ROLL CALL

The meeting of the State Board of Higher Education was called to order at 8:35 a.m. by President Les Swanson.

On roll call, the following answered present:

Dr. Herb Aschkenasy
Mr. Bob Bailey
Ms. Diane Christopher
Mr. Bobby Lee
Mr. Rob Miller
Mr. Les Swanson, Jr.

Ms. Esther Puentes
Mr. George Richardson
Ms. Ronda Trotman Reese
Mr. Jim Willis
Ms. Janice Wilson

Chancellor's Office -- Chancellor Joseph W. Cox; Ron Anderson, Assistant Vice Chancellor, Personnel Administration; Andy Clark, Associate Director, Government Relations; Shirley Clark, Vice Chancellor, Academic Affairs; Francesca Clifford, Public Relations Specialist; Melinda Grier, Director, Legal Services and Compliance Officer; Weldon E. Ihrig, Vice Chancellor, Finance and Administration; Susan Johnese, Executive Secretary, Finance and Administration; Steve Katz, Controller; Grattan Kerans, Director, Government Relations; Larry Large, Vice Chancellor, Public Affairs; Stacy Pearson, Director, Internal Audit Division; George Pernsteiner, Associate Vice Chancellor, Finance and Administration; Davis Quenzer, Associate Vice Chancellor, Budget and Fiscal Policies; Vicki Shives, Associate Board Secretary; Lisa Stevens, Public Affairs Officer; Audry Symes, Staff Assistant, Finance and Administration; Virginia L. Thompson, Board Secretary; Holly Zanville, Associate Vice Chancellor, Academic Affairs.

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

Oregon Health Sciences University -- Lesley M. Hallick, Provost/Vice President for Academic Affairs; James Walker, Vice President, Finance and Administration.

Oregon Institute of Technology -- President Lawrence Wolf; Martha Anne Dow, Provost; Doug Yates, Dean of Administration.
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November 18, 1994

Oregon State University -- President John Byrne.

Portland State University -- President Judith Ramaley; Audrey Alvarado, ACE Fellow; Lindsay Desrochers, Vice President, Finance and Administration; Steve Sivage, Assistant Vice President/ Administration and Facilities Planning.

Southern Oregon State College -- President Stephen J. Reno; Liz Shelby, LAC.

University of Oregon -- President Dave Frohnmayer; Gerald Kissler, Senior Vice Provost for Planning and Resources, Academic Affairs; Dan Williams, Vice President, Administration.

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

Interinstitutional Faculty Senate -- Bill Danley, Southern Oregon State College; Martha Sargent, Western Oregon State College.

Others -- Nancy Forrest; Bill Graves, The Oregonian; Joni James, Register-Guard; Robert Nosse, Executive Director, Oregon Student Lobby; Daniel Stotter.

MINUTES APPROVED

The Board dispensed with the reading of the minutes of the October 28, 1994, meeting of the Board. Ms. Christopher moved approval of the minutes as submitted and the following voted in favor: Directors Aschkenasy, Bailey, Christopher, Lee, Miller, Richardson, Trotman Reese, Willis, Wilson, and Swanson. Those voting no: none.

PRESIDENT’S REPORT

President Swanson thanked Dr. Cowart for the dinner and panel discussion the previous evening and for the reception in his home afterwards. He also recognized the contribution of Peter Courtney in orchestrating the panel.

Introduction, E. Puentes

Mr. Swanson introduced Ms. Esther Puentes, who will complete the term of former Board member Richard Donahue. Ms. Puentes is the president of Interface Network, Inc., in Beaverton, a multilingual consulting firm that works with educational school districts and the private sector in the area of diversity. She earned her bachelor’s and master’s degrees from California State University in San Jose. Ms. Puentes refrained from voting during the Board meeting because her official confirmation had not been received at that time.
Finally, President Swanson thanked the Board, staff, and students for their efforts to increase voter turnout for the election and for donation of their private time to support higher education through the voting process. Special recognition went to Dave Frohnmayer and Rob Nosse for their significant contributions.

CHANCELLOR’S REPORT

Chancellor Cox noted that Bill Neifert, Dean of Administration and Finance, will retire after many years of service to Western Oregon State College. Dr. Cox publicly thanked him for his contribution.

Election

Dr. Cox indicated that it appears that Measure 8 has passed. "The presidents and I spoke this morning about our concerns about the impact of that message on campus morale. We will share facts, as we get them, with our colleagues on the campuses. It is a serious concern for us."

Legislative Campaign

The Chancellor described the activities he and Mr. Kerans intend to perform until January 9. They will be visiting the newly elected legislators to establish a working relationship in preparation for the legislative session. In this period of transition for the state, the State System has offered assistance and resources, which they believe the transition team will utilize.

IFS Report

Dr. Bill Danley, president of the Interinstitutional Faculty Senate (IFS), added his thanks to the students and Board for their conduct and contribution to the election.

Using the metaphor of the chili pepper, he described the role of the IFS -- sometimes an irritant, but providing important spice. "We have accepted the role as an occasional irritant, but we hope that we have been perceived by the Board as representing a more important function. We think any board in private enterprise would seek the advice and consent of those most affected by policy decisions -- the employees and the customers. This particular Board is developing a reputation for including both students and faculty in the process of self-governance. We appreciate the opportunities we have had to be involved. As we face what we know is going to be a very difficult time ahead, we look forward to even more participation. We are all here to serve the citizens of the state and to deliver the best possible services to our students. The faculty want you to know that we consider you to be on our team, and we want to support you as constructive, participating members."
Dr. Danley indicated that, since this is the time to introduce legislation, one topic being discussed by IFS is legislation that would include faculty representation on the Board. "We would like to ask you to begin thinking about the problems and benefits such a change in Board membership might produce. At the IFS meeting in December, we will discuss this and, if it is received favorably, we will begin discussions leading to a more formal resolution." Dr. Danley noted that the topic is in the beginning stages of consideration and no action has been taken yet.

Finally, Dr. Danley reminded the Board that this was his last meeting as IFS president. New officers will be elected at the IFS meeting in December. Dr. Danley intends to recommend to the incoming IFS president that they support the Board in the difficult decisions that it will continue to face.

Mr. Richardson publicly recognized Ms. Audrey Alvarado, a WICHE commissioner from Denver and incoming chair of WICHE. Ms. Alvarado is currently on an ACE Fellowship at Portland State University.

Chancellor Cox introduced two items under the rubric of the Higher Education Administrative Efficiency Act. The first was relative to choosing a new name for the State System under the Act. At the October meeting, the Board instructed the Chancellor to take two suggestions for names and research them, test their effect on various audiences (in particular, individuals with expertise in marketing and public relations), and present the Board with a recommendation. The criteria the Board asked the Chancellor's staff to use were: the name will clarify who we are for our intended markets; provide clear distinction that community colleges are not part of the System; clarify that there are other colleges and universities in Oregon that are private; and that the State System has a new direction under the initiative.

Following consultations with marketing experts and further discussions with presidents, the Chancellor recommended that the name of the entity created through the Higher Education Administrative Efficiency Act be the Oregon Public University System.

Mr. Richardson moved and Mr. Willis seconded the Chancellor's recommendation. Those voting in favor of the recommendation: Directors Aschkenasy, Bailey, Christopher, Lee, Miller, Richardson, Trotman Reese, Willis, and Swanson. Those voting no: Wilson.
Chancellor Cox introduced the second facet of the discussion regarding the Administrative Efficiency Act. "Today, representatives from Oregon Health Sciences University and I will outline the fundamental issues in a disparity on how to proceed with the Higher Education Administrative Act.

"At the present time, there are two bills. One bill is the OSSHE bill; the second a bill that Oregon Health Sciences University developed at the request of Governor Roberts. The second bill would grant public corporation status fully to Health Sciences University.

"I have concluded that President Kohler and I cannot reach a resolution and we agreed that we need to bring the matter to the Board for a full airing on points of agreement and disagreement so that you have the background information upon which to base a decision. I agree with President Kohler that it is absolutely critical, in order to more effectively operate in the changing and more competitive health care environment, that the Hospital and clinic operations must be dramatically less encumbered by the bureaucratic oversight and over-regulation that comes with being part of state government.

"Where the OSSHE bill moves the System to a more autonomous condition as a new kind of state entity, in Oregon Health Sciences University's view, this is not far enough to meet their needs. OHSU feels that the Hospital and clinics must be moved completely away from state agency status and that it is impossible to separate the medical, dental, and nursing school from the laboratory clinic experiences.

"It is my view," the Chancellor continued, "that appropriation of public funds to support instructional programs must continue to come through the Board of Higher Education. We have come to the conclusion that one bill would be preferable to two if these major differences could be resolved. The fundamental questions come down to:

- Should OHSU have public corporation status?
- Should we go before the legislature with one bill or merge the two?
- Should the OSSHE assets represented by OHSU be transferred to the new OHSU Public Corporation?"

Mr. Richardson asked Chancellor Cox if he would be as strongly committed to preserving the academic program structure of Oregon Health
Sciences University if the System were able to move to full public corporation status. Chancellor Cox indicated he would be, "because I believe that whether you are a public corporation fully or a more autonomous state entity, you are still the Board of Higher Education for Oregon."

Dr. Lesley Hallick, Provost and Vice President for Academic Affairs, addressed the Board on behalf of President Peter Kohler, who was out-of-town at the time of the meeting. In introductory remarks, Dr. Hallick chronicled events over the past 100 years that have affected the environment in which Oregon Health Sciences University finds itself and which, in her analysis, have led to the necessity for the changes under discussion. "But in the last five years, changes have been dramatic, and the direction continues to change. There is a fundamental shift of support toward what is termed managed care. Basically, it refers to a gatekeeper who is a primary care provider. This is the old general practitioner model and a question of who takes care of the individual and then allocates both the individual and resources to specialty care as needed.

"That is a fundamental shift in the way in which you organize, because the resource then becomes that monthly insurance premium for the managed care group, not the payment for the specialty care that used to be provided. It is important to keep in mind that the gatekeepers, the care providers, are the heart of this system -- not a facility or the provision of acute care in a facility. Ultimately, the wisdom we use to organize those folks will determine whether or not we thrive or go into bankruptcy. It's as dramatic as that."

Continuing, Dr. Hallick underscored that Oregon Health Sciences University is not proposing to leave the public sector; it would remain a unit of government totally accountable to the public good. "The mechanism that OHSU proposes is to have a Governor-appointed board for OHSU. We would no longer be a state agency in any sense of the word. That means that we would not be required to use state-mandated service monopolies of any sort.

"The main distinction between the model we suggest and the one Chancellor Cox presented is very subtle and is shown by a dash line from the educational programs to the academic programs of OSSHE, not a solid line. It is important to understand that the University is organized into clinical, research, and educational programs. The clinical programs, in order to survive in the present market, have organized into the University
Medical Group (UMG). These are faculty, the same group that teaches the education programs. The heart of the budget of the entire University comes from that clinical care -- approximately 75 percent of the total budget.

"And only a relatively small amount of the income -- three to five percent -- comes from the state appropriations. This is a very important part, however, because it does subsidize the educational effort to train health care providers. In addition, state appropriations allow us to provide indigent care and enable us to be a health resource statewide."

In concluding her remarks, Dr. Hallick underscored her commitment to the educational aspects of the University's mission. "We've worked hard to build coordinated programs among the campuses and we want to do everything we can to strengthen, not to undermine, those efforts."

Chancellor Cox summarized the two opposing approaches by indicating that one of the bottom-line issues is, "Can there be two boards of higher education -- one board of higher education that is nonmedical and one board of higher education that is medical? The other issue is not as consequential, but I'm trying to understand why, if one person is president of both the University and the public corporation, that is not ensuring coordination. I'm thinking of the University of Oregon and Oregon State University where fund sources are equally complex and in some cases more complex. What is the difference?"

Mr. Richardson asked for clarification about what was implied in the use of the word coordination. Dr. Hallick responded that it related to different kinds of authority. "One is degree granting and the other is budget. Our issue is, frankly, not with the degree-granting authority, although it will be difficult to manage an organization if that were separated from the rest of the governance of the organization. The real issue is the budget.

"When you try and understand how we finance the academic health center, the appropriation is intertwined with things like reimbursement for Medicare patients. It's very difficult to know whether the money is coming for indigent care or for teaching."

Dr. Aschkenasy asked if Oregon Health Sciences University would "go broke if it were subject to the statutes establishing the Attorney General as legal representative and counsel, as one example of the list of items included in the OSSHE Administrative Efficiency Act. It seems to me that
all of us want to eliminate the layers and expenses associated (with present state requirements) that make us noncompetitive."

Mr. Miller asked several questions concerning the proposed membership of the Board for Oregon Health Sciences University. First, do the members of the State Board of Higher Education who would serve on the OHSU Board have voting privileges, to which Dr. Hallick indicated that they would. Secondly, would it solve any of the projected problems if there were more members of the State Board on the OHSU Board? The answer was that having two members overlap the two Boards would be sufficient, but not overwhelming.

Chancellor Cox observed that he had difficulty "seeing how there could be two boards of higher education. Where would the priorities be decided and set? How could there be two boards, both appointed by the Governor, who try to influence the legislature? Is that the arena where we want policy and priorities for higher education being set?"

Ms. Christopher asked for clarification from Oregon Health Sciences University on how they see themselves remaining a part of the System, given the organizational chart they had recommended. Dr. Hallick indicated that the OHSU bill would enable the institution to stand alone in terms of the financial and administrative structure, which would be independent. The primary linkage would be through the Academic Council. Continuing, Ms. Christopher asked that, if the State Board of Higher Education did not have governing authority, would it be totally outside the System -- a kind of secession?

"With respect to the operations," responded Dr. Hallick, "that is probably a fair statement. But I would use the word 'free-standing' model, not 'secession'."

Ms. Wilson observed that what Oregon Health Sciences University seemed to be saying to the Board was that the manner in which they are currently managed isn't working and is not economically viable. "What I would ask is, 'what is it that we as a Board feel we need for the citizens of Oregon in terms of medical programs and how do we agree in this legislation that we have goal statements and clear understanding of how we are going to reach those goals?' For me, whether this Board is in control or not is not the issue I care about; we are way beyond that kind of thinking. The issue is how do we make sure that OHSU exists and that the citizens get what they need? What I want is additional negotiations and clarification on what
OHSU would be bringing to the table as a clear commitment in this organizational entity."

In concluding the discussion, Mr. Swanson encouraged Board members to submit any further questions they had. "Every problem presents an opportunity, and the opportunity we have here is to learn more about OHSU. It is a very complex organization that has special needs. One of the central questions for me relates to the educational component of OHSU, which is critical because if you don't have that, then you are another hospital organization competing with other private hospital organizations and you don't have your edge. So the educational component of OHSU, even though it is a small budget amount, and even though the number of students is small, it is critical to the significance of OHSU's survival.

"The question that we as a Board must answer is: to what extent, in our responsibility as guardians of education in all segments of higher education in Oregon, in exercising our responsibility, do we need to ensure over the years ahead that the educational programs that have to do with nursing, dentistry, and medical education are going to be handled in the highest quality way they can be handled with reasonable tuition, do not become centered just in the Portland Metro area? We have important policy issues that we're going to have to work through."

It was agreed that there would be a Board meeting on December 16, 1994, to come to a resolution regarding this issue.

Mr. Daniel Stotter, an attorney representing the Save Amazon Coalition, presented testimony in favor of the University of Oregon reconsidering decisions regarding demolition of the Amazon Student Housing. Concerns included its value as an historic site and provision of affordable housing for University students.

Kevin Hornbuckle, city councilor for the City of Eugene provided the Board with a brief history of the Amazon Student Housing and indicated that on March 11, 1994, the Eugene City Council supported the Historic Review Board's determination that the property and buildings be granted historic status. Mr. Hornbuckle requested the Board reverse President Frohnmayer's decision to demolish the Student Housing complex.

Finally, Ms. Nancy Forrest echoed the concerns of Mr. Stotter and Mr. Hornbuckle. Ms. Forrest is a former resident of Amazon Student...
Housing, a co-petitioner for the National Registry application, and serves on the board of the nonprofit group that wishes to purchase, rehabilitate, and manage the property. She noted that historic status still needs to be determined at the national level; however, the request has been submitted. Mr. Richardson asked how soon that determination would be made. Ms. Forrest replied that the decision is expected within six months.

Mr. Miller said that Mr. Frohmayer is not noted for avoiding dialogue and asked what the bottom-line problem was. Mr. Stotter replied that the demolition date is rapidly approaching and he had requested a stay on the demolition procedures so that negotiations could resume. Mr. Richardson asked for comment from the University of Oregon. Vice President Dan Williams responded that discussion about this issue had been ongoing for nearly two years. "Our objective is to replace what we have concluded are very unsafe buildings, very old buildings. We'd like to replace those with family housing units of slightly higher density than we have right now. We would expect that those students would rent at a rate considerably lower than the market, and that would allow us to provide low- and moderate-income housing for our students."

Mr. Swanson thanked the representatives of the Save Amazon Coalition for presenting their concerns to the Board, and indicated that if the Board chose to take any action, it would be at a future Board meeting. Mr. Bailey requested staff to prepare a "snapshot" of activity regarding Amazon Student Housing for the last 12 months and projections of what will happen in the next six months.

WOSC VISIT

The Board adjourned at 10:30 a.m. for the visit to Western Oregon State College and reconvened at 1:35 p.m.

DONATION OF LAND, UO

Summary

The University of Oregon has been negotiating with the Eugene School District 4J to transfer to the University a parcel of land in Eugene currently being used as a portion of the site of the University's Amazon Family Housing Complex. At its November 2, 1994, meeting, the Board of Directors of School District 4J approved the transfer of an approximately 3.9-acre parcel of land to the University of Oregon without payment or exchange of services.
Staff Report to the Board

Officials at the University of Oregon have informed the Office of Finance and Administration that the Eugene School District 4J has approved the transfer of ownership of a 3.9-acre parcel of land in Eugene (Lane County) to the University of Oregon. The parcel is currently used by the University as part of the Amazon Family Housing Complex. In exchange for the donation of the property, the University has proposed an intergovernmental agreement between School District 4J and the University wherein School District 4J would share in the proceeds from any subsequent sale of the property or lease of the property for longer than a ten-year period.

An environmental assessment was conducted on the property in January 1994. It was determined that there were no environmental concerns for this property, either on-site or off-site in the immediate area.

Staff Recommendation to the Board

Staff recommended the Board authorize the Office of Finance and Administration to accept, on behalf of the University of Oregon, the parcel of land from the Eugene School District 4J.

Board Discussion and Action

Vice Chancellor Ihrig summarized the item and noted that, regardless of the final disposition of the Amazon Student Housing conversations, staff recommends consolidating the land. This decision does not have any relationship to earlier testimony.

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

Executive Summary

As required by Board Rule, Southern Oregon State College sought Board approval to adopt new guidelines establishing the means by which student government shall determine the level and allocation of its incidental fee recommendation. The College proposed to change the Incidental Fee Committee's role in the process so that its recommendation is advisory to
the Associated Students of Southern Oregon State College. Previously, the Incidental Fee Committee made recommendations directly to the President. The guidelines also establish operating procedures for the Incidental Fee Committee and for its subcommittees. Administration has worked closely with representatives of student government to reach agreement on these changes. State System staff has worked with Southern Oregon State College representatives to ensure that the guidelines are consistent with the Board's requirements.

Staff Recommendation to the Board

Staff recommended the Board approve the Incidental Fee Guidelines proposed by the Southern Oregon State College.

OREGON ADMINISTRATIVE RULES
CHAPTER 573, DIVISION 41 - SOUTHERN OREGON STATE COLLEGE
GUIDELINES AND PROCEDURES FOR ALLOCATION OF INCIDENTAL FEES

Incidental Fees
573-41-005 (1) An incidental fee is assessed quarterly as part of each student's tuition and is used to finance certain auxiliary campus activities including the College Union operation; educational, cultural, and student government activities; and athletic activities.

(2) This document outlines the policies and procedures related to the funding of activities, programs, and services supported by the incidental fee and supersedes all previous guidelines and policy statements.

Authority to Prescribe Fees
573-41-010 (1) The Oregon State Board of Higher Education (OSBHE) establishes the incidental fee to be assessed at each institution in accordance with applicable statutes and upon the recommendation of the institutional President and the Chancellor.

(2) The Incidental Fee Committee (IFC) is a recognized standing committee of the Associated Students of Southern Oregon State College (ASSOSC) and, as such, is assigned advisory functions, including responsibility for conducting budget investigations, matching program requests for funding with available resources, and recommending the budgets for those activities, as well as the incidental fee level required to support them.
Operating Procedures

573-41-020 (1) The College Union Committee and the Athletic Committee are advisory to their respective Directors, who, together with the Chairpersons, present budget requests directly to the IFC. The Educational Activities Committee is advisory to the Associate Director of the College Union who, together with the Chairperson, presents that budget request directly to the IFC. College Union, Athletic, and Educational Activities Advisory Committees are herein referred to as subcommittees of the IFC.

(2) The Chairpersons of the IFC and the subcommittees shall be selected by the members of the respective committees at their first meeting. Chairpersons and Vice-Chairpersons of the IFC and subcommittees shall be chosen from the student membership of each committee and shall be conferred by the ASSOSC Senate.

(3) Absences, whether excused or not, shall be determined by the Chairperson of the committee. Members shall be considered to have resigned from their respective committees after the third unexcused absence from scheduled meetings during the course of the academic year.

(4) An "academic year" is defined herein as starting on September 15 and extending through June 14 of the following year. "Fiscal year" is defined as starting July 1 and extending through June 30 of the following year, and includes both the academic and summer terms.

(5) All student members of the IFC and its subcommittees must maintain at least half-time enrollment status.

(6) Proxies shall not be permitted.

(7) With the exception of the two-year appointments, the term of each member of the IFC and subcommittees will coincide with the academic year.

(8) A quorum shall be necessary for the transaction of business.

(9) Minority reports may be submitted to the Chairperson of the appropriate subcommittee or committee, or ASSOSC Senate.

(10) No person shall serve as a voting member simultaneously on the IFC and any subcommittees.

(11) All meetings of the IFC and related subcommittees are subject to the provisions of the Public Meeting Law, ORS 192.610 et seq. Under this law meetings are to be considered open and appropriate notice shall be given.
Incidental Fee Committee

Function of Incidental Fee Committee

573-41-025 (1) The IFC shall make a determination as to anticipated revenues for each fiscal year, establish an initial budget level recommendation, and develop a budget request document to be used by IFC subcommittees. Members shall make appropriate inquiries to gather required information to make the best possible judgment as to the use of these funds. Following these hearings, a recommendation shall be made to ASSOSC regarding programs to be funded, the distribution of resources for these programs, and the level of fee to be charged students.

(2) The ASSOSC's recommendations are advisory to the President of the College. Because of the importance of incidental fees in supporting student activities at Southern Oregon State College (SOSC), the President shall give careful consideration to ASSOSC's recommendations. It is also expected, in the same light, that the ASSOSC's recommendations to the President shall be judicious and representative of the broad interests of the many constituencies, and that these recommendations shall be determined with full consideration as to their timeliness.

(3) A limited reserve shall be maintained by the IFC for emergencies that may occur due to possible under-realization of income or other unforeseen contingencies. The amount shall be based on a recommendation by the Budget Director of the College.

Operating Procedures

573-41-027 (1) The IFC shall establish a preliminary incidental fee for purposes of budget preparation by the subcommittees as well as the distribution of funds. The recommendations shall be forwarded to the ASSOSC President.

(2) Incidental fee allocation and budget preparation procedures shall be established by the IFC with the assistance of the institutional Budget Director.

(3) The institutional Budget Director shall initiate budget instructions which will consider proposed salary adjustments, inflation rates as supported by the Chancellor's staff, and any other pertinent data which would be helpful in the preparation of the annual budget request.

(4) The Committee shall review, and modify if necessary, the budget instructions and then transmit them to subcommittees according to an accepted budget calendar.

(5) The IFC shall not be involved in budget management of individual programs once allocation has been approved for those
programs. It is the responsibility of individual program directors to manage their respective budgets.

(6) The IFC shall send its final recommendation simultaneously to each subcommittee Chairperson and the ASSOSC President by a specified date to be set by the IFC during the budget process.

(7) The ASSOSC will only consider those appeals involving failure to follow prescribed procedure, changes in Initial Budget Level, or changes to priority rankings from the subcommittee. The ASSOSC Senate is responsible for hearing any valid appeals, acting on the IFC's recommendation, and forwarding the final recommendation to the SOSC President by a date specified by the IFC during the budget process.

(8) Once the SOSC President receives the ASSOSC recommendation, within ten academic working days the President, in writing, shall accept the recommendation or, should there be modifications to the recommendation, communicate these modifications and reasons to the ASSOSC and the IFC.

(9) If the ASSOSC concurs with the President's proposed modifications, such shall be communicated in writing to the President within ten academic working days.

(10) If the ASSOSC does not concur with the President's proposed modifications, such shall be communicated in writing to the President within ten academic working days. During the next two weeks, the President (or designee) shall meet with the ASSOSC representatives to attempt to reconcile the differences. If the President and the ASSOSC do not reach agreement, either party may request a hearing before the SOSC Hearings Board (see OAR 573-41-095).

(11) All subcommittees must have an accounting structure that will enable the production of monthly reports for review. Each subcommittee chairperson shall be expected to review the monthly reports with the subcommittee director as needed, and advise the full subcommittee on the status of each account.

(12) Any change in subcommittee expenditures from the approved budget must be reported and approved by the IFC.

(13) Subcommittees must identify income elements, the use of these funds, and discuss potential effects to their operating budgets if such income were not realized.

(14) Requests for supplemental funding from the IFC accounts shall be made by individual subcommittees only when the subcommittees do not have sufficient reserves to fund the particular need.

(15) If budget cuts are recommended due to unrealized income, the directors of each program shall be responsible, with the assistance of their
advisory subcommittees, for making those cuts. It is expected that there shall be minimal cutting of programs affecting students whenever possible.

Membership of Incidental Fee Committee

573-41-030 The IFC membership recognizes the broad-based campus interest and the constituencies served and, as such, is made up of officers of ASSOSC, faculty, and students-at-large. Membership of the IFC shall be composed of 13 persons, 11 of whom have voting privileges. A quorum shall consist of 6 students and 1 faculty.

(1) Student Membership (9):
   (a) ASSOSC Director of Administration and Finance (1);
   (b) ASSOSC Senators (4);
   (c) Students-at-large representing a broad base of students, selected by ASSOSC Committee on Committees using an application process, and approved by the ASSOSC Senate. The four at-large members shall not be ASSOSC senators.

(2) Faculty Membership (4):
   (a) Recommended by Dean of Students, two-year staggered terms (2);
   (b) Budget Director, Ex Officio, non-voting (1);
   (c) Dean of Students, Ex Officio, non-voting (1).

Authority to Operate

573-41-035 Authority to adopt by-laws and rules for the IFC is delegated by the State Board of Higher Education to the SOSC President. The Committee is authorized to recommend by-laws and rules to the ASSOSC for approval and transmittal to the President for final approval. In carrying out its authority, this committee shall do the following:

(1) Select its own Chairperson, Vice-Chairperson, and Secretary.
(2) Meet on an "as needed" basis, and meet on a scheduled basis at least one time per month.
(3) Establish additional subcommittees as it deems necessary.
(4) Conduct open hearings on the three major categories: the College Union operations; educational, cultural, and student government activities; and athletic activities.
(5) Consult with Director of Athletics (AAC), the Director of the College Union (CUAC), and the Associate Director of the College Union (EAAAC), or any other resource persons on campus to obtain the necessary information and recommendations to carry on its work.
(6) Provide notification of all committee meetings, including budget hearings, to The Siskiyou and the College Calendar at least three
academic working days prior to the meeting. All meetings to be held in conformity with the Public Meeting Law.

(7) The following actions shall take place prior to the close of fall term:

(a) Orient the IFC;
(b) Discuss distribution of budget instructions to subcommittees and encourage IFC members to attend subcommittee meetings;
(c) Review criteria for funding;
(d) Set time lines for receipt of AAC, CUAC, and EAAC budgets;
(e) Set time lines for conducting budget hearings.

(8) The IFC is responsible for conducting a joint in-service training of committee members, subcommittee members, and interested student groups. Such training shall include a review of incidental fee policies and procedures, the annual budget request, and the opportunity for those interested to present procedural questions to the IFC. This in-service training shall take place no later than the fifth week of the fall term.

Operating Procedures for Incidental Fee Subcommittees

573-41-036 Each of the subcommittees, in carrying out its authority as advisory to the IFC, shall do the following:

(1) Select its own student chairperson, student vice-chairperson, and secretary, who will be confirmed by the ASSOSC Senate.

(2) Meet on an "as needed" basis, and meet on a scheduled basis at least once a month. A quorum must be present to conduct business. No proxies shall be allowed.

(3) Conduct open budget hearings as outlined in OAR 573-41-037(5) and (6).

(4) Every effort should be made to schedule meetings early enough so they may be published in the College Calendar and The Siskiyou. The subcommittees should provide notification of all committee meetings, including budget hearings, early enough to be published in the College Calendar and The Siskiyou at least three academic working days prior to the meeting. All meetings of the subcommittees are subject to the Public Meeting Law, ORS 192.610 et seq.

(5) Send minutes of each meeting to the IFC Chairperson, the Dean of Students, and the ASSOSC President.

General Budget Guidelines for Incidental Fee Committee Subcommittees

573-41-037 The following guidelines pertain to the IFC subcommittees.
(1) The subcommittees shall identify income elements, indicate how they will be used, and provide information as to what would happen to operating budgets if such income were not realized.

(2) All subcommittees must have a formal accounting structure, with monthly reports available for review, to assure the managers that budgets and expenditures are on target. Such reports are to be forwarded, on a monthly basis, to the student union business office, where they will be made available for review by interested parties.

(3) Requests for funds from the IFC reserve must be initiated on the form "Application for Funding from the SOSC Incidental Fee Reserve" (such forms are available in the College Union office and the athletic department). The IFC shall consider all requests on the basis of emergency or contingency need. No consideration shall be given to any request that could have reasonably been anticipated but failed to be submitted through the normal budget process.

(4) If budget cuts are recommended due to unrealized income, the manager of each designated program shall be responsible for making those cuts with the assistance of their advisory subcommittees. It is expected that there shall be minimal cutting of programs affecting students whenever possible.

(5) The three subcommittees shall be required to hold at least two scheduled open hearings on their proposed budgets before submitting them to the IFC. All account managers (i.e., coaches, educational activities program managers) must present and justify their budget requests to the appropriate subcommittees at this time.

(6) Each subcommittee shall be given sufficient time to present and explain its budget to the IFC. All hearings shall be open and in accordance with the Public Meeting Law.

Educational Activities Advisory Committee

Function

573-41-040 A variety of educational and cultural activities funded by the incidental fee are available that enrich and supplement curricular programs, as well as provide opportunities for constructive use of leisure time. The EAAC oversees budget requests, holds hearings for requests from the IFC reserve, and monitors the expenditures of funds throughout the fiscal year.

Membership

573-41-045 The membership of this subcommittee shall be composed of 11 persons, 10 of whom have voting privileges. A quorum
shall consist of 5 students and 1 faculty. The Chairperson of the committee, in cooperation with the Associate Director of the College Union, will jointly present the budget to the IFC. All members have voting privileges except as noted.

(1) Student Membership (8):
   (a) Senators, recommended by the ASSOSC Committee on Committees, approved by the ASSOSC Senate (4);
   (b) Students-at-large, representing a broad base of students, selected by the ASSOSC Committee on Committees using an application process, and approved by the ASSOSC Senate. The at-large members shall not be ASSOSC senators (4).

(2) Faculty Membership (3);
   (a) Faculty recommended by Dean of Students (1);
   (b) Club advisor of the College Union (1);
   (c) Associate Director of the College Union, Ex Officio, non-voting (1).

College Union Advisory Committee

Function

573-41-050 The primary purpose of the College Union Advisory Committee (CUAC) is to help in the formulation of the Union budget and to be available to provide a sounding board for Union policies. The CUAC oversees budget requests, holds hearings for requests from the CUAC reserve, and monitors the expenditures of funds throughout the fiscal year.

Membership

573-41-055 The membership of this subcommittee shall be composed of 11 persons, 10 of whom have voting privileges. A quorum shall consist of 5 students and 1 non-student voting member. The Chairperson of the subcommittee, with cooperation from the Union Director, shall present the budget to the IFC. All members have voting privileges except as noted.

(1) Student Membership (8):
   (a) ASSOSC Senators (4);
   (b) Students-at-large, representing a broad base of students, selected by the ASSOSC Committee on Committees using an application process, and approved by the ASSOSC Senate. The at-large members shall not be ASSOSC senators (4).

(2) Other Membership (3):
(a) Community Representative, recommended by Dean of Students, two-year term (1);
(b) Alumnus, recommended by Dean of Students, two-year term (1);
(c) College Union Director, Ex Officio, non-voting (1).

Athletics Advisory Committee

Function
573-41-060 This subcommittee shall be responsible for recommendations concerning the development and operation of programs which encourage participation in physical development activities by all students at SOSC. This includes both a strong intramural program of mixed and varied activities, as well as intercollegiate athletic competition. These programs not only provide satisfaction to those who desire to participate in competitive sports, but also support the physical education curricular program aimed at the development and maintenance of a healthy body and lifetime recreational skills. Also, these programs provide spectator opportunities for SOSC and the wider community. The AAC oversees budget requests, holds hearings for requests from the AAC reserve, and monitors the expenditures of funds throughout the fiscal year.

Membership
573-41-065 The membership of this subcommittee shall be composed of 11 members, 10 of whom have voting privileges. A quorum shall consist of five students and 1 non-student voting member. The Chairperson of the subcommittee, with cooperation from the Athletic Director, shall present the budget to the IFC. All members have voting privileges except as noted.

(1) Student Membership (8):
(a) ASSOSC senators, recommended by the ASSOSC Committee on Committees, approved by ASSOSC Senate (4);
(b) Students-at-large, representing a broad base of students, selected by the ASSOSC Committee on Committees using an application process, and approved by ASSOSC Senate. The at-large members shall not be ASSOSC senators (4).

(2) Other Membership (3):
(a) Community Representative, recommended by Dean of Students, non-voting, two-year term (1);
(b) Alumnus, recommended by Dean of Students, two-year term (1);
(c) Athletic Director, Ex Officio, non-voting (1).
Southern Oregon State College Hearings Board

Function

573-41-085 If the President and ASSOSC cannot reconcile differences as to proposed modifications to the recommendations, then a Hearings Board shall be established. It shall hear testimony from both parties, provide written findings of fact, and make recommendations for resolution of the disagreement to both parties.

Membership

573-41-090 Membership of the Hearings Board shall be composed of five voting persons.

(1) Two senators shall be appointed by ASSOSC. Appointees shall not be members of the IFC or its subcommittees.

(2) A student-at-large will be mutually agreed upon. Prior to November 1 of each year, both parties will compile a list of students mutually acceptable to sit on the Hearings Board. Both parties shall select this fifth member from this list.

(3) Two faculty shall be appointed by the SOSE President with the same qualifications as in (1) above.

Hearings Board Process

573-41-095 (1) If the institution President and ASSOSC do not reach agreement within ten academic working days, either party may request a hearing board.

(2) A hearing shall be held within the next five academic working days. The SOSE President and the ASSOSC President shall be given notice of the time and place of the hearing at least 48 hours before the hearing. All meetings of the Hearings Board shall be open to the public and at least two academic working days’ notice shall be given.

(3) A representative of ASSOSC and the President (or designee) shall present to members of the Hearings Board relevant information that may include, but is not limited to, memoranda, budget requests, minutes, and correspondence.

(4) The Hearings Board shall make written findings of fact and recommendations for resolution of the disagreement and shall provide such findings and recommendations to both parties within five academic working days after the hearing.

(5) Both parties shall provide written notification to the Hearings Board within five academic working days as to whether they accept or reject the recommendations of the Hearings Board.
OSBHE Appeals Process

573-41-096 (1) After completion of the SOSC Hearings Board Process, the President shall recommend to the Chancellor the amount of incidental fee for the College. A representative of ASSOSC or IFC may appeal to the Chancellor the recommendations of the President regarding the amount of incidental fee or the allocation among the three major categories listed in OAR 573-41-005(1). Allocations among programs and activities within a major category are not subject to appeal. The Chancellor shall order a timely review of the appeal and shall communicate to the parties involved a decision in writing within a reasonable period of time.

(2) The Chancellor shall recommend to the OSBHE an incidental fee for each institution. Representatives of ASSOSC, the IFC, as well as members of the public, may appear in support of, in opposition to, or to request modification of, the recommended incidental fee in accordance with the provisions of OAR 580-01-005 (Procedural Rule for Changes and Additions to Administrative Rules). The Board will concurrently consider appeals of the substantial unresolved differences in the allocation of incidental fees among the three major categories. The Board will not consider allocations within a major category except in extraordinary circumstances or upon its own motion.

(3) Within one week or five academic working days after final action taken by the OSBHE, the SOSC President shall confer with the ASSOSC and IFC in making any necessary adjustments in the allocations. The SOSC President shall communicate the final action of the Board and the President in writing to the ASSOSC and IFC Chairperson.

Summer Incidental Fee Committee

Incidental Fee Committee

573-41-100 (1) The summer term IFC handles all business of the regular IFC according to established policies and procedures. This may include requests for summer use of incidental fees, including education activities, athletics, and College Union programs. The summer IFC acts as a sounding board for union policy changes that occur over the summer months and hears regular and emergency requests for athletic and/or activity funds needed during the summer and early fall months. The summer IFC meets on an "as needed" basis and meets on a scheduled basis at least once in the summer term. The summer IFC continues to act for the regular IFC and each of the subcommittees until the summer IFC Chairperson reports the actions and decisions of the summer IFC to the regular IFC. The summer IFC operates according to the operating procedures described in the Incidental Fee Guidelines and Procedures.
Meeting #635

November 18, 1994

(2) During the spring term the ASSOSC shall appoint four students, two ASSOSC senators and two students-at-large, who, along with the ASSOSC President (or designee) and one faculty member appointed by the Dean of Students, shall make up the Summer IFC. All student members must be registered students of SOSC. A quorum shall consist of three voting members.

Board Discussion and Action

Mr. Bailey moved and Ms. Christopher seconded approval of the staff recommendation. The following voted in favor: Directors Aschkenasy, Bailey, Christopher, Lee, Miller, Richardson, Trotman Reese, Willis, Wilson, and Swanson. Those voting no: none.

Introduction

The University of Oregon requested authorization to establish a program leading to a teacher licensure endorsement in Early Intervention/Early Childhood Special Education (EI/ECSE). The proposed program would be offered by the Early Intervention Area, a division of Special Education and Rehabilitation in the College of Education.

The EI/ECSE endorsement was established by the Teacher Standards and Practices Commission (TSPC) in the spring of 1994. The purpose of this new endorsement is to provide a state-approved credential for teachers working with disabled infants, toddlers, and preschool-age children and their families.

Early Intervention is a field that encompasses a knowledge and practice base directed to populations of children who range in age from birth to six years and who are disabled or at-risk for development of a disabling condition. Scholarly areas of focus include: atypical development; learning disorders in infants and young children; social interactions across families, peers, and community agents; ecological contexts of development (e.g., economic and health conditions); effects of intervention efforts; and content and structure of early intervention programs. Clinical or applied areas include: clinical skills for effective intervention with children and family members, team skills for participating on interdisciplinary assessment and intervention teams, programming and evaluations skills, and professional/interpersonal skills.
The proposed endorsement program involves a fine-tuning of existing courses offered by the University of Oregon and formalizes a current and ongoing program. The cost of this program is already covered through state funds and federal grants that support the existing program and faculty. No additional funds will be required to establish the proposed program. A copy of the full proposal is on file in the State System Office of Academic Affairs.

Staff Analysis

1. Relationship to Assigned Mission

The University of Oregon's mission includes instruction, research, and public service to advance scientific and humanistic knowledge and service. Programs of instruction are designed to provide high-quality education in professional preparation as well as in the liberal arts and sciences. The EI/ECSE endorsement will prepare credentialed professionals to provide needed services to disabled and at-risk children and their families.

2. Evidence of Need

The Early Intervention Program has existed at the University of Oregon since 1978. During that time it has successfully recruited well-qualified students. Graduates of this program have been sought by public and private agencies concerned with young children and their families, including public schools, regional programs, private, non-profit agencies, and federal programs such as Head Start. Every graduate who has desired a position in the field has procured one without difficulty and typically has several options from which to choose.

Recent changes in federal and state legislation and priorities suggest the need for qualified early intervention personnel will increase dramatically. For example, since July of 1991, states are required to provide a free appropriate education to all disabled three-, four-, and five-year-old children. In addition, the federal government is offering incentives for states to develop programs for the birth-to-two population. These changes will increase the number of children and families who are eligible for early intervention services. In a recent Oregon survey, 32 counties indicated that a lack of qualified personnel constitutes a serious
barrier to the development of programs. Given the recent establishment of the new endorsement by TSPC, students and professionals will be seeking university programs leading to this specialization.

3. Quality of the Proposed Program

The field of early intervention is relatively young, having developed over the past 15 to 20 years, with particularly rapid growth during the past five years. The Early Intervention Program at the University of Oregon was one of the first such programs in the nation. It has gained a national reputation in the field and is widely considered to be one of the top programs in the country.

4. Adequacy of Resources to Offer the Program

Faculty. The Early Intervention Program has three full-time faculty. All three are leaders in early intervention research, training, and model program development. The program director, Dr. Diane Bricker, is recognized nationally and internationally as one of the foremost authorities in this field. No additional faculty will be needed to establish the proposed program.

Library. Currently, the library has the majority of basic textbooks, reference materials, and journals necessary for students participating in this program. In addition, the Early Intervention Area has systematically purchased, through grant support, many other resources, which are available to students. No additional library resources are required.

Facilities and Equipment. The Center on Human Development has four large classroom areas especially designed as intervention spaces for young children. These classrooms are each equipped with bathroom and storage space. In addition, there are kitchen facilities, as well as indoor and outdoor play areas, available in the building. These classrooms have housed early intervention programs since the mid-1970s. Currently there are three separate programs that can serve as practica sites for students. No facilities beyond those now on hand will be required in support of the proposed program.

Budget Impact. The cost of the proposed program is already covered through state dollars supporting the Director of the Early
Intervention Area and through federal grants that support the remainder of the faculty. The facility is supported by the Center on Human Development, as well as by grant monies. No additional state funding will be required. Since 1978, more than $3 million in external grant support has been generated by University of Oregon faculty for support of Early Intervention programs. It is anticipated that the faculty -- who are considered leaders in the field -- will remain competitive in grant programs for many years.

5. Duplication

The EI/ECSE endorsement is newly approved by TSPC and, therefore, programs leading to it are not currently available at any institution of higher education in Oregon.

6. Program Review

The proposed endorsement has been extensively reviewed and institutionally approved by the University of Oregon College of Education. It has been submitted to TSPC for review and was positively reviewed by the Academic Council.

Staff Recommendation to the Board

Staff recommended the Board authorize the University of Oregon to offer a teacher licensure endorsement in Early Intervention/Early Childhood Special Education, effective upon approval, with a follow-up review to be conducted by the State System Office of Academic Affairs during the 2000-01 academic year. The proposal should be placed on the consent agenda for final action at the November Board meeting.

Board Discussion and Action (October 28, 1994)

In response to the question of whether or not this proposal was restoring a program that was cut during the Measure 5 downsizing, Vice Chancellor Clark clarified that special education programs were carefully guarded during the Measure 5 cuts. Rather, the elementary education programs at the University of Oregon were the ones that were eliminated. Provost Moseley underlined that this program has been in place for a number of years, largely funded by federal dollars, and that the item before the Board was one of awarding students licensure as now approved by the Teacher Standards and Practices Commission (TSPC).
Ms. Wilson inquired about the potential for sharing this program with other OSSHE institutions. Dr. Clark noted that while the issues of cooperation and collaboration are always examined, sometimes it is not feasible. "At this point, there are three faculty members delivering a program. They certainly could seed efforts in other parts of the state, but we're not really presenting it as a program that is bigger than a single-institution program. I don't believe we have the resources to make such a recommendation." Dr. Moseley added, "Certainly the faculty members would be happy to cooperate with other institutions, but they are operating at capacity right now."

When asked about the overall plan for OSSHE's educational choices, Dr. Clark indicated that three years ago a statewide teacher education plan was developed and presented to the Board. She offered to update that plan for Board review. "The whole area of teacher education -- because it has been so important in the State System's programs -- has also been an area where there is considerable duplication. Much of that, I think, is unnecessary, but these days we work very hard to be sure that if we shouldn't have more than one or two programs, that we don't spread it. In special education, though, we do have pressure from all corners of the state for teachers to add special education endorsements as second and third endorsements because they're very pressed by their school districts to have the endorsements and the versatility that brings and to meet these needs that are very evident in all school districts these days."

Mr. Richardson moved and Ms. Christopher seconded approval of the staff recommendation. The following voted in favor: Directors Aschkenasy, Bailey, Christopher, Miller, Richardson, Trotman Reese, Wilson, and Swanson. Those voting no: none.

Board Discussion and Action (November 18, 1994)

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

At the Board's urging, the Chancellor's Office continues to explore ways to streamline procedures and, where appropriate, to delegate authority to the Chancellor or designee.
In the past, the Board has approved the appointment of the Western Interstate Commission on Higher Education (WICHE) Certifying Officer. The current Certifying Officer, Virginia Boushey, will retire at the end of December. Rather than bring this item before the Board each time a new officer is appointed, staff proposed that the Board delegate authority to carry out its WICHE responsibilities to the Chancellor or designee. The Chancellor will then be able to appoint a WICHE Certifying Officer without further Board action.

Staff Recommendation to the Board

Staff recommended the Board delegate to the Chancellor authority to act on its behalf on matters relative to WICHE.

Board Discussion and Action

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

Dr. Large indicated earlier in the meeting that a report from the Public Information Committee would be forthcoming in December or January. Even with the resignation of Mr. Donahue and therefore loss of a chairperson, progress is being made. Dr. Large requested Mr. Swanson appoint a new chair.

Mr. Bailey reported that the Joint Boards Working Group had met November 9 in Salem. At that meeting, Roger Bassett and Greg McMurdo presented a synopsis of the just completed election. "We were relieved that Measure 15 did not pass. It is going to make it a lot easier to work with K-12 and community colleges," Mr. Bailey said.

A position paper on postsecondary governance is being crafted by the Joint Boards. The paper, which will be presented to the legislature, will address the current system of cooperation between the boards and suggest any modifications to that arrangement.

The Working Group is also tracking activity in the areas of teacher education and articulation, as well as other priorities previously identified by the Joint Boards.
Finally, distance education, the role of ED-NET, and other sources of information and program exchange are being examined by the Working Group. "It’s going to become a bigger issue, from both the financing and coordinating standpoints. We hope to have this as part of our agenda in January."

Staff Report to the Board

The first quarter investment report of the Pooled Endowment Fund of the Oregon State System of Higher Education for the period July 1, 1994 through September 30, 1994, 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 State System pooled endowment funds through September 30, 1994.

COMMON FUND SUMMARY

Equity Fund - ($36.9 million market value.) The Equity Fund had a total return of 4.0 percent for the quarter, which lagged behind that of the Standard & Poor's 500 Index (S&P 500), which returned 4.9 percent. For the calendar year to date, equity investments have had a total return of 1.0 percent.

During the quarter, the fund’s returns were hurt especially by poor performance in two strategies: hedge, where one manager’s results pulled down the overall result, and absolute return, which was previously known as long/short. The latter has been a disappointment to the Common Fund for some time; they are making manager changes with a view to improving performance and consistency. Overseas markets were, as a group, weaker than the U.S., which had a modest drag on performance although international equity investments were well ahead of the international index.

On the other hand, several strategies added value including growth, quality value, equity income, and small cap growth and value.

Bond Fund - ($23.6 million market value.) This fund had a total return of 0.9 percent for the quarter compared to 0.6 percent for the Lehman Aggregate Index. So far this calendar year, the fund is down 2.4 percent while the index is off 3.3 percent.
Throughout the year, the Bond Fund has been helped by its broad diversification, which has offered partial protection from the increases in the U.S. bond market. This continued to be true this quarter. Both the high-quality domestic managers and the global bond managers essentially tied the index. The excess return came from high yield and the private investments.

Market action this year has demonstrated that attempting to avoid credit risk, illiquidity, and exposure to foreign markets leaves a portfolio fully exposed to the impact of changes in domestic rates, which is not an attractive situation when those rates are rising as they have so far this year.

**Real Estate - (6/30/94 market value $4,508,000.)** The fund now owns 21 properties and is, in aggregate, 91 percent leased. Since inception, the net total return, annualized, has been 4.0 percent compared to -0.3 percent for the Russell/NCREIF Index. Now that the fund is fully invested and properties maturing, income distributions are expected to increase.

**Endowment Energy Partners I - (6/30/94 market value $1,139,000.)** The fund’s internal rate of return is 12.3 percent. Operating results during the quarter were strong, reflecting good economic fundamentals for oil and gas. The fund continues to be fully invested and is producing strong cash flow from interest and royalty payments.

**Endowment Partners I - (6/30/94 market value $880,000.)** The fund’s managers have now invested $35.8 million in 77 companies, bringing the fund to a level of 78 percent invested. Through June 30, the internal rate of return has been 13.6 percent. This is down from 17.1 percent last quarter, reflecting a drop in the value of the fund’s publicly traded securities.

**Endowment Venture Partners I - (6/30/94 market value $650,000.)** During the quarter the managers made 30 new investments totaling $62 million. These were almost equally divided between health care and information sciences. The net internal rate of return on capital drawn down is now 8.1 percent.

**OSSHE INVESTMENT PERFORMANCE**

The following tables present the investment performance results through the first quarter of 1994-95 for the OSSHE pooled endowment fund.
Board Discussion

Mr. Swanson asked Mr. Ihrig if it was best to have all the money in one fund as compared with dividing it into two or three funds. "It's all with the Common Fund," Mr. Ihrig responded, "but it is diversified with different managers. There is a group of managers who do equity investments, a group who do the fixed income investments, and then there are the special funds like the real estate investments. Instead of OSSHE interviewing and selecting investments managers, we've hired the Common Fund as our agent to do that. For the value of the endowment -- approximately $68 million -- I think it's probably the most effective way to get the diversification at the least overall cost. When you have endowments in the $200 million to $500 million range, then you might want to select your own managers based upon the type of performance you want to attain."

(No Board action required)
OREGON STATE SYSTEM OF HIGHER EDUCATION
1994–95 First Quarter Investment Report
Pooled Endowment Fund Investment Performance
Periods Ending 09–30–94
(Based on Total Return)

<table>
<thead>
<tr>
<th></th>
<th>CURRENT QUARTER</th>
<th>1 YEAR</th>
<th>3 YEARS</th>
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</thead>
<tbody>
<tr>
<td><strong>TOTAL ENDOWMENT</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OSSHE</td>
<td>2.6%</td>
<td>1.3%</td>
<td>8.5%</td>
</tr>
</tbody>
</table>

| **EQUITY (STOCK) INVESTMENTS** | |
| OSSHE—EQUITY FUND            | 4.1%            | 2.5%   | 9.6%    |
| S & P 500 STOCK INDEX        | 4.9%            | 3.7%   | 9.2%    |
| THE COMMON FUND EQUITY FUND  | 4.0%            | 3.8%   | 12.2%   |

| **FIXED (BOND) INVESTMENTS** | |
| OSSHE—BONDS                 | 0.8%            | -1.5%  | 8.7%    |
| LEHMAN AGGREGATE INDEX      | 0.6%            | -3.2%  | 6.2%    |

| **OTHER INVESTMENTS**       | |
| REAL ESTATE INVESTMENT TRUST| 1.2%            | -0.4%  | 1.4%    |
| ENDOWMENT ENERGY PARTNERS   | 1.2%            | 21.2%  | 12.6%   |
| ENDOWMENT PARTNERS FUND     | 1.2%            | 16.6%  | 5.6%    |
| ENDOWMENT VENTURE PARTNERS  | 0.0%            | 0.0%   | 1.1%    |

| **OSSHE—STOCKS/BONDS COMBINED** | |
| 2.8%                             | 1.0%            | 9.2%    |

| **WEIGHTED TARGET INDEX**      | |
| 60% S & P 500 STOCK INDEX      | 3.2%            | 0.9%    | 8.0%    |
| 40% LEHMAN AGGREGATE INDEX     |                 |        |         |

Note: All amounts are net of investment charges.
OREGON STATE SYSTEM OF HIGHER EDUCATION
1994–95 First Quarter Investment Report
Pooled Endowment Fund
Market Value

<table>
<thead>
<tr>
<th></th>
<th>Market 7–01–94</th>
<th>Market 9–30–94</th>
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<tr>
<td><strong>TOTAL ENDOWMENT</strong></td>
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<td>$68,976,405</td>
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<td><strong>EQUITY INVESTMENTS</strong></td>
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<td>Common Fund, Equity Fund</td>
<td>35,700,582</td>
<td>36,929,265</td>
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<td><strong>FIXED INVESTMENTS</strong></td>
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<tr>
<td>Common Fund, The Bond Fund</td>
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<td><strong>OTHER INVESTMENTS</strong></td>
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<td>Real Estate Investment Trust</td>
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<td>Endowment Energy Partners</td>
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<tr>
<td>Endowment Partners Fund</td>
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<td>Endowment Venture Partners</td>
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<td>Cash</td>
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<tr>
<td><strong>Total Other</strong></td>
<td>8,251,137</td>
<td>8,448,366</td>
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</table>
On May 22, 1992, the Board adopted a policy regarding the funding of intercollegiate athletics at the three universities. Following is a summary of the elements comprising that policy along with the action or response to each element by the institutions.

Policy Statement #1 Requires institutions to impose a surcharge, to average $1.00 per ticket, on all tickets sold to intercollegiate athletic events.

Response:

Each institution implemented a ticket surcharge program beginning with the 1992-93 academic year. It is virtually impossible to determine whether the surcharge has had a negative or positive impact on attendance, and thus income. For example, at Portland State University, attendance at regular season football home games increased by 12 percent from 1992-93 to 1993-94, and actual gate receipts increased by 16 percent. At Oregon State University, surcharge revenue on football tickets is expected to increase from $48,254 in 1993-94, to over $60,000 in 1994-95. At the University of Oregon, football attendance averaged 29,614 in 1991-92, dropped to 24,285 in 1992-93, and was back up to 29,239 in 1993-94. In women's basketball at the University of Oregon, attendance averaged 429 in 1991-92, and in 1993-94 it averaged 1,780. With positive as well as negative variations in attendance of this magnitude, it is obvious that more than the $1.00 surcharge was involved.

Policy Statement #2 Requires institutions to reduce 1991-92 budgeted expenditures by two percent, and requires athletic operating budgets for 1992-93, 1993-94, and 1994-95 to be within this reduced level. However, expenditures may increase beyond this level if additional revenues are generated. In September 1993, the Board modified the expenditure limitation to accommodate the extraordinary increases in tuition and the impact those increases have had on grant-in-aid costs for the athletic departments.

Response:

Each institution's athletic department has operated within the expenditure limitation guideline. Athletic departments, unlike most academic departments, have a fluctuating expenditure and revenue
pattern. Expenditures and revenue vary from the base year due to varying numbers of home games in football, invitation to bowl games, scheduling of basketball tournaments, etc. The following analysis makes allowances for those fluctuations from the base year by adjusting gross expenditures by the additional revenue over that of the base year (1991-92).

### Athletic Department Expenditures and Revenue

<table>
<thead>
<tr>
<th>University of Oregon</th>
<th>Actual 1992-93</th>
<th>Actual 1993-94</th>
<th>Budget 1994-95</th>
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</thead>
<tbody>
<tr>
<td>Exp. Limit. &amp; Revenue Base</td>
<td>$14,491,151</td>
<td>$14,363,572</td>
<td>$15,171,839</td>
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<tr>
<td>Gross Expenditures</td>
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</tr>
<tr>
<td>Adjustment for additional revenue</td>
<td>&lt;2,420,452&gt;</td>
<td>&lt;1,708,061&gt;</td>
<td>&lt;2,136,788&gt;</td>
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<td>Expenditures</td>
<td>$13,198,395</td>
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<td>Revenue</td>
<td>8,895,029</td>
<td>11,315,481</td>
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<th>Oregon State University</th>
<th>Actual 1992-93</th>
<th>Actual 1993-94</th>
<th>Budget 1994-95</th>
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<tr>
<td>Exp. Limit. &amp; Revenue Base</td>
<td>$11,809,374</td>
<td>$12,151,475</td>
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<td>Revenue</td>
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<th>Portland State University</th>
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<th>Budget 1994-95</th>
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<td>Exp. Limit. &amp; Revenue Base</td>
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<td>$ 2,955,719</td>
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<td>Gross Expenditures</td>
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<td>Adjustment for additional revenue</td>
<td>&lt;23,272&gt;</td>
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<td>Expenditures</td>
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<td>2,575,774</td>
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<tr>
<td>Revenue</td>
<td>2,183,811</td>
<td>2,207,083</td>
<td>2,446,375</td>
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**Note:** Revenue does not include lottery receipts and, for the University of Oregon and Oregon State University, it also does not include incidental fee support.
Policy Statement #3 Requires that athletic departments continue to pay interest on the accumulated operating deficit, but principal payments will be deferred through 1994-95.

Response:

Each athletic department has continued to pay interest on its accumulated operating deficit. However, each athletic department has made some progress in reducing its deficit. Portland State University had a deficit of $1,609,329 as of June 30, 1991. As of June 30, 1994, Portland State University has reduced the deficit to $900,818 with a plan to have the deficit eliminated by June 30, 1998. Oregon State University had a deficit of $3,001,338 on June 30, 1991. As of June 30, 1994, Oregon State University has reduced the deficit to $2,642,000. The University of Oregon had a deficit of $1,728,537 on June 30, 1991; as of June 30, 1994, it has a positive fund balance of over $100,000. Understanding the circumstance surrounding the elimination of the University of Oregon deficit is somewhat complex because it involves the reclassification of certain funds from "restricted" to "unrestricted." After the completion of the Autzen Stadium construction project, the Controller’s Office and Internal Audit Division of the Chancellor’s Office determined that, based on accepted accounting principles, certain fund balances and revenue streams that had been dedicated (restricted) to the Autzen Stadium construction project by the institution were, in fact, unrestricted revenue streams and fund balances. With this reclassification to unrestricted revenue and fund balances, proper accounting dictated that these balances be included in the operating statements of the Athletic Department. With the inclusion of these balances into the Athletic Department’s operating statement, the Department’s operating deficit was eliminated. However, the University of Oregon Athletic Department continues, in their planning, to internally designate these unrestricted revenues to the Autzen Stadium construction project, and thus has set a goal of accumulating operating balances to offset the prior operating deficits. The Chancellor’s Office considers the University of Oregon no longer in a deficit situation.

Policy Statement #4 Support the efforts of members of institution foundations and other organizations raising funds for athletics, as well as those seeking to raise funds from private corporations.
Response:

At Portland State University, corporate and private giving grew over ten percent from 1992-93 to 1993-94 ($226,960 to $250,440). The administration at Portland State University feels that its investment in development personnel has already paid dividends, and they are optimistic that giving will continue to grow in the years to come. At Oregon State University, revenue from the Beaver Club grew 20 percent from 1992-93 to 1993-94 ($1,000,000 to $1,200,000), and corporate giving grew from $145,500 in 1993 to $247,250 in 1994. At the University of Oregon, private giving was $1,585,387 in 1991-92, dropped to $1,292,650 in 1992-93, but was back up to $1,694,660 in 1993-94. Corporate giving was $976,348 in 1991-92, and in 1993-94 it was $2,846,660. Within the corporate amount for 1993-94 is a $2,000,000 endowment to fund the football coach's salary.

Policy Statement #5  If operating expenditures exceed revenues after the imposition of the above policies, then institutions are authorized to use institution resources for the support of nonrevenue sports.

Response:

In 1991-92, the year that established the base for the Board's policies on athletic funding, institution resources to balance the budgets for both the University of Oregon and Oregon State University were projected at over $1.9 million. The Board's athletic funding policy does not limit the amount of institution resources that can be applied to balance the athletic department budget. However, the athletic funding policy does limit the size of the athletic department budget. Therefore, if gate receipts, gifts, etc., fall short of funding the budget, the institution has the authority to balance the budget with institution resources. From 1991-92 through the budget for 1994-95, at the University of Oregon and Oregon State University, institution resources have averaged $2.08 million per year. The difference between the $1.9 million of institution resources initially projected for 1991-92 and the slightly more than $2.0 million actually applied can easily be accounted for in the extraordinary increase in grant-in-aid costs resulting from the post-Measure 5 tuition increases. In the budget allocations for 1992-93, the Board allocated $1.5 million to the
University of Oregon and Oregon State University to assist with this need for institution resources to fund athletics, and Portland State University was allocated $350,000. Normal inflationary adjustments of this initial allocation over this four-year period have provided the University of Oregon and Oregon State University on average $1.6 million per year and Portland State University $373,000 per year. The fact that the University of Oregon and Oregon State University provided athletics more than the allocation provided by the Board for this purpose does not mean they did not comply with all the Board's funding policies. It means that the normal revenue stream was not sufficient to meet even the reduced expenditure plan.

Board Discussion

Vice Chancellor Ihrig summarized the report, concluding that the May 1992 Board policy statements regarding funding of intercollegiate athletics have been effective. "The athletic departments have been successful in holding their expenditures. In addition, they have reduced the deficit -- which was not a part of the Board's policy -- by 46 percent."

Mr. Miller asked for an explanation of the accounting principle of reclassifying Autzen Stadium. Mr. Ihrig responded that gift monies had originally been classified as restricted for spending only on Autzen Stadium. However, when the gifts and the way they were made were re-examined, it became clear they could be used for the general support of athletics and not a dedicated gift.

Mr. Miller also asked if there was an opportunity to do anything more with the surcharge that the Board instituted in 1992. Vice Chancellor Ihrig responded that on the mixed basis of ticket sales, it's difficult to determine whether the surcharge has made money or cost money. "The dollar surcharge works great when there is a team everyone wants to see. When the goal is to open and encourage fan participation, when a team's results are mixed, then a surcharge can turn fans away. I would like to suggest that it's a decision better left with the individual athletic departments, to be based on where they think they can maximize fan participation and revenues."

Dr. Aschkenasy expressed his gratification about the results of the policy and asked Board Secretary Thompson to send letters on his behalf to the athletic directors and institution presidents. Mr. Ihrig added his thanks for
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the work of Dave Quenzer in the implementation of the policy. President Swanson also recognized the hard work of staff in the State System.

(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

Basic Science Acid Waste Neutralization System Upgrade, OHSU
An agreement was negotiated with Glumac & Associates, Inc., of Portland, for engineering services not to exceed $7,000. Financing will be provided from capital repair funds.

HMSC Geotechnical/Seismic Survey, OSU
An agreement was negotiated with Foundation Engineering, of Portland, for engineering services not to exceed $5,750. Financing will be provided from a federal grant.

Industrial Building Reconstruction, OSU
An agreement was negotiated with McBride Architects, P.C. of Beaverton, for architectural services not to exceed $157,000. Financing will be provided from state restoration funds.

Milam Hall Third Floor Remodel, OSU
An agreement was negotiated with RSS Architecture, P.C., of Woodburn, for architectural services not to exceed $8,746. Financing will be provided from state funds.

Property Administration Building Special Testing, OSU
An agreement was negotiated with Foundation Engineering, Inc., of Corvallis, for engineering services not to exceed $3,500. Financing will be provided from gifts.
Award of Construction Contracts

Basic Science Building, 5th Floor Renovations for Cancer Center Project, OHSU
On September 22, 1994, Shimizu America Corporation was awarded a contract for this project in the amount of $242,370. Financing will be provided from building use credits and gifts.

Boiler Stack Installation Project, OSU
On September 27, 1994, Crorey Mechanical Engineering & Construction, Inc., was awarded a contract for this project in the amount of $178,450. Financing will be provided from Article XI-G bonds.

Gilbert Hall Classroom Renovation Project, UO
On September 7, 1994, McKenzie Commercial Contractors, Inc., was awarded a contract for this project in the amount of $167,792. Financing will be provided from gifts and physical plant repair funds.

Neurosensora Research Center Phase I and Phase II and University Hospital South Elevator Procurement Project, OHSU
On July 20, 1994, Montgomery Elevator Company was awarded a contract for this project in the amount of $1,756,741. Financing will be provided from Article XI-F(1) bonds and gifts.

(No Board action required)

Vice Chancellor Ihrig indicated that a copy of the fall enrollment numbers were in the Board packets. "Essentially, enrollments are at 59,416, which is within 100 or so of last year's enrollment. We hope to bring the final budget implications of those enrollment figures to the Board in January."

Mr. Grattan Kerans noted that, aside from Measure 8, the budget implications for higher education can be considered positive. "Let me tell you what brings me to that conclusion. Ballot Measure 5 was defeated and Ballot Measure 15 was crushed."

Gratten Kerans made some post-election observations. First, he remarked that the State System of Higher Education should be aggressively positive about the outcome of the recent election. "Setting aside Measure 8, most of the results have a potential positive impact for higher education. What really occurred was a victory for representative government and a turning away, in the main, from government by initiative. In my opinion, I think
the State System is in a relatively good position. For example, Governor-elect Kitzhaber, in the budget proposal he released, dedicated more resources to the State System than the budget submission the Board approved in July.

"The elections handed us a different set of circumstances than we thought they might and now we need to get our minds around that. In the legislature, the political implications are very direct. There was a complete change-over from much more seasoned, metropolitan leadership to a new, rural Republican leadership. Their view is from the corners of the map looking at the 'valley' and it is no longer the 'valley' looking out. Clearly, there is a significant difference and that will be demonstrated on the legislative agendas, although those may or may not affect us directly.

"With reference to the measures, passage of Measure 8 is a significant problem for us. We can be sure there will be a recount and there will be litigation. For the crime bills, there will be a down payment in the coming biennium and that will grow in 1997-1999 and in 2001 when fully implemented. But in the near term, the position you have taken and which is being reported to the legislature that you assume that this is a foundation budget, that it is one that will carry the State System and your obligation to public higher education out on a path that rises ahead of you. I believe you can operate on the assumption that can be achieved in this session and that the major roadblocks have been removed."

Mr. Miller asked what potential areas of differences related to higher education exist between the Governor-elect and the legislature just because of the partisan or philosophical differences. Mr. Kerans indicated that was difficult to answer at the present time. Chancellor Cox indicated that he and Mr. Kerans would be going around the state meeting with newly elected representatives and would have a better sense by the end of December.

Mr. Swanson observed that the State System should talk more about investment in the state and continuing to build the infrastructure. "If we don't have enough money in state government to do some of the things we think are necessary, then we ought to take the money that we have and spend it in areas where people have been good stewards of the money and where they are getting results. We have a really powerful story to tell in that regard."
Mr. Lee reported that he, Dr. Shirley Clark, and Dr. Virginia Thompson met regarding the student life issues. "The ultimate goal is to educate Board members about student life issues. Each school term, we'll pick a topic. Tentatively we'll start with career planning, then financial aid, then disenfranchised groups." Mr. Swanson thanked Bobby for his initiative and work in this area.

Ms. Wilson thanked Dr. Cox for bringing the Oregon Health Sciences University discussion to the Board. "That's the kind of issue that should come to the Board. I think it's good to discuss those kinds of complex policy questions in public." Dr. Cox shared credit with Bob Bailey, who had encouraged him to bring this before the Board.

Mr. Swanson expressed his preference that the December executive meeting be changed to a full Board meeting. Dr. Cox concurred, adding that presidents other than Dr. Kohler would not be required to attend.

Mr. Bailey commented that the Board should be prepared on how to respond responsibly to the ramifications of Measure 8, especially in light of the work burdens and salary freezes imposed on faculty and staff in the last biennium.

Ms. Puentes indicated her enjoyment of her first Board meeting. "I look forward to working with all of you. It's a pleasure to work with a board in the area of education because I'm really committed to public education."

ADJOURNMENT The Board meeting adjourned at 2:30 p.m.

Virginia L. Thompson
Secretary of the Board

Les M. Swanson, Jr.
President of the Board