MINUTES OF REGULAR MEETING OF THE
OREGON STATE BOARD OF HIGHER EDUCATION

February 25, 1994

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OREGON STATE BOARD OF HIGHER EDUCATION
MINUTES OF REGULAR MEETING
ROOMS 327/8/9, SMITH MEMORIAL CENTER
PORTLAND STATE UNIVERSITY

ROLL CALL

The meeting of the State Board of Higher Education was called to order at 8:50 a.m. by President Janice J. Wilson.

On roll call, the following answered present:

Mr. Bob Bailey  
Ms. Diane Christopher  
Ms. Madden Evans  
Mr. Rob Miller  
Mr. George Richardson  
Ms. Janice Wilson

Dr. Aschkenasy and Mr. Lee arrived late, and Mr. Donahue, Mr. Swanson, and Mr. Willis were absent due to conflicts in their schedules.

Chancellor's Office -- Chancellor Thomas A. Bartlett; Ron Anderson, Assistant Vice Chancellor, Personnel Administration; Virginia Boushey, Assistant Vice Chancellor, Academic Affairs; Gary Christensen, Assistant Vice Chancellor, Academic Affairs; Andy Clark, Associate Director, Government Relations; Shirley Clark, Vice Chancellor, Academic Affairs; Francesca Clifford, Public Relations Specialist; Steve Katz, Controller; Roger Olsen, Director, OCATE; George Pernsteiner, Associate Vice Chancellor for Administration; Vicki Shives, Associate Board Secretary; Davis Quenzer, Associate Vice Chancellor, Budget and Fiscal Policies; Jon Root, ED-NET Coordinator; Diane Sawyer, Executive Secretary, Public Affairs; Lisa Stevens, Public Affairs Officer.

Eastern Oregon State College -- President David Gilbert; James Hottois, Provost/Dean of Academic Affairs; Mary Voves, Dean of Administration.

Oregon Health Sciences University -- President Peter Kohler; Lesley M. Hallick, Provost/Vice President for Academic Affairs.

Oregon Institute of Technology -- Martha Anne Dow, Provost; Doug Yates, Dean of Administration.

Oregon State University -- President John Byrne; Roy Arnold, Provost/Vice President for Academic Affairs; Bruce Shepard, Assistant Vice President for Undergraduate Studies.
Minutes of the Board of Higher Education

Meeting #626

February 25, 1994

Portland State University -- President Judith Ramaley; Jay Kenton, Director, Business Affairs.

Southern Oregon State College -- President Joseph Cox; Ronald Bolstad, Dean, Finance and Administration; Stephen J. Reno, Provost/Dean of Faculty.

University of Oregon -- President Myles Brand; Gerald Kissler, Senior Vice Provost for Planning and Resources, Academic Affairs; Normal K. Wessells, Provost; Dan Williams, Vice President, Administration.

Western Oregon State College -- President Richard Meyers; Bill Cowart, Provost; Bill Neifert, Dean of Administration.

Interinstitutional Faculty Senate -- Jack Cooper, Portland State University; Bill Danley, Southern Oregon State College.

Others -- Bill Graves, The Oregonian; Marvin McConoughey; Robert Nosse, Executive Director, Oregon Student Lobby; Chip Terhune, Association of Oregon Faculties.

The Board dispensed with the reading of the minutes of the January 28, 1994, meeting of the Board. Mr. Richardson moved approval of the minutes as submitted. The following voted in favor: Directors Bailey, Christopher, Madden Evans, Miller, Richardson, and Wilson.

President Wilson reviewed the Board agenda, indicating that the actual Board meeting would be short and that a considerable amount of time would be spent continuing the work begun at the February 15, 1994, Executive Committee meeting. Specifically, that agenda included a review of the decisions facing the Higher Education 2010 Advisory Panel as it moves to complete work on the Vision document and issues that need to be addressed as the 1995-1997 budget package is developed.

"What we need to do," Ms. Wilson continued, "is move to the highest levels, set aside egos and territories, and come to the table with the goal of meeting the vision of the future. We must work through these next months and come out in the best possible way."

Chancellor Bartlett framed his remarks around a communication challenge facing Oregon higher education. He reminded the Board that we are working with conflicting realities that began with the series of budget...
reductions occasioned by the passage of Measure 5. Two rounds of budget reductions have resulted in program and course reductions and a resulting decline of the number of Oregonians enrolled as undergraduates in State System institutions.

"We are now creating what might be called a foundation budget," Chancellor Bartlett continued. "It is the budget that sets the foundation for the future. However, as we have come through the stages of the budget crises, we are in a much stronger position than is generally understood. We have managed the processes extremely well. Our programs are in better shape than our public image, both from the point of view of the quality of the programs and the range of program offerings that we have in place. We have followed a careful strategy that has dealt with our problems in a long-term manner.

"Now we've come to a time when, in the face of the third phase of Measure 5, we will be sending additional negative signals to those that we have already created. We are also in a situation where we need to proclaim the reality of the quality and the strength of the System -- we will need to recruit and encourage students to come into the System. We are going to need to describe our strengths and the elements of stability and the foundation character of the budget."

Dr. Bartlett added that there is no escape from the conflicting messages that will be going out. "The conflicts are real; the dilemmas that they pose for us are obvious and clear, and we have to live with them. The reality is that we will go through another budget cut and we will come out with a foundation budget that will protect quality and Oregon will continue to have a wide range of stable higher education programs in place. We face the necessity of communicating both of those messages at the same time."

The Oregon State System of Higher Education is the recipient of a $500,000 grant from the Sasakawa Foundation. The award will further the development of a statewide K-12 strategy in Japanese language development. Higher education is very closely tied to the process of teacher and curriculum development and, therefore, made an investment into development of the proposal that has been funded.

QUASI-ENDOWMENT FUNDS, OHSU

Staff Report to the Board

At the September 25, 1992, meeting of the State Board of Higher Education, the Board approved construction of the C-Wing Addition to the
University Hospital. Financing for the $17.7 million first phase of the project was to be $6.9 million in bonds, $6.7 million in hospital cash, and $4.1 million in gifts. The project was approved by the Emergency Board in January 1993, and the bond portion of the funding was allocated in April 1993.

Oregon Health Sciences University plans to provide the $4.1 million in gifts for the project using $3,500,000 of Doernbecher Children's Hospital quasi-endowment funds plus $600,000 of restricted gift money designated for such projects. The planned expenditures, which are within the scope of the restrictions expressed by the donors, will assist in the construction of children's services facilities within the C-Wing Addition to University Hospital.

Quasi-endowments that exceed $100,000 in value require Board approval before funds can be expended. The quasi-endowment accounts listed on the following table, some of which exceed the $100,000 limit, have been identified to be used for the gift portion of the funding.

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<td><strong>Total</strong></td>
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<td><strong>$3,509,406</strong></td>
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**Staff Recommendation to the Board**

Staff recommended the Board approve the use of the quasi-endowment funds, as identified, for the C-Wing Addition to University Hospital.

**Board Discussion and Action**

Mr. Bailey moved and Ms. Christopher seconded the motion to approve the staff recommendation. The following voted in favor: Directors Bailey, Christopher, Madden Evans, Lee, Miller, Richardson, and Wilson. Those voting no: none.
Summary

This item relates to the purchase of a house and land within the approved campus boundaries of the University of Oregon. The parcel is located in the northeast portion of the main campus and is to be used for student family housing. The price of the parcel is $110,000.

Staff Report to the Board

University of Oregon officials have forwarded to the State System Office of Finance and Administration an option for the purchase of an improved parcel of land within the approved campus boundaries at 1873 East 15th Avenue in Eugene. The option price of $110,000 was established by an independent appraisal. The property has a total area of approximately 4,019 square feet of land, or about .092 acres.

The property is zoned R1 (low-density residential) and includes a four-bedroom, 1,300-square-foot, two-story house with an additional 672-square-foot basement. There is also a detached garage with a small studio attached to the rear of the garage. The property is in an area designated by the Long-Range Campus Development Plan as devoted primarily to low-density and medium-density housing for student families. A level-one environmental property assessment was conducted by PBS Environmental. Three asbestos-containing materials were found in the unit, along with an indication of some fuel oil spillage that stained the soil below the oil tank. Both of these conditions are minor, and the University has indicated the desire to proceed with the purchase with the understanding that the University will mitigate these conditions prior to University use of the property.

Funds required for the purchase of the property and related costs are to be provided from Article XI-F(1) bond proceeds. The debt service will be repaid from the University East Campus Property Rental, Family Housing account. The property would be purchased under authority of Chapter 734, Oregon Laws 1989, Section 6(2)(e), Student Housing.

Staff Recommendation to the Board

Staff recommended that the Office of Finance and Administration be authorized to purchase the Mobley property at 1873 East 15th Avenue for the option price of $110,000.
Board Discussion and Action

Ms. Wilson expressed concern regarding the presence of asbestos and the fuel oil spillage and asked whether the cost of correcting these deficiencies had been fully explored. Vice Chancellor Ihrig indicated that investigations had shown that these were confined to a limited and contained area that can be handled with a minor expenditure of funds. The asbestos removal is estimated at approximately $3,000 and the oil leakage at less than $1,000.

Mr. Richardson moved and Mr. Bailey seconded approval of the staff recommendation. The following voted in favor: Directors Bailey, Christopher, Madden Evans, Lee, Miller, Richardson, and Wilson. Those voting no: none.

Introduction

The Oregon State System of Higher Education Office of Academic Affairs requested an amendment to Oregon Administrative Rule 580-10-085 Student Exchanges. The rule change was needed to improve clarity and to provide a description of the new process by which applicants to the Professional Student Exchange Program of the Western Interstate Commission for Higher Education (WICHE) will be selected. The proposed amendment will permit the State System Office of Academic Affairs to incorporate the judgment of admitting institutions into determinations of the relative academic standing of Professional Student Exchange Program applicants, as is done in other participating states.

Background

WICHE established the Professional Student Exchange Program (PSEP) in 1953. Oregon is a charter member of WICHE and has participated in PSEP since its inception. PSEP is the first of three student exchange programs developed under the WICHE Compact.

PSEP provides increased access to professional degree programs for residents of participating states through interstate sharing of educational resources. Participation in PSEP allows states to maximize access to professional training, while minimizing the number of professional programs that must be provided in state. The State System provides tuition assistance each year through PSEP to support a limited number of Oregonians pursuing professional degrees in Graduate Library Studies,
Occupational Therapy, Optometry, Osteopathic Medicine, Physical Therapy, and Podiatry. Prior to 1994, Oregon also provided tuition assistance in the field of Public Health. However, with the establishment of the collaborative Master's of Public Health program offered by Oregon Health Sciences University, Portland State University, and Oregon State University, Oregon's support for that field will be discontinued.

Under PSEP, students apply to their home state for tuition assistance, which can be used at participating public and private institutions throughout the WICHE region. OSSHE institutions receive PSEP students from other WICHE states in the fields of Architecture, Dentistry, Law, Medicine, Nursing, Pharmacy, and Veterinary Medicine. In addition to OSSHE institutions, two private institutions in Oregon -- Lewis & Clark College in Portland and Pacific University in Forest Grove -- also receive PSEP students.

The amount of tuition assistance students receive varies from field to field but approximates the difference between resident and nonresident fees charged at the participating public institutions.

**Current and Planned Procedures**

Each WICHE state has developed its own procedures for selecting among eligible applicants for PSEP support. Under current Oregon procedures, applicants are ranked within each field of study by use of a score based on the applicant's cumulative grade point average (GPA) and the length of Oregon residency. Support is offered to the top ranked applicants in each field depending on available funding.

The primary problem with the current selection procedure is the time and effort required to calculate each applicant's cumulative grade point average. GPA calculation from multiple transcripts is a very time-consuming, tedious process that cannot be automated or computerized. Typically, over 200 PSEP applications are received each year, and the average applicant has attended three to four post-high school institutions.

In exploring alternatives to the current process, other WICHE states were surveyed regarding their selection procedures. It was learned that only two states -- Nevada and Oregon -- use cumulative GPA as an element in the selection of PSEP recipients. Nevada is also considering a change in procedure. Other WICHE states leave the ranking of applicants to the institutions and programs to which the applicants have applied. Those
states review PSEP applications and make a determination regarding the applicants' residency status. Those applicants who are bona fide residents of the state are certified as eligible for PSEP assistance. The Certifying Officer provides a list of certified applicants to the institutions and programs to which the applicants have applied. The state then works with the receiving institutions and programs to determine the relative academic rankings of applicants within each field.

Utilizing the judgment of the admitting institutions in determining the academic rankings of applicants will relieve significant resources in the Office of Academic Affairs and will not add to the burden of the admitting institutions, since they must rank applicants in any case. Institutions look beyond the GPA as an indicator of academic ability and professional potential and take into consideration the breadth and applicability of courses taken; the experience, motivation, and stated goals of the applicant; and references from faculty, academic advisors, and other professionals with whom the applicant has worked.

The Oregon WICHE Commissioners -- Commissioner of Community Colleges Roger Basset, Mr. Richard Hensley, and Chancellor Thomas Bartlett -- have approved the procedural change. An amendment to the Board’s Administrative Rules is necessary prior to implementation.

The proposed rule change was announced in the January issue of the Secretary of State’s Bulletin, together with information regarding the time and place of the public hearing. That information was also distributed to individuals and organizations on the Board’s docket mailing list. Virginia Boushey was the Board’s designated hearings officer. No one appeared to testify at the hearing and no comments regarding the rule change have been received.

(No fiscal impact)

Staff Recommendation

Staff recommended approval of the following proposed amendments to the Oregon Administrative Rule 580-10-085:
Student Exchanges

580-10-085  (1)(a) Under the WICHE [S]tudent [E]xchange [P]rogram, certification of students as Oregon residents for purposes of attending institutions not under Board control or in other states shall be guided by rules set forth in this division. [In order to be considered for WICHE certification, the student’s completed application]

(b) Applications for support through the WICHE Professional Student Exchange Program (PSEP) must be received by the Oregon WICHE [c]ertifying [o]fficer on or before October 15 of the year preceding [admission] the year for which support is sought. An application received after that date in an envelope postmarked not later than October 15 will be deemed to have been received on the 15th. PSEP applicants must be Oregon residents. Residency shall be determined as of the date of the application for [WICHE certification] PSEP support, not as of the date of expected admission or registration to an institution participating program. When PSEP funding is insufficient to support all certified applicants within a field, the Oregon WICHE Certifying Officer will work with the participating PSEP programs to which the applicants have applied to determine the ranked order of the applicants. Support will be offered within the available funding according to the rankings so established.

(2)(a) The department and separate institutions may enter into agreements with individual institutions in other states or other countries whereby resident students specified by name in the Oregon institutions may transfer to the other institution, and an equal number of students specified by name from the other institution may transfer to the Oregon institution with a reciprocal waiving of additional fees ordinarily assessed to nonresident students in both institutions;

(b) The recommendation for a student exchange program, together with a copy of the proposed agreement between the institutions, shall be approved by the Chancellor or designee before the exchange program is undertaken. Further, the program recommendation and the proposed agreement between institutions shall set forth the reasons why the exchange would be of particular benefit to the students in their chosen study programs and specify: fees to be paid by incoming and outgoing students; student responsibility for costs of transportation, housing, books,
board and room, and other incidentals; responsibility of institutions to assist students in obtaining housing, counseling, and interpreters; procedures to be followed in state entitlement funding and counting credit hours; action to be taken if students do not regularly participate in the academic program being pursued, and procedures for providing transcripts;

(c) If an approved agreement provides for exchange of equal numbers of students, then unforeseen circumstances that later might cause a student to withdraw from the program shall not void the arrangements agreed upon by the two institutions.

(3) Attendance at a Department institution as an exchange student from another state or country cannot be used in establishing residence.

(4) Notwithstanding any other rule, and effective fall term of the 1989-90 academic year, a Department institution may provide that a vacant WICHE opening may be occupied by a non-resident, non-WICHE student who agrees not to seek residency status for the duration of the student’s degree program and who agrees to pay a fee equal to the non-resident tuition fee for the duration of that program.

Board Discussion and Action

Vice Chancellor Clark indicated that the proposed change in procedures would bring Oregon into alignment with other WICHE states with respect to the Professional Student Exchange Program. It also represents a cost savings to the State System.

Mr. Richardson moved and Mr. Bailey seconded the motion to approve the staff recommendation. On roll call, the following voted in favor: Directors Bailey, Christopher, Evans, Lee, Miller, Richardson, and Wilson. Those voting no: none.

Background

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

Admission Policy Update

Significant recent changes in the State System’s admission policy include adoption of: (1) a second language admission requirement for all new
undergraduate students, effective for the 1997-98 academic year, (2) a transitional admission policy process that relates to Oregon educational reform, and (3) most recently, the approval of movement toward proficiency-based admission standards to become fully implemented for the 1999-2000 academic year.

Proficiency-based admission standards will be congruent with anticipated changes in school curricula related to implementation of Certificate of Initial Mastery (CIM) and Certificate of Advanced Mastery (CAM) programs. In the next four months, staff will work with OSSHE campuses and other education sectors to refine proposed proficiency standards, establish performance levels, and begin the development of assessments in cooperation with the Oregon Department of Education and high school pilot sites. A progress report will be made to the Board of Higher Education and Joint Boards meetings on May 27, 1994.

Therefore, State System admission policy has entered a transitional period from the present time to 1999. Until school reform is widely implemented and proficiency-based processes have developed much further, traditional admission policies will fit circumstances best. However, as this dynamic situation evolves, it should be increasingly possible to move to proficiency-based admissions.

Admission Policy for 1995-96

No major changes in the current minimum admission standards were requested for the 1995-96 academic year. However, two points about admission policy for 1995-96 were noted.

First, Eastern Oregon State College plans to institute a more detailed admission process for the purpose of improving the overall quality of admission and the advising and course placement of new students, particularly those with high school grade point averages of less than 3.0. To do this, critical attention will be given to the grades received by applicants in the subject requirements; and additional educational materials will be collected in portfolios that may include college aptitude test scores, transcripts of any postsecondary work, essays on educational goals and college choice, letters of recommendation, and summaries of academic and community achievements. This process is intended to improve Eastern Oregon State College's assessment of the probability of academic success for, and the advisement and placement of, newly admitted students.
Second, due to changes in the College Board’s admission testing program, the Test of Standard Written English (TSWE) will no longer be a part of the SAT test beginning with the admission of the high school class of 1995. Consequently, the TSWE admission requirement must be dropped. Campuses are considering the potential use of other available standardized writing tests for placement purposes.

Financial Impact Statement

In general, the effect of the general admission policy for the 1995-96 academic year does not have increased fiscal impact on the campuses. Eastern Oregon State College proposes to accomplish its more detailed admission review of applicants with high school grade averages of less than 3.0 within existing resources. As the State System moves into transitional admission of students graduating from early CAM programs, it is likely that costs will increase marginally until full implementation of proficiency-based admission is completed. This is separate from costs of developing proficiency-based admission standards, assessments, and training in 1993-1995. These costs are borne by the State System Office of Academic Affairs budget and by legislatively appropriated lottery funds to OSSHE in support of school reform.

Staff Recommendation

Staff recommended (1) that the 1994-95 general admission policy be continued for the 1995-96 academic year and (2) that staff continue to work on a transitional admission policy basis with schools achieving early implementation of restructured curricula and assessments related to the Oregon Educational Act for the 21st Century.

Board Discussion and Action

Vice Chancellor Clark indicated that annually the Board is asked to set admission policies for the upcoming calendar year to enable institutions to publish catalogues and make announcements in a timely way.

Mr. Bailey asked what the profile of those admitted under the five percent special admission policy was and if this policy were fully utilized. Dr. Clark indicated that the Board has a long history of this exception provision as an "escape hatch" to allow for students with backgrounds that don’t fit well with the admissions standards. It provides campuses the
flexibility needed to respond to school reform strategies and other situations.

Mr. Christensen added that the five percent special admission is extended to individuals who are nontraditional and whose backgrounds do not conform to aspects of the regular requirements but who, on the other hand, are judged by admissions staff to have the kinds of qualities and potential for success that make them a good risk for admission.

Ms. Christopher moved and Mr. Richardson seconded the motion to approve the staff recommendation. The following voted in favor: Directors Bailey, Christopher, Madden Evans, Lee, Miller, Richardson, and Wilson. Those voting no: none.

Staff Report to the Board

The Board of Higher Education permits institutions, with the concurrence of their faculty, to award honorary degrees. Each institution wishing to award honorary degrees must adopt criteria and procedures for selection that will assure that the award honors distinguished achievement and outstanding contribution to the institution, state, or society. Criteria and procedures for selection must be forwarded to the Chancellor for approval and, when approved, filed with the Secretary of the Board. Institutions are required to forward their recommendations for honorary degrees for the Board's approval 90 days before the date for awarding the degrees.

Two institutions, Oregon State University and Portland State University, requested Board authorization to award degrees at the June 1994 commencement.

Oregon State University proposed to award an honorary doctorate to Douglas C. Engelbart.

Douglas C. Engelbart

Almost every person who uses a personal computer, at home or in the office, likely has been influenced by the creative mind of Douglas C. Engelbart, who has had an enormous impact on modern computing. Dr. Engelbart invented the concept of computer "windows," which allows users access to multiple directories or files and presents them in a more visual manner. He also is credited with the invention of the computer mouse, a handy gadget...
that allows the user to quickly and efficiently move the cursor to a desired location.

These inventions emerged from a comprehensive strategic framework that Dr. Engelbart formulated in 1962 as an effort to integrate computer systems. Other now-common features developed in that early effort include integrated electronic mail, hypermedia, structured document files, and multi-tool integration. Today, many of these features are found on software marketed by industry giants, including Apple Computer and Microsoft, and by hundreds of smaller companies around the world.

Dr. Engelbart graduated from Oregon State University in 1948 with a degree in electrical engineering. He received his engineer's degree and Ph.D. from the University of California, Berkeley. During his distinguished career, he has been a university educator, a research scientist, and an administrator. Since 1990, he has directed Bootstrap Institute in Palo Alto, California, an organization working closely with government and industry on the development of advanced knowledge.

Douglas Engelbart is a pioneer and truly one of the most innovative minds in the history of the computer industry. He has received numerous awards for his achievements, including the American Ingenuity Award.

Portland State University proposes to award an honorary doctorate to A. Gary Ames.

A. Gary Ames

Mr. Ames is the president and CEO of U S WEST Communications. He has played a key role in telecommunications and in promoting U S WEST's commitment to support and advance the SuperHighway in the western United States. He has had a distinguished career serving in many aspects of the telecommunications field.

Mr. Ames attended the University of Vienna (Austria) and Portland State University, majoring in finance. He has worked for both U S WEST and Mountain Bell. He directed the start-up of U S WEST Financial Services, established Wall Street relations for
SECOND QUARTER REPORT ON INVESTMENTS

U S WEST, and played many key roles in such areas as public policy and operations.

In addition to his outstanding professional career, he has served the community on numerous boards including Albertson's, Inc., First Interstate Bank of Denver, Colorado State Board of Agriculture, and Institute for Professional Excellence. A. Gary Ames has demonstrated outstanding commitment to the future of his community and country.

Staff Recommendation to the Board

Staff recommended approval of Oregon State University's request to award an honorary doctorate to Douglas C. Engelbart at the June 1994 commencement and Portland State University's request to award an honorary doctorate to A. Gary Ames at the June 1994 commencement.

Board Discussion and Action

Mr. Bailey moved and Ms. Christopher seconded the motion to approve the staff recommendation. Those voting in favor: Directors Bailey, Christopher, Madden Evans, Lee, Miller, and Richardson. Those voting no: none. Ms. Wilson abstained from voting because of a perceived conflict of interest.

Staff Report to the Board

The second quarter investment report of the Pooled Endowment Fund of the Oregon State System of Higher Education for the period July 1, 1993, through December 31, 1993, is presented in two parts: first, a summary report from the Common Fund that describes the performance results of the various funds used by the State System, followed by tables showing the market value and investment performance of the pooled endowment funds through December 1, 1993.

South Africa-Free (SAF) Equity Fund - ($36.2 million market value)

The fund slightly lagged the Standard & Poor's (S & P) 500 SAF index with a return of 1.7 percent for the quarter compared to 1.8 percent for the index. The S & P 500 had a return of 2.3 percent for the quarter. For the entire year, the fund had a total return of 14.6 percent compared to 10.8 percent and 10.0 percent for the S & P 500 SAF and S & P 500
indices respectively. Again this quarter, as was the case throughout the year, the investment of 10 percent of the fund in international equities helped returns. The unconstrained Equity Fund had a total return of 19.8 percent for the year with the bulk of the incremental performance coming from that fund’s use of hedging and other strategies, which are not compatible with a South Africa-Free policy.

**Bond Fund - ($23.5 million market value)**

The fund continued to do well during the quarter with a total return of 1.2 percent compared to -0.3 percent for the Lehman Government/Corporate Index. Comparisons for the full year were also favorable with the fund returning 15.4 percent versus 11.1 percent for the index.

The decline in long-term interest rates came to at least a temporary end during the quarter when the 30-year Treasury got as low as 5.8 percent before rebounding to 6.3 percent at year end. The uptick in interest rates was the cause of the negative return for the index. Because the Bond Fund is broadly diversified into a number of sectors, the fund was able to produce a positive return. Common Fund managers have generally shortened the duration of their portfolios in recent months as the potential for further interest rate declines has decreased.

**Real Estate - ($5 million committed)**

The fund completed its acquisition phase with the purchase of two apartment complexes in Nashville, Tennessee, and Kansas City, Kansas. Current yields on both properties approximate nine percent. The Common Fund is in the final stages of negotiating the sale of an apartment complex in Austin, Texas. If the sale goes through as planned, the fund will realize close to a 50 percent profit.

Again this year, the Common Fund is having all properties appraised. It will be some time before the final valuations are available. However, early indications are that the market value of the properties was essentially stable last year; a decline of no more than three percent is anticipated.

**Endowment Energy Partners I - ($1 million committed)**

Oil prices weakened during the quarter, leading to a brief decline in natural gas prices that rebounded at the end of the quarter. This fund is largely invested in natural gas properties and thus escaped most of the
damage caused by the decline in oil prices. Interest and royalty payments continue strong. The Common Fund has seen its borrowers surmount adverse pricing environments in the past and believe they will continue to do so.

Endowment Partners I - ($1 million committed)

Manager portfolios did well during the quarter. Two managers were able to sell portfolio companies in the public market and will make distributions to fund participants soon.

Endowment Venture Partners I - ($1 million committed)

This fund continues to do well as Common Fund managers proceed to invest the funds committed to them. Because of the success of several portfolio investments, the Common Fund received distributions from the managers during the quarter and will, in turn, make a distribution to fund participants in the near future.

(No Board action required)
OREGON STATE SYSTEM OF HIGHER EDUCATION
1993–94 Second Quarter Investment Report
Pooled Endowment Fund
Market Value

<table>
<thead>
<tr>
<th></th>
<th>Market 7–01–93</th>
<th>Market 12–31–93</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL ENDOWMENT</strong></td>
<td>$65,249,987</td>
<td>$68,215,734</td>
</tr>
<tr>
<td><strong>EQUITY INVESTMENTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common Fund, So Africa—Free Equity</td>
<td>34,269,323</td>
<td>36,202,609</td>
</tr>
<tr>
<td><strong>FIXED INVESTMENTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common Fund, The Bond Fund</td>
<td>21,431,904</td>
<td>23,477,900</td>
</tr>
<tr>
<td><strong>OTHER INVESTMENTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate Investment Trust</td>
<td>4,530,780</td>
<td>4,840,780</td>
</tr>
<tr>
<td>Endowment Energy Partners</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Endowment Partners Fund</td>
<td>759,000</td>
<td>859,000</td>
</tr>
<tr>
<td>Endowment Venture Partners</td>
<td>391,775</td>
<td>542,775</td>
</tr>
<tr>
<td>Cash</td>
<td>2,867,205</td>
<td>1,292,670</td>
</tr>
<tr>
<td><strong>Total Other</strong></td>
<td>9,548,760</td>
<td>8,535,225</td>
</tr>
</tbody>
</table>
OREGON STATE SYSTEM OF HIGHER EDUCATION
1993–94 Second Quarter Investment Report
Pooled Endowment Fund Investment Performance
Periods Ending 12–31–93
(Based on Total Return)

<table>
<thead>
<tr>
<th></th>
<th>CURRENT QTR</th>
<th>FISCAL YTD</th>
<th>1 YEAR</th>
<th>3 YEARS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL ENDOWMENT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OSSHE</td>
<td>1.4%</td>
<td>5.4%</td>
<td>13.2%</td>
<td>13.3%</td>
</tr>
<tr>
<td><strong>EQUITY (STOCK) INVESTMENTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OSSHE–SAF EQUITY FUND</td>
<td>1.6%</td>
<td>6.6%</td>
<td>14.0%</td>
<td>14.9%</td>
</tr>
<tr>
<td>S &amp; P 500 STOCK INDEX</td>
<td>2.3%</td>
<td>4.9%</td>
<td>10.0%</td>
<td>15.7%</td>
</tr>
<tr>
<td>THE COMMON FUND EQUITY FUND</td>
<td>4.4%</td>
<td>11.0%</td>
<td>19.4%</td>
<td>18.5%</td>
</tr>
<tr>
<td>S &amp; P 500 SO AFRICA FREE INDEX</td>
<td>1.8%</td>
<td>4.9%</td>
<td>10.8%</td>
<td>16.7%</td>
</tr>
<tr>
<td><strong>FIXED (BOND) INVESTMENTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OSSHE--BONDS</td>
<td>1.1%</td>
<td>5.0%</td>
<td>15.2%</td>
<td>14.4%</td>
</tr>
<tr>
<td>LEHMAN GOVT/CORP INDEX</td>
<td>−0.3%</td>
<td>3.3%</td>
<td>11.1%</td>
<td>11.5%</td>
</tr>
<tr>
<td><strong>OTHER INVESTMENTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>REAL ESTATE INVESTMENT TRUST</td>
<td>0.9%</td>
<td>2.1%</td>
<td>4.6%</td>
<td>3.0%</td>
</tr>
<tr>
<td>ENDOWMENT ENERGY PARTNERS</td>
<td>2.1%</td>
<td>4.4%</td>
<td>8.7%</td>
<td>8.2%</td>
</tr>
<tr>
<td>ENDOWMENT PARTNERS FUND</td>
<td>0.9%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>1.4%</td>
</tr>
<tr>
<td>ENDOWMENT VENTURE PARTNERS</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.8%</td>
</tr>
<tr>
<td><strong>OSSHE--STOCKS/BONDS COMBINED</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.4%</td>
<td>6.0%</td>
<td>14.5%</td>
<td>14.7%</td>
</tr>
<tr>
<td><strong>WEIGHTED TARGET INDEX</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>60% S &amp; P 500 STOCK INDEX</td>
<td>1.3%</td>
<td>4.3%</td>
<td>10.4%</td>
<td>14.0%</td>
</tr>
<tr>
<td>40% LEHMAN GOVT/CORP INDEX</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: All amounts are net of investment charges.
Oregon Administrative Rules (OAR) 580-50-041 and 580-50-042 require an annual report to the Board on the prior calendar year's participation of contractors and subcontractors in capital improvement projects by emerging small business enterprises (ESBs) and minority or women business enterprises (M/WBEs). OAR 580-50-041 states that successful bidders for public improvement projects approved by the Board shall make good faith efforts to "meet the project's goals for subcontracting with or obtaining materials to be used in performing the contract from emerging small businesses." OAR 580-50-042 deals with similar requirements for businesses owned by minorities and women. All such businesses must be certified by the State of Oregon's Office of Minority, Women, and Emerging Small Business. Successful bidders for capital improvement projects must make "good faith efforts" to hire ESBs and M/WBEs as subcontractors or themselves be certified by the state as ESBs, MBEs, or WBEs.

During 1993, the State System awarded 28 contracts for capital improvement projects. The total value of these contracts was $11,890,000. Successful bidders on the contracts projected that $3,863,000 of that amount (32.5 percent) would be for work performed by ESBs and M/WBEs. The projected M/WBE participation rate was 5.5 percent; the rate for ESBs was 27 percent.

Staff surveyed the subcontractors projected for usage on several of the contracts. Results indicated that actual usage was close to that projected by bidders. It appears that the actual usage of M/WBE contractors was 5.2 percent, while that for ESBs remained at 27 percent. Actual usage of both, based on the survey, appears to have been 32.2 percent, or $3,829,000, and points to a high level of compliance by contractors with the promises they made at the time of bid.

A new development in 1993 was the success in awarding prime contracts to emerging small businesses. Nine of the 28 competitively bid projects were awarded to ESBs. These nine prime contracts totaled more than $1 million.

One project (Phase II of the University of Oregon's Knight Library Additions and Alterations) accounted for $7,670,000 of the 1993 activity and more than $2.4 million of the M/WBE and ESB participation.
Results for 1993 were substantially different from those achieved in earlier years of the program. The percentage of M/WBE and ESB participation projected or achieved each year since the rules were adopted in late 1990 are:

1990 -- 1.4 percent  
1991 -- 3.2 percent  
1992 -- 8.9 percent  
1993 -- 32.2 percent

There are several possible reasons for the improvement, including the success of ESBs in obtaining prime contracts, better understanding by the bidders of the Board's requirements, a larger pool of state-certified firms, and the fact that most of the projects were small and in either Portland or the Willamette Valley. This last factor appears to permit greater participation by these firms as prime contractors and more directed recruiting efforts of these firms as subcontractors.

(No fiscal impact.)

Board Discussion

Vice Chancellor Ihrig indicated that the successful increase in participation of minority and women businesses is due, in part, to the new policies and procedures implemented by the Board.

While Ms. Wilson applauded the trend toward increased participation, she stressed the need to continue to put more effort in the areas of women and minorities. Mr. Ihrig concurred but also reminded the Board that the pool of eligible firms in these categories is much more limited.

Mr. Richardson specifically recognized the tremendous work of Mr. Pernsteiner in this effort.

(No Board action required)

Staff Report to the Board

Last year, staff reported that the deferred maintenance backlog for the State System's education and general facilities was likely to be about $190 million on June 30, 1993. Due to additional costs associated with work at Western Oregon State College's Campbell Hall and increased inflation in
construction early in 1993, the estimated backlog stood at $195 million at the end of the last biennium.

As reported earlier, the legislature permitted the State System to sell bonds to finance maintenance projects. Bonds were sold last fall. This raised the amount available in the Higher Education budget for deferred maintenance projects from $11.7 million to $23.4 million. Most of the bonds were allocated to campus projects last fall. Another round of allocations will be made in April. About $1.6 million will be available for allocation at that time.

The increased funding from the legislature has helped stabilize the backlog. This is a one-year phenomenon since most of the funding will be used for 1993-94 projects. Therefore, the backlog will begin to grow again in 1994-95.

For 1993-94, the following sources of funds are being used to fund maintenance projects:

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Article XI-G Bonds</td>
<td>$10,025,000</td>
</tr>
<tr>
<td>State Appropriation</td>
<td>$4,820,000</td>
</tr>
<tr>
<td>Other Funds (Gifts, Loans, Carryover)</td>
<td>$2,245,000</td>
</tr>
<tr>
<td>College/University Budgets</td>
<td>$10,600,000</td>
</tr>
<tr>
<td>Total</td>
<td>$27,690,000</td>
</tr>
</tbody>
</table>

The backlog of $195 million will have been subject to about $11 million of inflationary increases in 1993-94. In addition, according to national formulas, about $20 million (in constant dollars) would have to be spent to prevent new items from being added to the backlog. However, since Oregon Health Sciences University's relatively new facilities are not as subject to immediate deterioration, the actual backlog probably will remain about the same as it was last year. This is the first year since records have been kept that the backlog has not increased substantially. A backlog in the range of $190-$200 million is forecast for June 30, 1994.

The situation for 1994-95 is somewhat different because no large amounts of bond funds will be available. Preliminary estimates of funds available for maintenance are:
If inflation on construction continues to increase, the backlog could grow by as much as $10 million in 1994-95 unless significantly more Other Funds sources can be found.

**Board Discussion**

Mr. Miller inquired about the kind of earthquake insurance carried by the State System and the institutions, and whether it was sufficient. Mr. Pernsteiner indicated that "the state is self-insured for the first $2 million of a catastrophic loss. This means that the state, from the restoration fund, would pay that amount to the State System for repair. Anything above that amount would be paid by the insurer. Although the restoration fund would pay the first $2 million, the State System would have to repay the amount over subsequent years. This amounts, in essence, to a no-interest loan."

Mr. Miller indicated that he had serious concerns about this matter and would like to be assured that all possibilities and possible solutions were being taken into account.

(No Board action required)

**Staff Report to the Board**

In 1991 and 1993, the legislature established several Other Funds limitations for capital construction projects for the Oregon State System of Higher Education. These general limitations were not tied to any specific project, college, or university. The Department of Higher Education is authorized by statute to allocate these limitations to projects at the colleges and universities. All projects are being supported by funds available to the colleges and universities involved. The allocation for the Southern Oregon State College Student Health Center was discussed with the Board last summer. The table below shows all the allocations that have been made to date.
February 25, 1994

1991-1993 Limitation

<table>
<thead>
<tr>
<th>Project</th>
<th>Limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOSC Health Center</td>
<td>(115,000)</td>
</tr>
<tr>
<td>UO EMU Selp Loan</td>
<td>(335,000)</td>
</tr>
<tr>
<td>OSU Women's Building Lab</td>
<td>(150,000)</td>
</tr>
<tr>
<td><strong>Balance Available</strong></td>
<td>$ 0</td>
</tr>
</tbody>
</table>

1993-1995 Limitation--Land/Various Improvements

<table>
<thead>
<tr>
<th>Project</th>
<th>Limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>UO EMU Selp Loan</td>
<td>(86,000)</td>
</tr>
<tr>
<td><strong>Balance Available</strong></td>
<td>$ 664,000</td>
</tr>
</tbody>
</table>

1993-1995 Limitation--Utilities Rehabilitation

<table>
<thead>
<tr>
<th>Project</th>
<th>Limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>OSU Selp Loan--Kerr and Kidder</td>
<td>(1,371,000)</td>
</tr>
<tr>
<td><strong>Balance Available</strong></td>
<td>$ 789,000</td>
</tr>
</tbody>
</table>

1993-1995 Limitation--Handicap Improvements

<table>
<thead>
<tr>
<th>Project</th>
<th>Limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOSC Handicap Access</td>
<td>(72,000)</td>
</tr>
<tr>
<td>UO Susan Campbell Hall Accessibility</td>
<td>(230,000)</td>
</tr>
<tr>
<td>OSU Women's Building/Langton Hall Accessibility</td>
<td>(322,000)</td>
</tr>
<tr>
<td><strong>Balance Available</strong></td>
<td>$ 711,000</td>
</tr>
</tbody>
</table>

1993-1995 Limitation--Academic Modernization

<table>
<thead>
<tr>
<th>Project</th>
<th>Limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>OSU Seed Research Warehouse</td>
<td>(90,000)</td>
</tr>
<tr>
<td><strong>Balance Available</strong></td>
<td>$ 510,000</td>
</tr>
</tbody>
</table>

Oregon State University also is utilizing $390,000 of limitation established by the Emergency Board in 1990 for campus improvements for the project to move its surplus property operations to the old seed research warehouse and rehabilitate that function's current facility to house library holdings now stored at Adair Village. That limitation remains from the Other Funds portion of the now completed project to relocate the Oregon State University theater from Mitchell to Withycombe.

In addition to the ability to allocate these general limitations, staff also may transfer limitations from one approved project to another. To date, the only such transfer made in 1993-1995 has been the movement of $410,000 of Other Funds limitation from the Student Housing Project at Portland State University to the Hoke Hall Addition at Eastern Oregon.
State College. Both are projects approved by the Board in 1990 and established by the legislature in 1991. The Portland State University project is being redefined and will not use its entire limitation. The Hoke Hall project for Eastern Oregon State College has experienced higher than budgeted bids but is achievable within the increased limitation. The Building Fee will cover the $30,000 per year debt service for the project at Eastern Oregon State College. Revenue from the Building Fee will exceed projections by several hundred thousand dollars in 1993-1995 because actual enrollment is higher than the 55,252 students contemplated in the Governor's Requested Budget -- the enrollment upon which the Building Fee expenditures for this biennium were based.

(No Board action required)

**SUMMARY OF FACILITIES CONTRACTING ACTIVITIES**

**Staff Report to the Board**

A summary of facilities contracting activities within the Office of Finance and Administration is presented below:

**Contracts for Professional Consulting Services**

**Award of Construction Contracts**

**Chilled Water Improvements - Mechanical Project, UO**
On December 8, 1993, Landis & Gyr Powers, Inc., was awarded a contract for this project in the amount of $78,316. Financing will be provided from physical plant operating funds.

**University Hospital South 3B Remodel Project, OHSU**
On January 4, 1994, Pacific Coast Construction, Inc., was awarded a contract for this project in the amount of $267,400. Financing will be provided from 1991-1993 hospital-backed bonds.

**Acceptance of Projects**

**Administrative Services Lobby Revisions Project, OSU**
This project is complete and was accepted on December 30, 1993. The final direct construction costs were $85,376. Financing was provided from building maintenance funds.

(No Board action required)
Meeting #626
February 25, 1994

ASSESSMENT PLANNING

The discussion paper, "Assessment and Accountability in the United States and Oregon," outlines current efforts to describe better how well our colleges and universities develop the talents of students. Assessment and accountability have become important components of this effort. Productivity is a new focus for higher education reform that addresses critical problems affecting American higher education -- increasing costs tied to higher education, increasing tuition for students, increasing criticism of the priorities of higher education institutions, and increasing concern about the outcomes of the undergraduate experience. A number of initiatives are underway that focus on the outcomes and effects of higher education on the individual and state in over 90 percent of the colleges and universities in the United States, including Oregon. With respect to OSSHE, efforts underway to be more accountable to ourselves and our stakeholders include the development of performance measures, the administrative review process, the performance-based admission standards, and the student assessment framework.

(The discussion paper is on file in the Board's office. No Board action required)

OREGON JOINT PROFESSIONAL SCHOOLS OF BUSINESS

Background

Initial discussions about the Oregon Joint Professional Schools of Business (OJPSB) began in early 1992. It was proposed that Portland State University and the University of Oregon jointly take the lead in working with other OSSHE institutions, specifically Oregon State University and Southern Oregon State College, to develop collaborative efforts to coordinate professional post-baccalaureate degree programs and to better meet the needs of local constituencies, especially in the greater Portland metropolitan area.

In September 1992, University of Oregon Professor Gerardo Ungson was assigned to Portland to work with Portland State University Professor John Oh to complete a study consisting of the following:

1. a market needs analysis to determine the demand for specific programs in Portland;

2. a competitive analysis of selected international business programs in the United States;
3. a capability assessment of faculty expertise and resources throughout the state; and

4. information developed through focus groups with faculty members and corporate employees.

Simultaneously, Professors James Terborg (University of Oregon) and Robert Eder (Portland State University) led conversations between the management departments of both schools to discuss the relocation of the master’s degree in Industrial Relations from Eugene to Portland.

Chancellor Bartlett assigned President Brand to serve as lead person in developing a decision package for the 1993 Oregon Legislature and in overseeing program development and implementation. A report incorporating the field interviews and market needs assessment study was provided to the legislature. Representatives from Portland State University and the University of Oregon made presentations to, among others, the Senate and House Ways and Means committees. In August 1993, the Oregon Legislature allocated $2 million from lottery funds for the 1993-1995 biennium to initiate the Oregon Joint Professional Schools of Business.

Mission and Goals

The mission of OJPSB is to deliver post-baccalaureate professional management and nondegree programs to serve Oregon in a more focused, cost-efficient manner than at present. While the initiative is statewide in scope, it should concentrate on the need for professional business education in the greater Portland metropolitan area.

This mission is to be accomplished through the attainment of the following goals and objectives.

I. Increase the delivery of international business and executive management programs to meet the demands of the state, particularly in the greater Portland metropolitan area.

   A. Initiate a continuing series of short courses and workshops in the greater Portland area to meet the specific needs of business for international education.
B. Relocate the M.S. in Industrial Relations program from Eugene to Portland and reconstitute the program as an M.S. in Human Resources and Industrial Relations.

C. Develop an M.S. degree program in International Management.

II. Develop synergies among post-baccalaureate professional business programs among OSSHE institutions.

A. Build strong working relationships and interconnections between the Portland State University and the University of Oregon post-baccalaureate professional programs.

B. Focus Oregon State University post-baccalaureate professional business programs so that they fully complement other professional programs on campus; for example, agriculture and engineering.

C. Assist Southern Oregon State College in providing an MBA degree program to its local constituency through faculty exchanges and distance delivery.

D. Coordinate efforts to deliver a statewide, off-site MBA.

E. Incorporate the successful Oregon Executive Master’s of Business Administration (OEMBA) into OJPSB.

III. Enhance professional business development through technical assistance and information sharing.

A. Integrate the International Trade Institute (ITI) into OJPSB, including collecting and analyzing international trade statistics.

B. Initiate professional development programs involving Asian managers and executives.

Market Analysis

These goals and objectives evolved from the market analysis and field studies undertaken by Professors Oh and Ungson. For instance, the survey
instrument for Portland, based on 318 completed questionnaires (11 percent response rate), yielded the following primary results:

1. Sixty-seven percent of respondents said that international competition will increase substantially, with the highest percentage for firms in the wood products and high technology industries;

2. The need for short courses is substantially greater than the need for degree programs, resulting in an estimate that approximately 80 persons per year would participate in full-time degree programs and that 250-300 persons per year would participate in short-course or part-time programs;

3. Cross-cultural communication, international negotiations, and proficiency in the functional business areas are the top three skills identified by Portland-area firms as having the greatest impact on their current and future international business activities.

The competitive analysis indicated that national competition had become intense among schools offering professional international business education. The successful schools are characterized by their appreciation for teaching excellence, focus on market-driven quality, creative pedagogy that incorporates applied research, and strategic use of institutional competencies. In comparison to these schools, the OJPSB will need to develop an international management program that is distinctive in terms of offering excellent foreign language instruction, focusing primarily on Asia, building partnerships with Portland businesses (and potentially with Waseda University in Tokyo), and making use of modular course instruction, both in degree and short-course formats.

Fortunately, Oregon is rich in international business educators. At the University of Oregon, Portland State University, and Oregon State University, as well as the University of Portland and Willamette University, there is a core of internationally knowledgeable business faculty. In addition, there is significant international expertise at Portland State University in Russian and Eastern European studies, and at the University of Oregon in Asian studies, especially through the Center for Asian and Pacific Studies. The challenge is to marshall these faculty, and other persons in the private sector, to meet the goals of OJPSB.
Funding and Administration

The objective is to make all the nondegree activity, including both short courses and technical assistance, self-supporting as soon as possible. Realistically, it is unlikely that this objective can be accomplished before the 1995-1997 biennium. The OEMBA is already self-supporting; and similarly, present statewide efforts to deliver an off-site MBA program approach self-support. However, it is unlikely that the M.S. degree programs in Industrial Relations and International Management will achieve self-sufficiency; similarly to extant MBA programs at Portland State University, the University of Oregon, Oregon State University, and Southern Oregon State College, they will require funds on a continuing basis. Thus, the OJPSB will combine a number of activities that are, or will shortly become, self-supporting and a number of degree programs that will require continuing state-funded assistance.

As an OSSHE activity, OJPSB is ultimately responsible to the State Board of Higher Education. Several steps have been taken to provide direct oversight and administration of OJPSB. A governance board has been created and has met once to date (December 1993). Membership on this board includes the presidents and representatives from Portland State University, the University of Oregon, Oregon State University, and Southern Oregon State College; two legislators; Richard Donahue (member, Board of Higher Education); and a number of business leaders, including Gareth Chang, Jerry Fisher, Michael Hollern, Don Frisbee, Isao Iwahita, Takehiko Kawase, Catherine Marshall, and Jerome Meyer, as well as Shirley Clark (liaison with the Chancellor’s Office). In addition, an Administrative and Operating Committee consists of Deans Ahlbrandt (Portland State University) and Reinmuth (University of Oregon) and Professors Oh and Ungson.

Ongoing Activities and Issues

The transition of the University of Oregon’s M.S. in Industrial Relations to a joint University of Oregon/Portland State University M.S. in Human Resources and Industrial Relations is in process. This new program is anticipated to begin fall quarter 1994, although a number of logistical issues remain to be resolved. The planning for the M.S. in International Management is proceeding, with an anticipated start date of fall quarter 1995, although that may be optimistic. Short courses in international business in Portland are beginning this quarter.
The OJPSB is early in its developmental phase, and a number of major issues remain to be resolved. For example, siting the program remains under discussion. There may be an opportunity to site at least the self-sufficient activities in the old Tektronix Walker Road facility. In the short run, the M.S. in Human Resources and Industrial Relations will likely be placed in leased space in the vicinity of Portland State University. It may prove advantageous to site the degree programs, absent the OEMBA, in the vicinity of Portland State University to improve access to library materials and cognate areas, such as language instruction. Another issue currently under discussion concerns the best mechanisms for delivering a statewide off-site MBA; the key institutions, which are already active in the arena, are Portland State University and Southern Oregon State College. Overall, there is an issue of bringing faculty together whose institutions differ somewhat in culture and expectations.

None of the issues facing OJPSB is, in the final analysis, an impediment for success. However, the above examples, as well as many other logistical ones, must be resolved if OJPSB is to realize its promise fully. That will take some time. This is a new effort, a new way of "doing business," for all involved. Adequate comfort levels must be attained and new ground must be broken. Patience and persistence, however, should yield significant gains.

Board Discussion

President Myles Brand briefly reviewed the history, purpose, and current status of development of the OJPSB.

Mr. Bailey inquired about the status of the International Trade Institute (ITI) and whether it would fit into the general plan for the OJPSB. Dr. Brand indicated that the activities of ITI would be blended into the present enterprise.

In response to comments about a site for the OJPSB, Dr. Aschkenasy asked if the issue of siting was a question of where physically to locate the program or how to locate it at the lowest possible cost. President Brand indicated it was both, as well as proximity to libraries and other resource requirements. Ms. Wilson indicated that once a decision had been made as to location, one of the first questions the Board would ask is whether all possibilities have been exhausted for use of existing buildings.

(No Board action required)
Distance education will be an important component of Oregon's higher education plan for the future by providing a cost effective way to integrate the many valuable resources and programs of the individual institutions while providing access to them to all Oregonians. Changing student demographics, technological advances for communicating and teaching, and the shifting economic picture will continue to place demands on higher education to provide citizens throughout the state with access to the information and resources they need to be full participants in shaping their future and the future of Oregon.

OSSHE is at a critical juncture in the development of its educational infrastructure. Several telecommunication systems are in place or under construction. Many administrative and student support services have been automated. OSSHE institutions have successfully developed the capacity to offer selected degree programs and short courses over distance education, and many of these technologies are positively impacting OSSHE's regular on-campus programming. The appropriate method of funding this educational enterprise remains undetermined, however. The self-support strategy required at the present time has serious drawbacks because the once-clear delineation between on- and off-campus programs blurs with the advent of communication technologies. If the current funding requirements continue, progress in expanding distance education programming throughout the state will be limited.

To capitalize on this progress and to meet the needs of Oregonians, additional programming assessment and development and infrastructure development must occur. Through successful strategic planning and policy development, distance education will become a central means by which OSSHE will meet the present and future higher education needs of all Oregonians.

A status report of OSSHE’s current distance education uses and an agenda for planning for future needed expansion accompany the docket. (See "OSSHE Distance Education Status Report and Agenda for Planning.")

The major topics include:

- Background
- Telecommunicated Distance Education and OSSHE Uses
- Distance Education Issues Confronting OSSHE
- Future Planning Context
- Distance Education Policy Agenda
- Next Steps
Board Discussion

Vice Chancellor Clark introduced the report by indicating that distance education has emerged as a very important component of the 2010 planning because it offers a strategy to help meet access needs for increasing numbers of Oregonians. "The report contains a lot of information about what the campuses are doing, particularly information about campus centers, some of which were established well before ED-NET arrived on the scene and were centers in which regular, but off-site, instruction was offered. New centers continue to develop."

Continuing, Dr. Clark remarked, "We are moving along in the development of the collaborative center in Bend. Together, Central Oregon Community College and OSSHE will hire a director of the new center. Some things need to be accomplished: further development of a technology strategy including costs and development of competence of faculty and staff; program coordination; marketing of the distance education concept; faculty development and how distance education is factored into the workload; student considerations such as registration, financial aid advising, and the establishment of tuition and fees; and budget development and enrollment strategies."

Jon Root, ED-NET Coordinator, provided an update about ED-NET and other technology developments. The use of technology, broadly defined, will be a major part of educational delivery systems of the future.

(No Board action required)

Ms. Wilson referred to an informational item entitled, "OSSHE Proposal for Federal Funding for Capital and Infrastructure Projects." On an annual basis, the State System has the opportunity to present a list of desired projects to the Oregon congressional delegation. Many of the projects have been approved by the Board but not funded by the state. Others will be proposed to the Board in the 1995-1997 budget, which will be discussed in July. These requests are to seek federal monies to assist with the projects.

John Anderson, Director of Student Aid at Portland State University, reviewed some of the issues facing higher education relative to student financial aid. The primary issue facing students, according to Mr. Anderson, is, "How can I afford the ever-rising cost of public higher education?"
Continuing, Mr. Anderson indicated that "the world of student financial aid is complex and confusing when viewed from outside the aid office. It is characterized by multiplicity of programs and lengthy regulations. Included in student financial aid are programs that provide grants, scholarships, fee remissions, loans, and work assistance. The position of the student aid office on a campus is to determine the student’s eligibility for all of the programs for which they might qualify and to provide them with the maximum amount of assistance. The goal is to provide access within the limitations of the programs that we have available to us."

Mr. Anderson asked the Board to "do whatever you can to help find solutions to the program of rising tuitions. Continue your efforts to keep tuition costs down; continue and expand your support for the current OSSHE student grant programs designed to assist Oregon resident students; take positions and advocate for our students when decisions are being made regarding grant programs administered by the Oregon State Scholarship Commission; and, finally, let our congressional delegation know that we have a growing problem and need their support."

Vice Chancellor Large provided the Board with an overview of the States Postsecondary Review Entity (SPRE), which is part of the Higher Education Act originally passed in 1965 and most recently amended in 1992. "This is a risk-sharing proposition that the federal government has passed specifically to attack the problem of an increasing level of defaults among student borrowers on loan programs.

"In Oregon, the decision was made by the governor and approved by the Legislative Emergency Board, that the Office of Educational Policy and Planning would be the SPRE entity in Oregon. In Oregon, there are 99 institutions eligible to receive federal financial aid. To administer the SPRE, there are two types of costs: the direct cost of providing the service and administering the new dimension of the law and the personnel costs. This represents a new investment of human capital and resources on the campuses to manage the program. These costs will, in all likelihood, reduce the total amount of student aid that is available in order to meet the overhead costs.

"If a campus triggers one of the SPRE tests, that causes the state SPRE or the federal government to go through a very elaborate process to which campuses must respond."
Grattan Kerans reported on legislative activities within the state. Presentations have been made to both the Senate and House Education Committees and the House Higher Education Review Task Force. Rob Miller and Herb Aschkenasy were recognized for their strong presentations and clear discussions with legislators.

Mr. Kerans indicated that he and Chancellor Bartlett were continuing to meet with returning members of the legislature. In addition, every attempt is being made to visit with candidates, and once the results of the election are known in November, revisits will begin. Dr. Large added that each of the campuses continue to cultivate working relationships with legislators in their regions.

Mr. Miller, chair of the Board Administrative Review Committee, reported that the consultants were working on the campus reviews, which should be forthcoming in the next few weeks.

In the absence of Committee Chair Donahue, Vice Chancellor Larry Large reported that work is underway, on a pro bono basis, with an advertising firm to help shape the messages that will take full advantage of the work of the committee. "The agency is preparing a specific plan and messages incorporated in the implementation strategy. I think it will advance our cause and greatly bring a profit from the investment of the time that Mr. Donahue and other members of the Committee have invested in it."

Mr. Bailey reported that the Working Group was meeting on a regular basis. Work continues on the issue of access and how to productively approach it as a Joint Boards issue. Also being given serious consideration are the issues of school reform and the relationship to higher education, in particular teacher education and the proficiency-based admissions standards. These will be topics for consideration at the May Joint Boards meeting.

The regular meeting of the Board adjourned at 11:30 a.m. The Board work session convened at 12 noon.

Vice Chancellor Ihrig reviewed some of the parameters of the present budget discussions. He estimated that the State System will receive General Fund appropriations of less than $600 million for the next
biennium, down from the 1993-1995 appropriation of $667 million. To put those figures into perspective, if the loss of state revenues were to be replaced with tuition revenues, it would require approximately a 27 percent increase each year of the biennium. Or, if additional students could be recruited, the System would need to recruit 7,600 more nonresident or 28,000 more resident students each year of the biennium.

Mr. Ihrig summarized the primary issues facing the State System in the coming biennium:

- How can student access be maintained with fewer state revenues? How does the System balance tuition with numbers and productivity of faculty and staff?

- Can the State System withstand another two years without salary increases for current faculty and staff?

- How will programs previously funded with lottery revenues be sustained in the next biennium?

- Should the tuition policy of the Board (two-thirds state support and one-third student support) be continued? Or should tuition be market-driven, with institutions setting tuition based on how many students can be recruited at a dollar level that will sustain capacity?

Dr. Bill Danley, president of the Interinstitutional Faculty Senate (IFS), commented that faculty generally were aware and appreciative of the fact that administrative cuts have been made. However, when discussions turn to increased productivity and decreased duplication, there is a public perception that "we can get rid of deadwood from among the faculty. What really happens, however, is that we lose our most mobile, productive faculty first. Somehow we must convince the people of Oregon that the present approach is counterproductive and will cost the people of Oregon, not save them money, because we're losing our most productive faculty and our best programs."

Mr. Ihrig concluded the discussion about the 1995-1997 budget by indicating that the vision of the 2010 Panel will be extremely important in providing a framework for exploring options. He also indicated that it was most important to continue discussions regarding market-driven tuition options.
Ms. Wilson reminded the Board that this portion of the work session was a continuation of work that began in the February 15, 1994, Executive Committee meeting. She indicated that the purpose of this work was, in reality, an extension of the work done by the Board at the July 1993 Renewal planning session, in which five priorities were identified: access, stable funding, educational reform, business plan, and strategic plan. The outline for the discussion puts those pieces together with the work of the Board committees as well as the Higher Education 2010 Advisory Panel.

The following areas were used to guide the discussion at the Executive Committee meeting and continued into the Board work session:

- **Vision**
- **Mission for the System**
- **The "Whats"** -- including access, geographic distribution, teaching/research/service, relating to others, changing role of student/teacher, meeting diversity goals
- **The "Hows"** -- governance system, sharpened institutional missions, structure, funding, cost-effective management, role of technology, and fixed assets

**Vision:** The vision statement prepared for the 2010 Panel was accepted by the Board. There was general agreement that it should be useful for marketing higher education and, in particular, public higher education. Consensus was expressed about assuring that the vision includes reference to the need to meet increased demand, serve a diverse population, and support a diversified delivery model.

**Mission:** The Board generally agreed with the overall OSSHE mission statement prepared for the 2010 document with the proviso that it include the words and concepts of quality education, reasonable cost, and be serving qualified Oregonians. The statement should also reflect the need for a seamless educational system.

**Priorities: The Whats**

After discussion, the Board concurred that it was important to make projections regarding the number of students the State System might anticipate serving in the coming years. However, for purposes of the 2010 Vision document, there was agreement that actual numbers should not be used; projected numbers tend to become absolutes. In addition, there should be no distinctions connoted by terms such as "continuing education" and "distance learning." Rather, it is important to begin thinking and
talking about students along a continuum of academic and support needs and services. There is a need to strike a balance between doing business in new ways without signaling that one is better than the other.

Planning must include multiple strategies, clearly defined institutional missions with territorial roles, increased regional collaboration, and functional integration. The Board agreed to reject the notion that every geographic area needs a physically located institution; that a long-range plan must include specific language about regional strategies; and that it was necessary to define objectives before regional strategies are designed.

Teaching, research, and service remain the troika of public higher education. However, the 2010 document should contain a strong statement about the importance of undergraduate education with increasing emphasis on the need for evaluation and measurement of results, emphasis on increased productivity for students and faculty, and a process wherein excellent undergraduate teaching, and scholarship that supports it, are rewarded. Research is integral to the mission of public higher education, as is service, which should expand linkages in particular to business (in support of economic development) and community/social entities.

In the future, there will be increased need for strengthening the relationships among educational sectors. These will revolve around challenges such as implementation of HB 3565, Joint Boards' work on articulation, regional workforce quality efforts, and economic development strategies. There was agreement that the System and campuses must broaden the scope of these to include nongovernmental entities.

The roles of teachers and students will change in the future. There must be increased emphasis on the responsibility of the student for his/her learning. In addition, faculty roles will shift and increased emphasis will be placed on using those skills used in facilitating learning rather than in transmitting information. Learning how to access and use information will require faculty to function in the roles of mentor and tutor.

The State System must continue to work toward achieving diversity goals, broadly defined to include serving underrepresented populations, low-income students, older students, and other nontraditional groups. In addition, diversity goals must be met in hiring and retaining faculty, administrators, and staff. Finally, OSSHE must respond to the diversity of public needs as well as the diversity of individuals and relate this to accountability and social responsibility of being a public institution.
Priorities: The Hows

Board members strongly agreed that the System must have a more flexible structure in order to work more efficiently. One way to attain more flexibility is by creating a public corporation; this emerged as one of the highest priorities for the coming year.

There is a limited window of opportunity to prepare the required legislation, and the Board directed the Chancellor to proceed in development of the corporation. It is important, when discussing the move to a public corporation, that Oregonians be assured that the State System is concerned with the public good, that a shift to a public corporation does not signal a desire for less accountability. In truth, it was pointed out, the Board would not be discharging its responsibility to the people of Oregon if it did not move in this direction.

The topic of sharpening missions was discussed. Chancellor Bartlett remarked that it was necessary to be clear when talking about sharpening or differentiating missions: It can be considered from the point of view of campuses serving different classifications of students; differentiation on the basis of cost per unit, cost per student, or processes; or ways in which mission activities are conducted. The challenge for the Board is to be clear on which categories of differentiation are being considered.

The 2010 Advisory Panel has been considering differentiation in terms of the framework of a differentiated continuum model of education delivery. One of the themes is differentiation to serve different kinds of needs in different ways, in whatever form that is structurally resolved. Second, the missions of the institutions should be more market-driven and, therefore, the notion of mission and differentiation would be tied to that.

Ms. Wilson observed that the institutions do not have to "look alike" -- in fact, they shouldn't look alike. The Board's role is to look at the whole range of functions and indicate to campuses or units that this is the part of the continuum where they should be putting the most concentration. President Byrne remarked that the Board must come to grips with whether it views public higher education as a whole or whether it is viewed as a series of eight institutions that need to be distinctly articulated.
Structure/Models

The 2010 Advisory Panel was presented with four different structural models -- a single university, dual university, a Portland-focused or -centered model, and the present organizational model. The Advisory Panel has signaled that they did not feel they had sufficient knowledge or understanding upon which to make a recommendation, and this should be a Board decision. The Panel agreed that it would support change, but such change would need to be made in the context of meeting other goals, keeping in mind that form should follow function. The Board and the State System should pursue changes in structure and organization, including location of campus and off-campus activities, necessary to fulfill future expectations and goals.

Dr. Aschkenasy expressed the belief that the public corporation cannot happen without dramatic change. "We can't go to the legislature and say, 'Give us this public corporation,' without giving them something in return -- a radical change."

There was extended discussion about what constitutes "real" change. Chancellor Bartlett expressed an opinion that there is "payoff in relationships among the sectors. Significant productivity gains can be made by putting together a commitment to raising academic performance levels by students right from the beginning. That is a reasonable goal because we don't expect enough of our students. If you look at systemwide processes (kindergarten through doctoral programs), there could be some very significant productivity increases and, at the same time, lowering of costs.

"Another radical change I can imagine is the changing relationship of the teacher and the student so that the student carries, at an earlier age, a greater responsibility for their own education."

Dr. Aschkenasy responded that "this isn't a way of disemboweling the higher education system. When I say dramatic change, I think it is the only way to save it, because otherwise we are going to get nickeléd and dimed to death. The direction I'm suggesting is to get as dramatic as possible, whatever that means, so that we can go to the legislature with a package that says, 'you do this and we'll do that.' If it is radical enough that the legislature will think it is a real effort to move in the right direction, we can get two things we badly need. One is the ability to run our business differently and save money in nonelemental functions, the
noninstruction, nonresearch pieces. And the second thing we might get is
time."

President Brand asserted that market-driven tuition was a step in the
direction of substantive restructuring. Mr. Bailey added that a much
stronger Board of Higher Education could give a lot more freedom to
those under that governing board. And a stronger Board would need to
focus on the important issue of access and how to balance state resources
for higher education to sustain access. Another purpose of the State
System is to provide programs that privately funded institutions cannot
provide. Dr. Danley remarked that the faculty are committed to being part
of the solution but that it was important to remember that the product of
a high-quality higher education system has been excellent and that
devastating cuts have had an impact. "If you want a good public
educational system, you have to pay for it. The faculty are willing to
make some changes, but resources must come from somewhere else."

The Board and presidents concurred that positioning the State System to
become a public corporation must take high priority in the coming
months.

Funding

It was acknowledged that the constraints of state support for public higher
education is a national phenomenon of which Oregon is a part. President
Wilson reminded the Board that in previous discussion there had been
consensus on the part of the Board to consider differential tuition models,
but three questions must be considered. "One question is, what does the
tuition model do to access? Two, what does it do to the whole System?
And, finally, what value does it add?"

President Brand pointed out that the demographics of the campuses are
different and each serves different constituencies. "The University of
Oregon is not competing for students in Oregon. It is competing against
Washington, Boulder, Colorado, and a number of other states. We need
to compete for those students and provide the services that allow us to
capture those students, particularly Oregonians. Those students are willing
to pay more, so we need flexibility."

Continuing, Dr. Brand observed that, "A number of states are or will be
moving towards allowing tuition to remain on the campus. Why do we
collect tuition centrally rather than letting institutions set their prices and
keep the revenues? The reason to keep it on the campus is that it provides enormous incentives to faculty to perform better. When the faculty come to realize that the amount of money on campus (therefore the support of their programs) is directly related to how well they perform in retaining students, you will get a different attitude."

President Byrne suggested that a great deal of work needs to be done to set the price of off-campus education at the right level. There were some opinions that it would cost less and, therefore, students should not be charged as much. On the other hand, there may need to be price considerations for having education "delivered" where a student wants/needs it and it might be worth more.

Ms. Wilson pointed out that the federal government and some state governments are exploring the possibility of students returning to the public part of the support for their college tuition. In other words, if the state pays 70 percent of the tuition of students, should there be a return? Should that return be in the form of community service? The conceptualization of this model is not complete, but it is something the Board might be called upon to consider.

Mr. Bailey remarked that the 2010 Advisory Panel had broached the idea that there might be a way in which business and industry could pay more for educational programs targeted to meet their needs. President Byrne added that a more market-driven, entrepreneurial model would encourage institutions to find the markets and target their programs in ways that would generate that kind of support. Chancellor Bartlett observed that, at some point, the Board might want to address business-based programs and remove the constraints that prevent using General Fund revenues for continuing education programs.

**Cost-Effective Management**

It was agreed that learning productivity must increase in order to meet access goals. One goal is to use technology, changing expectations for faculty and students, diversity of modes to access learning, and different modes of teaching to reduce the per-unit cost of undergraduate education while enhancing effectiveness. Progress is underway in these areas as a result of the work of BARC and the Board Committee on Academic Productivity.
Central to increasing the number of students who choose public higher education is an effective recruitment/marketing plan that also serves to address diversity issues. An equally important aspect of recruitment is the retention of students who enroll. Dr. Danley reminded the Board that recruitment and retention of faculty, in particular minority faculty, are important as well.

Summary of Work Session

President Wilson indicated that one of the primary purposes for the discussion was to get a sense of where the Board agreed or disagreed with the direction the Higher Education 2010 Advisory Panel was taking as it nears completion and approval of the vision document.

WORK SESSION

The work session of the Board was adjourned at 3:30 p.m.

ADJOURNMENT

Virginia L. Thompson
Secretary of the Board

Janice J. Wilson
President of the Board