not have an Associate’s or a Bachelor’s degree must have at least 33 college-level credits that are not in Physical Education. If more than 10 percent of an applicant’s credits are in Physical Education, credits beyond the 10 percent threshold will not be counted toward meeting GPA requirements.
- OIT requires demonstration of readiness for college-level mathematics and writing; for example by completing the equivalent of Math 95 Intermediate Algebra (or higher) and WR 115 Introduction to Writing (or higher) with grades of C or above.

**Oregon State University**
- A minimum GPA of 2.25 or above in 36 or more quarter credit hours of acceptable college-level work;
- One writing course beginning with WR 121 with a grade of C- or above;
- College algebra or above with a grade of C- or above, or the equivalent of Math 105; and
- Insight Résumé (written experiential assessment).

**Portland State University**
- A minimum GPA of 2.25 or above in 30 or more quarter credit hours of acceptable college-level work. Applicants who hold a transferable Associate’s or Bachelor’s degree or an Oregon Transfer Module will be admitted with a 2.00 GPA.

**Southern Oregon University**
- A minimum GPA of 2.25 or above in 36 or more quarter credit hours of acceptable college-level work.
- Students who graduate with an AAOT degree from an Oregon Community College or an Associate’s degree from an approved exchange partner will be admitted with a 2.00 GPA.

**University of Oregon**
- A minimum GPA of 2.25 or above in 36 or more quarter credit hours of acceptable college-level work;
- One writing course beginning with WR 121 with a grade of C- or above; and
- College algebra or above with a grade of C- or above, or the equivalent of Math 105.

**Western Oregon University**
- A minimum GPA of 2.00 or above in 24 or more quarter credit hours of acceptable college-level work.
Special Transfer Admission
Institutions are authorized to grant special admission to transfer applicants on a case-by-case basis in accordance with each institution’s transfer admission policy. If admitted by exception to the second language requirement, the admission deficiency must be made up by completion of two terms of a college-level second language or by demonstration of proficiency in a second language.

Selective Admission
Institutions are authorized to manage enrollment to ensure the maintenance of academic quality. Thus, simply qualifying for admissions does not guarantee admission; institutions may use a number of other factors in making a final admissions decision.

BOARD DISCUSSION AND ACTION:

Provost Woodall reported that the Provosts’ Council had recommended approval of the Undergraduate Admission Policy for the 2007-08 Academic Year. Board policy requires approval at the February meeting of each year on all changes in the undergraduate admission policy for the subsequent year. The present recommendation came from the individual campuses, through the Institutional Committee on Admissions and Recruitment, and the Provosts’ Council. The changes for the current proposal are minor and there are no changes in the Systemwide admission requirements.

There was a minor change included for OIT that was, in essence, a modification in language to clarify the intent of a change made the previous year. The change requested from PSU was recognition of an obligation under the possibility that an individual has completed the Oregon Transfer Module or an appropriate transferable associate degree. Also included in the docket materials, Provost Woodall pointed out that, was a brief update on the alignment of undergraduate admissions related to the interface with K-12 education.

Director Mendoza, seconded by Director Richmond, moved it to accept the staff recommendation. Those voting in favor: Directors Blakney, Blair, Dyess, Lorenzen, Mendoza, Nesbitt, Richmond, and Van Vliet. Those voting no or abstaining: None.

e. PSU, Proposed Master Lease of the Unitas Building

DOCKET ITEM:

*Description of Proposed Transaction:*
Portland State University proposed to master lease the Unitas Building, located at 2125 SW Fourth Avenue in Portland, Oregon from BPM Development. The six-story building contains 53,630 rentable square feet, is within the boundaries of the University District, and is conveniently located across from PSU’s University Place, the Fifth Avenue Business Center, and is in close proximity to PSU’s Fourth Avenue Building and the new Northwest Center for Engineering, Science, and Technology. The proposed lease will have an initial ten-year term
with two additional five-year extension options. In addition, PSU will have an exclusive purchase option to acquire the premises during the fourth and fifth years of the original term. If this purchase option is exercised the purchase price will be determined by an appraisal process spelled out in the lease and will be subject to the approval of the OUS Board.

Portland State would sublease space to several existing tenants and utilize the remaining space for classrooms and offices. Unitas Credit Union wants to keep a presence in the building, and desires a five-year lease for the entire 8,480 sq ft ground floor with two five-year extension options. This has been the flagship location for Unitas and is their most active branch. In addition, this location provides a grandfathered drive up window location, which is no longer available in downtown Portland. The modified full-service lease (tenant to pay taxes and utility costs if they are open outside of normal operating hours) will be at $20.00 per square foot with an annual 3 percent rent adjustment and is proposed to be negotiated and signed simultaneously with PSU’s master lease. In addition, PSU will assume an existing lease with a legal firm for 8,089 sq ft on the 6th floor. This current lease is for $20.00 per square foot with recapturable expenses for cleaning, trash removal, and certain repair and maintenance items. The lease is due to expire on September 30, 2006. However, the University understands that the firm will consider a possible lease extension. There is also an existing month-to-month lease for 412 usable square feet on the 5th floor at $18.14 per square foot. (A financial pro forma analysis is attached.) Please note that this pro forma assumes that the law firm will renew its lease; if it does not, PSU will need to cover an additional $200,000+ or find another tenant.

Statement of Need:
Prior to contemplating this lease, PSU was working with the City of Portland to purchase the City Tower, located adjacent to PSU’s Fourth Avenue building. This project was included in the 2005-2007 Capital Budget that was approved by the legislature. When PSU acquired the additional computer science faculty, staff, and graduate students from the OGI/OHSU last fall, the University temporarily rented 10,286 sq ft of space in the City Tower, pending the proposed acquisition of the building. The City has recently decided not to sell this building and will begin to use this space for its own needs; therefore, PSU needs to relocate these additional faculty, staff, and students to another facility.

PSU’s plan in acquiring the City Tower was to allow for integration and co-location of the OGI/OHSU computer science faculty, staff, and students with the rest of the pre-existing computer science faculty and staff. Enrollment in computer science increased substantially with the addition of the OGI/OHSU program and continued growth of Portland State University. In winter term 2004, faculty taught 3,351 credit hours in undergraduate courses, 1139 in masters, and 191 for Ph.D. students. By winter term 2005, this had increased to 4,962 undergraduate and 455 for Ph.D. students. There was a small decrease in masters from 1139 to 947. Research in the computer science area has also increased from $1,466,186 in FY2004 to $2,183,831 in FY2005. To better serve the students and provide for collaborative research, PSU estimates that it needs to provide 27,000 sq ft of contiguous space. There is no pre-existing University owned space that can accommodate this need. In addition, one of the unique features of the Unitas building is a fully operational data center, with raised floor and halon suppression system. This
is a requirement for the computer science program and related research. In addition, the Unitas building is equipped with a 250KW, three-phase Katolight diesel generator with automatic transfer. This generator is capable of powering the entire building at current loads during a power outage, which is essential for protection of research studies.

A move of all computer science faculty and staff will make approximately 19,000 sq ft available in PSU’s Fourth Ave. Building. PSU currently has no flexible space to allow departments to temporarily relocate while their space is being renovated. The proposed consolidation of the computer science department into the Unitas building will provide the University with much needed flex space to accomplish future deferred maintenance projects such as Shattuck Hall, which was approved for the 2005-2007 capital project list, and, potentially, the renovation of Lincoln Hall, which will be proposed in the 2007-2009 Capital Budget. The current short-term lease in the City Tower will expire on April 30, 2006. This short-term lease is at $24.27 per square foot (full service) with an annual payment of $249,636. This is the rate charged to all occupants of the City Tower Building.

The Unitas master lease is proposed at $15.00 per square foot and PSU is responsible for operating expenses of approximately $4.02 per square foot (after recapturable expenses). This lease will escalate once each 24 months by the greater of 2 percent or the percentage increase, if any, in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics. However, this increase will never exceed 5 percent per annum.

PSU currently provides space for Portland State University Foundation without reimbursement to the University. Their current location is in the Cingular Building at 1600 SW Fourth Ave. PSU currently leases 5,300 sq ft at $22.75 per square foot (full service) for the Foundation’s use. This lease is currently on a month-to-month basis. Due to the proximity of the Unitas Building to campus, it provides an excellent location for the Foundation and allows the University to lower the net incremental cost to PSU for the Unitas building.

Funding for the lease and operating costs for this building will come from the funding that was previously budgeted for the planned City Tower.

Conditions of Lease:
The proposed lease is subject to review and acceptance of the following terms: a thorough inspection of the premises; review of existing lease documents for assignment to PSU; a signed lease with Unitas Credit Union; and approval of the State Board of Higher Education. The proposed lease document is currently being reviewed by the Department of Justice Business Transactions Section.

Staff Recommendation to the Board:
Staff recommended that the OUS Board approve this long-term lease transaction. However, staff further recommended that the OUS Board direct PSU to include the purchase of this property in its 2009-2011 Capital Budget, pending an analysis of the then current comparison of
continuing to rent versus ownership as staff believes that significant savings can be realized through an outright purchase of this property.
Financial Analysis
Unitas Credit Union Building
2125 SW 4th Ave

Lease Payment Escalator 5%
Rental Income Escalator 3%
Expense Escalator (except Util) 2.5%
Utility Escalator 3%

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<td>Lease Payment to BPM</td>
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Repairs & Maintenance $11,675 $48,760 $49,979 $51,228 $52,509 $53,822 $55,167 $56,547 $57,960 $59,409
Utilities $24,696 $100,765 $103,788 $106,902 $110,109 $113,412 $116,814 $120,319 $123,928 $127,646
Trash Removal $900 $4,048 $4,149 $4,253 $4,359 $4,468 $4,580 $4,694 $4,812 $4,932
Cleaning - Contract $16,675 $67,112 $68,790 $70,510 $72,272 $74,079 $75,931 $77,829 $79,775 $81,769
Cleaning - Windows $700 $3,120 $3,198 $3,278 $3,360 $3,444 $3,530 $3,618 $3,709 $3,801
Insurance & Taxes $25,924 $99,999 $102,499 $105,061 $107,688 $110,380 $113,140 $115,968 $118,867 $121,839
Management Fees $12,249 $48,996 $50,221 $51,476 $52,763 $54,082 $55,434 $56,820 $58,241 $59,697
Less Recapturable Expenses $31,189 $83,370 $85,504 $87,692 $89,962 $92,048 $94,266 $96,472 $98,709 $101,977

Total Cost to PSU $178,029 $752,565 $760,122 $787,692 $795,546 $869,251 $878,547 $918,759 $919,586 $952,442

Current Rent on Computer Science $62,409 $257,125 $264,839 $272,784 $280,968 $289,397 $298,078 $307,021 $316,231 $325,718
Current Rent on Foundation $30,155 $120,621 $124,240 $127,967 $131,806 $135,760 $139,833 $144,028 $148,349 $152,799

Net New Cost to PSU $85,465 $374,819 $371,043 $386,941 $382,772 $444,094 $440,636 $467,711 $455,006 $473,925

1. Lease and Rent for Building will not start until April 2006. Assumes maximum escalation of 5% per biennium
2. Rental Income escalates at 3% per annum - Assumes attorneys will stay through 2010 -
3. Certain expenses for cleaning, trash removal, supplies and materials are recaptured as part of the lease.
   Numbers taken from Budget Detail from Unitas offering. Escalation at 2.5% for all expenses except utilities at 3%
4. Computer Science space in City Tower 10,286 and Foundation space is 5,300 sq ft.
   This means PSU has access to an additional 21,063 sq feet for an additional cost of $17.79 per sq ft (full service)
BOARD DISCUSSION AND ACTION:

Portland State University requested Board approval to enter into a master lease of the Unitas building, located at 2125 SW 4th Street in Portland, a convenient location for faculty and students. PSU continues to experience very serious challenges with respect to adequate space for classrooms, offices, and other functions because of the rapid student enrollment growth over the last decade. Based on OUS standards for student stations, there is a 119 percent space utilization at PSU.

PSU Vice President Deroschers said that the Unitas building would provide 53,630 square feet of rentable space. The building has a data center that is fully functional and a good fire suppression system for computer technology and a generator that backs up the energy circuit in case of a power outage. The program needs of the Computer Sciences are fairly significant and their needs have been estimated at about 27,000 square feet of contiguous space. The PSU Foundation would also be moved into this facility, requiring another 5,300 square feet.

The proposal was for a master lease with BPM Development for a ten-year term with two five-year extensions and calls for $15 per square foot with some additional expenditures of $4 per square foot, and an option to purchase the building within the next few years. The Unitas Credit Union will stay in the first floor of the facility, occupying 8,480 square feet.

Director Mendoza, seconded by Director Dyess, made a motion to approve the staff recommendation. Those voting in favor the motion: Directors Blakney, Blair, Dyess, Lorenzen, Mendoza, Nesbitt, Richmond, and Van Vliet. Those voting no or abstaining: None.

4. BOARD COMMENTS

Vice Chancellor Weeks indicated that the focus of the Long-Range Planning Retreat would be on an expanded discussion of mission, vision, and outcomes that were initiated at the December Retreat. Following that will be a discussion of guiding principles for the implementation of the mission, vision, and outcomes.

Director Blair added that since the December Retreat until this session, there have been meetings of smaller groups, attempting to take some of the ideas and perspectives that resulted from the Retreat and shape them into core areas for discussion around principles on how the System should operate going forward. One basic area of discussion was to be on sharpening the mission and vision with the goal of more clarity on the kind of tradeoffs the Board thinks are appropriate for the System. At that point, institutions and the Chancellor’s Office would need to get more specific about how some of the ideas would play out in the long run.

Director Nesbitt indicated that he received an email on policy alternatives, higher tuition/higher aid and questioned whether the Board had requested the report. Vice Chancellor Weeks replied that it was an outcome of the conversation the Board had in December. The last hour of that
meeting, the Board and the presidents focused on these areas. “It seemed, as a policy issue, and considering elements of implementation of the vision and outcomes, that was an area where we had not yet had a clear analysis. We decided that it would be helpful to the Board, if that were going to be one of the issues discussed as a potential policy direction, to have some good foundation of analysis and information.”

In response, Director Nesbitt observed that the Board has been talking for over two years about the ways to get to higher aid and “this is a whole new way to do that. We have a work group on a different track. I also feel that some of the premises are arguable and that it paints a rather bleak picture and don’t have a lot of alternatives if you accept some of the bleak projections. Remember, the Opportunity Grant did better than any other program in the last session of the legislature when it comes to increases in aid through the structure we have now. I wouldn’t want to assume that we have a future with no increases in aid. I’m a little bit worried about the rug being yanked just a little bit from under my work group with that assumption and we start to telegraph that assumption to decision-makers beyond this Board.”

Director Dyess explained that the goal was to put on the table some very “out-of-the-box” ideas. Director Nesbitt said he agreed that it was “out-of-the-box” in concept but that it was a very narrowly defined box, “with the audio at a very low level in terms of detail. We (our Work Group) have been dealing with the detail. I completely want to validate that we do want to see ‘out-of-the-box’ thinking, want to test our own thinking, prejudices, and points of view. But this memo is both up here in its hypotheses and down at this level in its proscription,” he concluded.

Chancellor Pernsteiner highlighted that one goal for the Friday session was to signal to the staff which state laws the Board wants to change, because the deadline for submitting the proposals to the Department of Administrative Services requires that the proposals be presented to the Board at the March meeting.

5. **Delegation of Authority to Board’s Executive Committee**

President Lorenzen reported that a property in Portland has potentially become available to the UO for purchase. It is consistent with their long-range plan and would allow them to consolidate their use of space in Portland. “It is a federal government building that is being surplussed and the opportunity is to pick it up for zero dollars because of the potential issues relating to its remodel. This matter is time sensitive and came up very quickly and would require Board authorization to be able to place a proposal in the hopper. This does not irrevocably commit the UO to this project, but it is a step in the direction that is necessary in order to be able to fully analyze and take into account the potential for the use of a government building that would be given for free.

“I anticipate, because it is such short notice, that I did not bring it up to the Board. But it will be something that will be considered by the Executive Committee in the interim, so I want to let you know explicitly about it in conjunction with the authorization you give as a normal part of
our meeting.”

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

It was moved by Director Van Vliet, seconded by Director Mendoza to approve the Delegation of Authority. Those voting in favor: Directors Blakney, Blair, Dyess, Lorenzen, Mendoza, Nesbitt, Richmond, and Van Vliet. Those voting no or abstaining: None.

6. **ADJOURNMENT**

The meeting adjourned at 4:09 p.m.