REGULAR MEETING OF THE
OREGON STATE BOARD OF HIGHER EDUCATION

October 20, 1995

ROLL CALL 421

MINUTES APPROVED 421

PRESIDENT’S REPORT 421
  OSSHE Long-Range Planning

CHANCELLOR’S REPORT 421
  OIT’s Niche
  Introduction, E. Dennis (OSL)
  Confirmation of Degrees
  Current Conversations About OSSHE
  IFS Report 423

ACTION ITEMS

  Finance and Administration
  Adoption of Purchasing & Contracting Administrative Rules 423

  President’s Residence Acquisition, WOSC 442

  Recommendation for Investment Consultant 443

  Academic Affairs
  Residency Rules 444

CONSENT AGENDA

  Confirmation of Institutional Degree Lists 449

  Academic Affairs
  B.A./B.S. in Community Development; 450
  Terminate Certificate in Urban Studies, PSU
REPORT ITEMS

Corporate & Federal Affairs 454
• Federal Relations 455
• Legislative Affairs Activities 456

Finance and Administration
Proposal to Form a UO Research Corporation 456

Semi-Annual Report on capital Construction Projects 461

Academic Affairs
The Oregon International Internship Program 464

ROUTINE ITEM

Finance and Administration
Summary of Facilities Contracting Activities 467

COMMITTEES
Joint Boards Working Group 469
Presidential Search Committee, OSU
OHSU Board

ITEMS FROM BOARD MEMBERS 469

WORK SESSION: Student Life Issues Forum:
College Costs & Student Financial Planning 469

ADJOURNMENT 478
ROLL CALL
The meeting of the State Board of Higher Education was called to order at 10:05 a.m. by President pro tem Bob Bailey.

On roll call, the following answered present:

Ms. Diane Christopher  Ms. Esther Puentes
Mr. Tom Imeson  Ms. April Waddy
Ms. Gail McAllister  Mr. Jim Willis
Mr. Bob Bailey

Mr. Les Swanson and Dr. Herb Aschkenasy were out of the country. Mr. Rob Miller was absent due to a business conflict. Mr. Mark Rhinard, a nominated but unconfirmed Board member, was in attendance.

MINUTES APPROVED
The Board dispensed with the reading of the minutes of the September 15, 1995, meeting of the Board. Mr. Willis moved and Mr. Imeson seconded the motion to approve the minutes as submitted. The following voted in favor: Directors Christopher, Imeson, McAllister, Puentes, Waddy, Willis, and Bailey. Those voting no: none.

PRESIDENT'S REPORT
Mr. Bailey thanked President and Mrs. Wolf for their hospitality at the reception and dinner the previous evening. He also congratulated President Wolf and Provost Dow for the excellent and informative campus visit.

OSSHE
Long-Range Planning
Mr. Bailey acknowledged the increased media attention to activities of the State System. He reminded the Board that current conversations are based on ideas that have been on the table for quite some time. He noted that the Board has always kept the good of the state, and especially the students, at the heart of every decision. Mr. Bailey indicated that, at the November Board meeting, there would be in-depth discussion of three of four major issues regarding OSSHE in the future.

CHANCELLOR'S REPORT
OIT's Niche
Chancellor Cox recognized the unique niche that Oregon Institute of Technology fills in the region. Dr. Cox referred to the ongoing conversations between Community College Commissioner Bassett, President Wolf, and
himself about ways that the demand for community college classes could be met in Klamath County utilizing the existing campus of Oregon Institute of Technology. Dr. Cox indicated that they are close to drafting a memorandum of understanding.

The Chancellor introduced Mr. Ed Dennis who, in January, will replace Mr. Rob Nosse as executive director of the Oregon Student Lobby (OSL).

Dr. Cox directed Board attention to a routine item on the agenda: the confirmation of degree lists. “Over this past year, we conferred 12,573 degrees,” said Dr. Cox. “The student base in our System is 59,500. Over a traditional four-year cycle, about 80 percent of the cohort completes its work, and that’s phenomenal.”

Chancellor Cox reintroduced the issues of reexamining OSSHE. “We have to raise questions about ourselves,” said Dr. Cox. “Are we doing the right things in the right places and in the right ways? Are we providing the state the maximum return on investment?” Referring to Education Unbounded, the 2010 Panel document, he noted that access, both financial and geographic, is one area that needs to be examined. “That is a seminal document for us. It speaks to questions of our relationship with the state and led to SB 271.” The Chancellor described ongoing conversations among presidents and senior staff, looking at higher education and how it correlates with the Governor’s agenda.

Dr. Cox distributed a copy of a recent letter from Governor Kitzhaber in which the Governor underscores his commitment to both the continuum of education and to pursuing his key goals for Oregon, which include economic stability. The Governor also addressed the process of examining OSSHE and noted that he will invite public discussion early in the year. “The presidents and I are absolutely committed to that conversation, to working with the Governor. With help from the presidents, I will respond to this letter. This activity with the Governor has ramifications far beyond where we presently sit because decisions we make now about where OSSHE needs to be in the next century will either allow or prevent us from being there.”

The Chancellor also explained what is portrayed by the media as vast disagreement among presidents about these conversations. “We’re academics, and sometimes the general public doesn’t understand how academics work. We throw ideas up on the board and then the rest of us shoot at them; then we put them together in different ways. That’s just how we’ve been trained. We’re so accustomed to doing this publicly that sometimes we have difficulty
Meeting #645

conveying to our external publics that's what we're doing. It's debate. It's dialogue. It's the academic way of working toward a conclusion."

The Chancellor directed Board attention to two documents in their packets -- one which describes the points by which this process will be directed, and the second which describes the process itself. He underlined the fact that both documents are in draft form, but that they are a starting point for what will be presented at the Board meeting in November.

Finally, Dr. Cox reminded the Board of the work of the task force on graduate study and research, which Vice Chancellor Clark will staff and President Byrne will chair. These two areas are key to Oregon's future.

IFS Report

Dr. Connell reported that, after lengthy discussion at the October meeting of the Interinstitutional Faculty Senate (IFS), the faculty recognized the Board's need to consider various options to most efficiently utilize OSSHE resources and position the State System more effectively within the state. Dr. Connell indicated the faculty's willingness to provide input and support for the critical work ahead.

ADOPTION OF PURCHASING & CONTRACTING ADMINISTRATIVE RULES

As reported at the September Board meeting, OSSHE staff has been working with institutional staff and others to develop administrative rules for purchasing and contracting under the authority given the Board by the Higher Education Administrative Efficiency Act. The rules are designed to:

- establish competitive procedures that are flexible enough to allow campuses to purchase and contract in a way that most suits their institutional organization;
- reduce prior approvals and ensure accountability through post-auditing;
- generate and retain only necessary documentation;
- develop procedures that will allow campuses to use the most appropriate procurement methods and encourage innovation;
- allow campuses to work cooperatively with each other and other governmental units; and
- allow institutions to do business more easily with local and regional vendors.

The rules also allow institutions to develop their own procedures if they believe that other procedures will better meet the purposes established in the
rule. Finally, the rules contain a code of ethics that will apply to all employees who are involved in purchasing and contracting regardless of whether they are using these rules or rules adopted by an institution.

Staff Recommendation to the Board

Staff recommended that the Board adopt Administrative Rules, OAR 580-040-0200 through -0295, as follows.

Board Discussion and Action

Vice Chancellor Ihrig summarized the salient points and overarching concepts and goals of the proposed purchasing and contracting rules. Ms. Christopher asked if a result of SB 271 was greater or lesser Board accountability regarding purchasing and contracting. Mr. Ihrig responded that the Board's authority and responsibilities are greater. He explained that, under the former rules, the Department of Administrative Services held an oversight role that now is part of the Board's role.

Mr. Imeson indicated his support of the appropriate flexibility allowed to campuses in how procurement is accomplished, and also his sense that the code of ethics is a very important part of these rules. He asked two questions. One, are there sufficient sanctions accompanying this code of ethics so that violations of the code are dealt with appropriately? Second, will there be a “user-friendly” guide to these rules so they can be easily understood and implemented? Mr. Ihrig responded that training of campus individuals who will be implementing the rules will be handled by each campus. Regarding sanctions, they are the same sanctions that are currently in place. Mr. Ihrig explained that this is one reason that post-auditing by the Internal Audit Division is so important. However, the goal is not to tighten down bureaucracy in order to prevent one or two individuals from engaging in illegal activities.

Mr. Willis asked if there will be additional work for the Internal Audit Division as a result of these rules. Vice Chancellor Ihrig responded that work will be conducted differently. “We have information systems to improve the flow of information and we use computer techniques to do the work ‘smarter.’” He noted also that the State Auditor conducts compliance audits, and the federal agencies audit sponsored research. In addition, as of July 1, the workload no longer includes Oregon Health Sciences University. Mr. Ihrig said, “Realistically, having coverage in spot checking and review is more
effective than having five sign-offs on every transaction. In those cases, after the second person signs off, it costs money to process but there is no control.”

Ms. Christopher asked if there will be much variation among campuses as they devise their own implementation procedures and rules. Mr. Ihrig replied affirmatively. He indicated that the underlying question he asks every time processes are proposed is: If you’re adding additional steps or processes, is the value-added test met? The goal is not to make people feel more comfortable with a procedure or to replicate time-honored but not useful traditions.

Mr. Bailey inquired if purchases on the exempt list will be audited. Mr. Ihrig responded that it doesn’t matter whether or not they’re on the exempt list, but rather if it’s the actual act of purchasing and acquiring.

On roll call, the following voted in favor: Directors Christopher, Imeson, McAllister, Puentes, Waddy, Willis, and Bailey. Those voting no: none.

Note: Underlined material denotes addition.

Purpose
580-040-0200 The purpose of the rules outlined in Oregon Administrative Rules Chapter 580, Division 040, Sections 0200 through 0295, is to:

(1) Establish competitive procedures that are flexible enough to allow campuses to purchase and contract in a way that most suits their institutional organization;
(2) Reduce prior approvals and ensure accountability through auditing;
(3) Generate and retain only necessary documentation;
(4) Develop procedures that will allow campuses to use the most appropriate procurement methods and encourage innovation;
(5) Allow campuses to work cooperatively with each other and other governmental units; and
(6) Allow institutions to do business more easily with local and regional vendors.

Code of Ethics
580-040-0205 (1) The following Code of Ethics shall act as a guideline for employees to follow in contracting and purchasing.

(a) Give first consideration to the objectives and policies of OSSHE and the institution.
(b) Strive to obtain the maximum value for expenditures.
(c) Grant all competitive suppliers equal consideration insofar as state or federal statutes and institutional policies permit.

(d) Conduct business with potential and current suppliers in an atmosphere of good faith, devoid of intentional misrepresentation.

(e) Demand honesty in sales representation whether offered through the medium of an oral or written statement, an advertisement, or a sample of the product.

(f) Encourage all segments of society to participate by demonstrating support for emerging small, disadvantaged, and minority-owned and women-owned businesses, and Qualified Rehabilitation Facilities.

(g) Consistent with the provisions of ORS 244, decline personal gifts or gratuities from any current or potential supplier of goods or services to OSSHE or its institutions.

(h) Refrain from knowingly engaging in any outside matters of financial interest incompatible with the impartial, objective, and effective performance of duties. Activities that may create a conflict of interest must be addressed in accordance with the procedures outlined in OSSHE's Internal Management Directives.

(i) Receive written consent of originator of proprietary ideas and designs before using them for competitive purchasing purposes.

(2) Foster fair, ethical, and legal trade practices.

(2) The Code is for use only by OSSHE and its institutions and creates no enforceable obligations for contractors, proposers, bidders, or other parties doing business with OSSHE nor may it be used by contractors, proposers, bidders, or other parties doing business with OSSHE who are challenging actions taken by OSSHE, its institutions, officers, employees, or agents.

Delegation of Authority

580-040-0210 (1) Institutions of OSSHE may follow the procedures in OAR 580-040-0223 to 580-040-0295 or may develop and promulgate their own procedures by Administrative Rule for purchasing and contracting provided that such procedures ensure competitive practices. Procedures developed by the campuses must be approved by the OSSHE Vice Chancellor for Finance and Administration prior to adoption.

(2) Notwithstanding section (1) of this rule, institutions shall be subject to:

(a) OAR 580-040-0223;
(b) OAR 580-040-0228;
(c) OAR 580-040-0290;
(d) OAR 580-040-0292; and
(e) OAR 580-040-0295.
(3) For those institutions following OAR 580-040-0223 to 580-040-0295, the Oregon State Board of Higher Education delegates authority to each OSSHE president to develop guidelines and oversee practices regarding the purchasing and procurement of, and contracting for, goods and services at each respective campus consistent with these rules.

(4) OAR 580-040-0223 to 580-040-0295 provide procedures to be used for purchasing and contracting except for:

(a) Contracts covered under the following Oregon Administrative Rules:

(A) OAR 580-040-0100 -- Screening and Selection for Personal Services Contracts; or

(B) OAR 580-050-0032 to 580-050-0042 -- Facilities contracting; or

(b) Where an OSSHE institution has adopted its own rules, consistent with OAR 580-040-0223 to 580-040-0295, to cover purchasing and contracting.

Definitions

580-040-0215 The following definitions shall apply to all Oregon Administrative Rules contained in this division unless the context requires otherwise:

(1) "Bid": A competitive offer, which is binding on the bidder, in which price, delivery (or project completion), and conformance with specifications and the requirements of the Invitation to Bid or other competitive bidding method will be the predominant award criteria.

(2) "Bidder": A person or entity offering to supply goods or services to OSSHE or any of its institutions in response to an Invitation to Bid or other competitive bidding method.

(3) "Closing": The date and time announced in the solicitation (e.g., Invitation to Bid or Request for Proposals) as the deadline for submitting bids or proposals.

(4) "Competitive Process": The process of procuring goods and services by fair and open competition, under varying market conditions, with the intent of minimizing opportunities for favoritism and assuring that contracts are awarded equitably and economically using various factors in determining such equitability and economy.

(5) "Competitive Quotes": The solicitation of offers from competing bidders. The solicitation may be accomplished by advertisement and/or by OSSHE or any of its institutions initiating a request to vendors to make an offer. The solicitation and the offer may be in writing or oral.

(6) "Contract": The written agreement, including OSSHE's or any of its institution's solicitation document and the accepted portions of a bid or proposal, between OSSHE or any of its institutions and the contractor.
describing the work to be done and the obligations of the parties. Depending upon the goods and services being procured, OSSHE or any of its institutions may use "contract" as meaning a purchase order, price agreement, or other contract document in addition to OSSHE's or any of its institution's solicitation document and the accepted portions of a bid or proposal.

(7) "Contract Price": The total of the awarded bid or proposal amount, including any approved alternates, and any fully executed change orders or amendments.

(8) "Contractor": The individual, firm, corporation, or entity awarded the contract to furnish OSSHE or any of its institutions the goods, services, or work procured through a competitive process.

(9) "Days": Calendar days, including weekdays, weekends, and holidays, unless otherwise specified.

(10) "Electronic Data Interchange (EDI)": The movement of electronic information from computer to computer. The electronic transfer of standard business transaction information between organizations in a structured application.

(11) "Emergency": Not reasonably foreseeable circumstances that create a substantial risk of loss, damage, interruption of services, or threat to the public health or safety that requires prompt execution of a contract to remedy the condition.

(12) "Emerging Small Business (ESB)": The meaning given in ORS 200.005(3) and (4).

(13) "Facsimile": Electronic equipment that communicates and reproduces both printed and handwritten material. If used in conjunction with a reference to a document (e.g., facsimile bid), the term refers to a document (in the example given, a bid) that has been transmitted to and received by OSSHE or any of its institutions via facsimile.

(14) "Invitation to Bid": The solicitation of competitive, written, signed, and sealed bids in which specification, price, and delivery (or project completion) are the predominant award criteria.

(15) "Minority Business Enterprise (MBE)": The meaning given in OAR 125-030-0000.

(16) "Opening": The date, time, and place announced in a solicitation for the public opening of written, sealed bids or proposals.

(17) "OSSHE": Oregon State System of Higher Education.

(18) "Price Agreement": A non-exclusive agreement in which the contractor agrees to provide specific items or services to OSSHE or an institution at a set price during a specified period of time.

(19) "Proposal": A competitive offer, binding on the proposer and submitted in response to a Request for Proposals, where proposal evaluation and contract award are based on criteria such as proposer qualifications and
experience, product features and characteristics, service quality and efficiency, and conformance with the specifications and requirements of the solicitation. Price may be an evaluation criterion for proposals, but will not necessarily be the predominant basis for contract award.

(20) "Proposer": A person or entity who submits a proposal in response to a Request for Proposals.

(21) "Qualified Vendor Listing": A list of vendors identified from a Request for Qualifications or Request for Information who are able to provide specific goods or services. Vendors on the list are not, however, under contract to provide those goods or services.

(22) "Request for Information (RFI)"; A written document soliciting information regarding products or services that OSSHE or an institution is interested in procuring. An RFI should describe the purpose of the procurement and the method to be used in evaluating the responses received.

(23) "Request for Proposal (RFP)"; The solicitation of written competitive proposals or offers to be used as a basis for making an acquisition or entering into a contract when specification and price will not necessarily be the predominant award criteria.

(24) "Request for Qualifications (RFQ)"; A written document soliciting information regarding the qualifications of providers of services OSSHE or an institution is interested in procuring. An RFQ should describe the services that are needed and the method to be used in evaluating the responses received.

(25) "Requirements Contract": An agreement in which a single contractor agrees to supply all of OSSHE's or any of its institution's requirements for specific goods, equipment, or services that arise during a specified time period.

(26) "Responsible Bidder or Proposer": Has the meaning given in OAR 580-040-0275.

(27) "Responsive Bid or Proposal": Has the meaning given in OAR 580-040-0277.

(28) "Retainer Agreement": An agreement by which, pursuant to a formal Request for Proposals or bid process, multiple contractors are authorized to provide specific supplies or equipment to or perform specific services for OSSHE or its institutions in response to requests for price quotations.

(29) "Single Seller": The only vendor of a particular product or service reasonably available. If OSSHE or one of its institutions chooses to procure a particular product or service that is only available from one vendor, documentation must be maintained to support the determination that the product or service is available only from that one seller.
(30) "Solicitation Document": An Invitation to Bid or Request for Proposals, which includes all documents, whether attached or incorporated by reference, utilized for soliciting bids or proposals.

(31) "Women Business Enterprise (WBE)". The meaning given in OAR 125-030-0000.

(32) "Work": The furnishing of all materials, equipment, labor, and incidentals necessary to successfully complete any individual item or the entire contract and the timely carrying out and completion of all duties and obligations imposed by a contract.

Designation of Purchasing Agents and Contract Officers

580-040-0220 Each institution president shall designate staff authorized to enter into purchasing and contracting agreements for the institution. Such staff, referred to as authorized personnel, shall be the only individuals who may procure supplies, equipment, and services and enter into contracts.

(1) The chief administrative officer of each institution shall keep a list, either by name or by title, of those designated authorized personnel along with a description of the types and amounts of procurements and contracts they are authorized to enter into.

(2) Purchasing and contracting agreements issued by individuals not designated as authorized personnel shall be void.

(3) Authorized personnel shall be responsible for ensuring that the proper procedures, as detailed in OAR 580-040-0223 to 580-040-0295, are followed for all institutional procurements. Institutions may take appropriate action in response to expenditures authorized contrary to OAR 580-040-0223 to 580-040-0295. Such actions include, but are not limited to, providing educational guidance, imposing disciplinary measures, and holding individuals personally liable for such expenditures.

Applicable Model Public Contract Rules

580-040-0223 The following provisions of the Attorney General's Model Public Contract Rules shall be applicable to the bidding, awarding, and administration of public contracts of OSSHE and any of its institutions:

(1) OAR 137-030-0010(5) — Compliance and exceptions to terms and conditions of solicitation documents;

(2) OAR 137-030-0012 -- Bids or Proposals Are Offers;

(3) OAR 137-030-0030(2) and (3) — Identification and Receipt of bids or proposals;

(4) OAR 137-030-0050 — Request for Change or Protest of Solicitation Specifications or Contract Provisions;

(5) OAR 137-030-0055 -- Addenda to Solicitation Documents.
Meeting #645

(6) OAR 137-030-0060 -- Pre-Opening Modification or Withdrawal of Bids or Proposals;
(7) OAR 137-030-0065 -- Receipt, Opening, and Recording of Bids and Proposals;
(8) OAR 137-030-0070 -- Late Bids and Proposals, Late Withdrawals, and Late Modifications;
(9) OAR 137-030-0075 -- Mistakes in Bids or Proposals;
(10) OAR 137-030-0080 -- Time for Acceptance;
(11) OAR 137-030-0085 -- Extension of Time for Acceptance of Bid or Proposal;
(12) OAR 137-030-0102 -- Rejection of all Bids or Proposals;
(13) OAR 137-030-0104 -- Protest of Contractor Selection, Contract Award;
(14) OAR 137-030-0115(1) -- Cancellation of invitations to bid or requests for proposals in the public interest;
(15) OAR 137-030-0120 -- Disposition of Bids or Proposals if Solicitation Cancelled;
(16) OAR 137-030-0130 -- Foreign Contractor, and;
(17) OAR 137-030-0150 -- Right to Inspect Plant.

Processes for Procurement of Goods and Services

580-040-0225 (1) OSSHE shall establish several basic processes for the procurement of goods and services:
(a) Formal;
(b) Informal;
(c) Emergency;
(d) Single Seller;
(e) Intergovernmental;
(f) Procurement Cards;
(g) Price Agreements;
(h) Retainer Agreements;
(i) Requirements Contracts; and/or
(j) Qualified Vendor Listings.

(2) For each of the processes used in the procurement of goods and services, authorized personnel shall retain documentation, either hard copy or electronic, supporting the process and the actions taken to fulfill the guidelines of that process consistent with the requirements of OAR 580-040-0295. Such documentation shall be subject to audit.

(3) The formal procurement process shall be used, unless other exemptions apply, for all purchases of supplies, equipment, and services where the estimated cost exceeds $50,000.
(a) Multiple contracts, purchase orders, or purchasing requisitions shall not be issued separately with the intent to circumvent the formal purchasing process.

(b) The formal process may be accomplished in either of two ways the institution selects:

(A) Invitation to Bid — The formal bid process will require that the invitation to bid be advertised in a manner that is likely to reach bidders. The advertisements shall include information regarding the goods or services to be purchased and the time schedule for the receipt of such goods or services. The contract under this process shall be awarded to the lowest responsive and responsible bidder who meets the specifications of the contract.

(B) Request for Proposal (RFP) — The formal Request for Proposal process shall follow the same guidelines as the formal bid process except that the specifications and price will not necessarily be the predominant award criteria. Award criteria shall be detailed in the Request for Proposal.

(4) The informal procurement process may be used for all purchases of supplies, equipment, and services where the estimated cost exceeds $5,000 but does not exceed $50,000 and where OSSHE or any of its institutions chooses not to follow the formal procurement process. The informal procurement process may also be used for any procurement regardless of the estimated cost if use of the informal procurement process will not interfere with competition among prospective contractors, reduce the quality of services, or increase costs.

(a) The informal process may be accomplished through the solicitation of competitive quotes from at least three vendors. Solicitation may be accomplished by advertisement and/or by OSSHE or any of its institutions initiating a request to vendors to make an offer. Written, oral, or electronic quotes may be solicited.

(b) When procuring goods or services through the solicitation process, information regarding vendors contacted, basis for selection, prices of various vendors, and other information pertinent to the solicitation must be clearly documented. If three vendors are not reasonably available, the justification for soliciting fewer vendors shall be documented.

(5) When procuring supplies, equipment, and services through an emergency process, the designation of such emergency may only be authorized by an institution president or chief financial officer. The procurement process to be used will be at the discretion of authorized personnel, but must be documented. Such documentation must justify the use of such emergency process.

(6) When purchasing supplies, equipment, and services from a single seller, institutions are not required to follow competitive procedures. Institutions shall, at the time of initial procurement, specify their intent, if any.
to procure future upgrades or other compatible items through that vendor. Institutions shall document findings to support the determination that the product is available from only one seller.

(7) Regardless of dollar value, OSSHE and its institutions may contract with and purchase goods and services from other State of Oregon agencies, local government units, federal government units, or any other governmental entity without the use of competitive procedures. However, contracts with other states and foreign governments must be approved by the Oregon Attorney General's office.

(8) Procurement cards, or other methods of direct purchasing, may be used for any purchase where the estimated cost does not exceed $5,000.

(9) Following appropriate competitive procedures, OSSHE and its institutions may enter into price agreements with vendors to provide specific items at a set price during a specified period of time. OSSHE and its institutions may also purchase using State of Oregon or other governmental unit price agreements as authorized personnel deem appropriate without the use of competitive procedures.

(10) OSSHE and its institutions may enter into retainer agreements with vendors using appropriate competitive procedures that take into account, at a minimum, the qualifications and reputation of the vendors, price structure, ability and willingness to respond to requests from one or more colleges and universities, location, and such other factors as authorized personnel deem appropriate.

(a) A Request for Proposals (RFP) or bid process shall be used in selecting vendors for specific retainer agreements.

(b) Vendors may be selected to provide specific goods or services based on availability, responsiveness, quality, geographic location, track record, price, etc. Selection of vendors from the retainer agreement may be based on quotes or on the specific nature of the goods or services to be provided. The agent or officer should solicit prices from at least two vendors under the retainer agreement, or document the reason for not doing so.

(c) Authorized personnel shall maintain appropriate records of the competitive process used to select a vendor from the list of vendors with current retainer agreements in force at the time the selection is made.

(11) Consistent with these rules, OSSHE and its institutions may enter into requirements contracts to supply all of OSSHE's or an institution's requirements for specific goods, equipment, or services that arise during a specified time period.

(12) OSSHE or its institutions may contract directly with a vendor listed on a qualified vendor list if only one vendor meets OSSHE's or an institution's needs and if the RFI or RFO informed potential vendors that direct contracting could occur. If more than one vendor meets OSSHE's or
an institution's needs, solicitations shall follow the appropriate procedures. However, solicitation may be limited to the qualified vendor listing.

(13)(a) Notwithstanding any of the procedures in this rule, OSSHE and its institutions are authorized to develop alternative formal procurement methods that meet the following objectives:

(A) Respond to innovative business and market methods; or

(B) Contribute to institution productivity improvement and process redesign; or

(C) Result in comprehensive cost effectiveness and productivity for the institution; and

(b) Provide open consideration to more than one vendor using evaluation criteria that may include, but are not limited to, cost, quality, service, compatibility, product reliability, operating efficiency, expansion potential, vendor experience and reliability, commitment to support regional business development, and support for innovation.

Procurement of Telecommunications Equipment and Services

580-040-0228 The procurement of telecommunications equipment and services shall be in accordance with the provisions of Oregon Laws 1995, Chapter 634, and any delegations or other agreements made between OSSHE and the Department of Administrative Services. These delegations and agreements shall include, but not be limited to, the following:

(1) Implementation of Oregon Laws 1995, Chapter 634, will not impede cooperative efforts using local expertise and infrastructure to enhance local and regional economic development.

(2) With regard to OSSHE, the following matters are exempt from the Department of Administrative Services' authority under Oregon Laws, Chapter 634:

(a) Broadcasting licensed by the Federal Communications Commission or its successor;

(b) Two-way radio systems operated as part of campus security;

(c) Local Area Networks except to the extent that they must be able to communicate with other networks outside OSSHE and its institutions;

(d) On-campus networks except for the replacement and/or major enhancement of the telephone system;

(e) Contracts or grants for projects in which the contracting or granting entity requires use of a certain type of communication, equipment, or application;

(f) Research into telecommunications that expands or extends knowledge rather than the commercial application of that knowledge; and

(g) Development and offering of courses intended to be promulgated by electronic distance education technology, including the Internet.
Exemptions

580-040-0230 (1) Institutions need not follow, regardless of value, competitive procedures for the following:

(a) Contracts for the provision of educational services.
(b) Single seller goods and services. When purchasing from a single seller, institutions shall document findings to support the determination that the product is available from only one seller.
(c) Brand name goods and services or product prequalification. Institutions may specify brand name in the procurement of goods and services if that particular product or service has specific documentable attributes not found in other products. In addition, when specific design or performance specifications must be met for a product to be purchased, an institution may specify a list of qualified products by reference to the prequalified product(s) of particular manufacturers or sellers.
(d) Advertising and media services contracts.
(e) Price-regulated goods and services. Institutions may, regardless of dollar value, contract for the direct purchase of goods or services where the rate or price for the goods or services being purchased is established by federal, state, or local regulatory authority.
(f) Purchases under federal contracts. When the price of goods and services has been established by a contract with an agency of the federal government pursuant to a federal contract award, OSSHE and its institutions may purchase the goods and services in accordance with the federal contract without subsequent competitive bidding. In addition, specific equipment that is expressly required under the terms of the contract and that is only available from one source is exempt from competitive procedures.
(g) Copyrighted materials. Institutions may purchase copyrighted materials without competitive bid and regardless of dollar amount. Copyrighted materials covered by this exemption may include, but are not limited to, textbooks, workbooks, curriculum kits, reference materials, and audio, visual, and electronic media.
(h) Investment contracts.
(i) Food contracts. This exemption shall apply exclusively to the procurement of food and food-related products.
(j) Periodicals, library books, and library materials.
(k) Maintenance services for the useful life of goods. Institutions may purchase maintenance services for the useful life of goods directly from the vendor of those goods.
(l) Used personal property.
(m) Goods purchased for resale.
(n) Intercollegiate athletic programs. OSSHE and its respective institutions may specify a product by brand name or make or the products of
particular manufacturers or sellers when procuring equipment and supplies used in intercollegiate or interscholastic athletic programs.

(o) Media for athletic programs.

(p) Athletic contest agreements.

(q) Cadaveric organs.

(r) Hotel sites for large conferences and workshops.

(s) Dues, registrations, and membership fees.

(t) Gasoline, diesel fuel, heating oil, lubricants, and asphalt.

(u) Purchases of supplies, maintenance, and services for ocean-going vessels when they are in other than home port.

(v) Equipment repair and overhaul.

(w) Goods and services purchased in foreign countries.

(2) Exemptions from competitive procedures may be granted for a particular contract or contracts not otherwise exempted under these rules by the president or chief financial officer of the institution. Sufficient documentation must be retained regarding the need for such exemptions.

Basis for Awarding of Contracts

580-040-0235 OSSHE and its respective institutions shall award contracts based on various factors that shall be identified in the notice of contract. Such factors may include, but not be limited to price; quality; life cycle costing; vendor experience and reliability; support for regional business development; support for productivity innovation; performance specifications; and timeliness.

Determination of Contractual Terms and Conditions

580-040-0240 Except to the extent OSSHE has established mandatory contract provisions, OSSHE and any of its institutions are authorized to determine the terms and conditions of solicitations and contracts, provided such terms and conditions are not contrary to statutory or regulatory requirements applicable to OSSHE.

Contract Amendments (including change orders and extra work)

580-040-0245 An amendment for additional work or product that is reasonably related to the scope of work under the original contract, including change orders, extra work, field orders, or other change in the original specifications that increases the original contract price or length of time may be made with the contractor without competitive bidding provided that the amendment does not materially alter such a contract or that the increase in the value of the contract does not change the required method of procurement.
Pre-Bid and Pre-Proposal Conferences

580-040-0255 (1) Pre-bid or pre-proposal conferences may be scheduled. Each pre-bid and pre-proposal conference shall be described in the corresponding solicitation document as "voluntary" or "mandatory." If such a conference is designated as "mandatory," it shall be required for a bidder or proposer to attend in order to submit a bid or proposal for the corresponding contract.

(2) The bidder or proposer may authorize a representative other than himself/herself to attend the pre-bid or pre-proposal conference.

Acceptance of Bids and Proposals by Facsimile or Electronic Data Interchange

580-040-0260 OSSHE and any of its institutions may determine if it is appropriate for bids and proposals to be accepted by facsimile or Electronic Data Interchange. Institutions shall establish the conditions for solicitations, either individually or by type of solicitation. When OSSHE or any of its institutions chooses to accept bids or proposals by facsimile, it shall follow the requirements outlined in OAR 137-030-0013(3). When OSSHE or any of its institutions chooses to accept bids or proposals by Electronic Data Interchange, it shall follow the requirements outlined in OAR 137-030-0014(4).

Responsible Bidders: Responsibility Investigation

580-040-0275 (1) A "responsible bidder or proposer" is an individual, firm, corporation, or entity who has the capability in all respects to perform fully the contract requirements, the integrity and reliability that will assure good faith performance, and who has not been disqualified by OSSHE or any of its institutions.

(2) OSSHE or any of its institutions has the right, prior to awarding any public contract, to make such investigation as is necessary to determine whether a bidder is responsible.

Responsive and Nonresponsive Bids or Proposals: Acceptance and Rejection

580-040-0277 (1) A "responsive bid or proposal" is one that complies in all material respects with an Invitation to Bid or Request for Proposals and with all prescribed bidding and proposal procedures and requirements. A "nonresponsive bid or proposal" is one that does not meet all material aspects of an Invitation to Bid or a Request for Proposal or that does not comply with all prescribed bidding and proposal procedures and requirements.
(2) OSSHE or any of its institutions shall accept and consider for award, only those bids or proposals that are responsive as defined in this rule. Nonresponsive bids or proposals shall be rejected.

(3) Nothing in this rule shall limit the ability of OSSHE or any of its institutions to monitor contractor or vendor performance during the term of a contract.

Rejection of Individual Bids or Proposals

580-040-0280 (1) This rule applies to rejections, in whole or in part, of individual bids or proposals. OSSHE or any of its institutions may reject, in whole or in part, any bid or proposal not in compliance with all prescribed bidding procedures and requirements, and may reject for good cause any bid or proposal upon a written finding by OSSHE or the institution that it is in the public interest to do so.

(2) Reasons for rejecting a bid or proposal include but are not limited to finding that:

(a) The bidder or proposer has not prequalified as required in the Invitation to Bid or Request for Proposal, or is disqualified under ORS 200.075, 279.037, or these rules; or

(b) The bidder or proposer has been declared ineligible by the Commissioner of the Bureau of Labor and Industries under ORS 279.361; or

(c) The bid or proposal is nonresponsive, that is, it does not conform in all material respects to solicitation document requirements, including all prescribed public procurement procedures and requirements; or

(d) The supply, service, or construction item offered in the bid or proposal is unacceptable by reason of its failure to meet the requirements of the solicitation documents or permissible alternates or other acceptability criteria set forth in the solicitation documents; or

(e) The bidder or proposer is nonresponsible, i.e., is not capable of satisfying the terms and conditions of the public contract in a timely manner due to financial incapacity, inability to obtain bonding, loss of license, poor performance history, or other objective cause; or

(f) The bidder or proposer within the last five years has been found, in a civil, criminal, or administrative proceeding, to have committed or engaged in fraud, misrepresentation, price-rigging, unlawful anti-competitive conduct, or similar behavior; or

(g) The bidder or proposer has been determined responsible (i.e., adjudicated by a court, or as determined in writing by OSSHE or any of its institutions in the case of a public contract) for more than one breach of a public or private contract or contracts in the last three calendar years before the scheduled date of the bid or proposal opening; or
(h) The bid or proposal security has not been submitted or properly executed as required by the solicitation documents; or

(i) The bidder or proposer has not met the emerging small business, disadvantaged business, minority business, and women business enterprise requirement, if any, established by OSSHE or any of its institutions, and has not made a good faith effort in accordance with ORS 200.075 to comply with the requirements prior to the time bids or proposals are opened; or

(j) The bidder or proposer has failed to certify in accordance with OAR 580-040-0292(3); or

(k) Other circumstances of the particular bid or proposal, or bidder or proposer, indicate that acceptance of the bid or proposal would impair the integrity of the selection process or result in an imprudent contract by OSSHE or the institution.

(3) For purposes of this rule, the business registry of bidders or proposers shall be subject to scrutiny, i.e., confirmation of ownership or identification of officers and directors, in order to identify previously disqualified bidders or proposers, and thus prevent any subterfuge, change of apparent ownership, or other adjustments in formal appearance, to avoid application of this rule or of the disqualification provisions of ORS 279.037 to 279.045 and these rules.

**Bidder or Proposer Disqualification**

580-040-0285 (1) As used in this rule:

(a) "Disqualification" means the debarment, exclusion, or suspension of a person from the right to submit bids or proposals in response to OSSHE or institution solicitations for a reasonable, specified period of time named in the order of disqualification. A contractor or vendor so debarred, excluded, or suspended is disqualified.

(b) "Person" means an individual, partnership, or corporation. Disqualification attaches to and follows the individual, so that an individual who is a partner in a partnership or an officer or principal in a corporation that is disqualified may not reform the business entity as a way of avoiding the disqualification.

(2) The following are grounds for bidder or proposer disqualification:

(a) The person does not have sufficient financial ability to perform the contract. If a bond is required to ensure performance of a contract, evidence that the person can acquire a surety bond in the amount and type required shall be sufficient to establish financial ability;

(b) The person does not have equipment available to perform the contract;

(c) The person does not have key personnel available of sufficient experience to perform the contract; or
(d) The person has repeatedly breached contractual obligations to public and private contracting agencies.

(3) As provided in ORS 200.075, the following are grounds for suspension of a bidder's, proposer's, contractor's, or subcontractor's right to bid, propose, or participate in a public contract:

(a) If the person has entered into any agreement representing that a disadvantaged, minority, women, or emerging small business enterprise, certified pursuant to ORS 200.055, will be performing or supplying materials under a public improvement contract without the knowledge and consent of the certified enterprise;

(b) If a person exercises management and decision-making control over the internal operations, as defined by ORS 200.075(1)(b), of any subcontractor that is certified disadvantaged, minority, women, or emerging small business enterprise;

(c) If the person uses a disadvantaged, minority, women, or emerging small business enterprise to perform contracting services or provide supplies under a public improvement contract to meet an established DBE/WBE/MBE/ESB goal, when the enterprise does not perform a commercially useful function, as defined by ORS 200.075(3), in performing its obligations under the contract.

(4) OSSHE or any of its institutions may make such investigation as is necessary to determine whether there are grounds for disqualifying a person. If a bidder or proposer, or prospective bidder or proposer, fails to supply such information promptly as requested by OSSHE or an institution, such failure is grounds for disqualification.

(5) Any information voluntarily submitted by a bidder or proposer, or prospective bidder or proposer, pursuant to an investigation under section (4) of this rule, or in a prequalification statement, or in a prequalification request submitted pursuant to these rules, shall be deemed a trade secret pursuant to ORS 192.501(2), if requested by the person submitting the information and verified to be a trade secret by OSSHE or one of its institutions.

(6) The bidder or proposer, or prospective bidder or proposer, will be notified in writing by personal service or certified mail of OSSHE's or one of its institution's decision to disqualify the person from bidding or proposing with OSSHE or the institution. The notice shall contain:

(a) The effective date of the disqualification and the effective period of disqualification;

(b) The grounds for disqualification from bidding or proposing; and

(c) A statement of the person's appeal rights and applicable appeal deadlines.

(7) If a person wishes to appeal OSSHE's or any of its institution's decision to disqualify, the person must notify OSSHE or the institution, as
appropriate, in writing within three business days after receipt of the notification.

**Purchasing Policies Governing the Acquisition of Goods and Services from Qualified Rehabilitation Facilities**

580-040-0290 OSSHE and its institutions shall purchase goods and services from Qualified Rehabilitation Facilities in accordance with the provisions of ORS 279.835 to 279.855 and applicable Administrative Rules.

**Affirmative Action: General Policy**

580-040-0292 (1) The general policy of OSSHE and its institutions shall be to expand economic opportunities for Minority Business Enterprises, Women Business Enterprises, and Emerging Small Businesses by offering the contracting and subcontracting opportunities available through OSSHE and institution contracts. Notice of all contract and bid request solicitations using the formal process outlined in OAR 580-040-0225 shall be provided to the Advocate for Minority, Women and Emerging Small Business and the Oregon Department of Administrative Services for the Oregon Opportunity Register and Clearinghouse when any other solicitation is sent.

(2) OSSHE shall not knowingly contract with or procure goods or services with any organization, business entity, or individual that discriminates on the basis of age, disability, national origin, race, marital status, religion, sex, or sexual orientation.

(3) Bidders and proposers shall certify, as part of the bid or proposal documents accompanying the bid or proposal on a public contract, that such bidder or proposer has not discriminated against minority, women, or emerging small business enterprises in obtaining any required subcontracts.

**Recordkeeping Requirements**

580-040-0295 (1) Documentation of all purchasing and contracting transactions will be made available for inspection by OSSHE Internal Audit Division upon request.

(2) Authorized personnel shall maintain documentation, whether written or electronic, regarding all purchasing and contracting transactions.

(a) For purchases not exceeding $5,000, only a vendor invoice must be retained.

(b) For purchases where the cost exceeds $5,000 but does not exceed $50,000, the following must be retained:

(A) The method of procurement;

(B) The names of firms/individuals and cost estimates considered;

(C) The basis for selection or awarding of contract;

(D) Other information pertinent to the solicitation; and,
(E) Any other documentation required by these rules.
(c) For purchases where the estimated cost exceeds $50,000, the following must be retained:
(A) The method of procurement;
(B) A copy of the announcement requesting bids or proposals;
(C) The names of firms/individuals and cost estimates considered;
(D) The basis for selection or awarding of contract;
(E) A copy of the resulting contract and any subsequent amendments;
(F) Other information pertinent to the solicitation; and,
(G) Any other documentation required by this rule.

Summary

At the September 15, 1995, meeting, the Board approved taking appropriate action for the sale of the current residence and the purchase of another president's residence in Monmouth. Officials at Western Oregon State College have reviewed several properties in Monmouth as a replacement for the president's residence. A residence at 386 Stadium Drive has been located, and an option for $148,500 has been signed.

Staff Report to the Board

College officials at Western Oregon State College considered several listed and unlisted properties in Monmouth before settling on the residence at 386 Stadium Drive. The house is a 2,067-square-foot, tri-level structure with four bedrooms, three baths, a family room, living room, dining room, kitchen, and utility room. College officials negotiated with the owners and arrived at a price of $148,500. This option price is below the price of $152,500 established by an exclusive Comparative Market Analysis made on the property. The property has been appraised by a real estate appraiser and valued at $150,000. The parcel of land on which the residence is located is about 12,500 square feet, or approximately .284 acre. The residence is located in an area containing only single-family residences, has greater access to on-street parking than the current residence, and is located on a larger lot with a large outdoor patio area. Although some improvements are needed to improve the circulation flow for people attending public events, the anticipated cost of improvement ($20,000 or less) is far less than the estimated $88,000 needed to renovate the current residence.

Funding for the purchase and improvements will come from the sale of the current residence and from Chancellor's Office funds.
Staff Recommendation to the Board

Staff recommended that the Office of Finance and Administration be authorized to proceed with the acquisition of the property at 386 Stadium Drive as a residence for the president at Western Oregon State College.

Board Discussion and Action

Mr. Bailey moved and Ms. Christopher seconded the motion to approve the staff recommendation. The following voted in favor: Directors Christopher, Imeson, McAllister, Puentes, Waddy, Willis, and Bailey. Those voting no: none.

Staff Report to the Board

The annual investment report of the Oregon State System of Higher Education for the fiscal year ending June 30, 1995, will be delayed until the November Board meeting in order to reflect the actual amount of losses experienced by The Common Fund. These losses occurred over a three-year period and resulted from unauthorized trading by one of the Common Fund's investment managers. The Common Fund is allocating the losses among member institutions to reflect the time the losses occurred, the investment funds that suffered, and member investments in those funds over the entire period.

At the May 1995 Board meeting, the Board asked staff to evaluate other investment alternatives. Staff recommends that an independent third party conduct this evaluation. Staff reviewed proposals from three investment consultants and recommends obtaining the services of R. V. Kuhns and Associates of Portland, Oregon.

The services provided will include:
- investment policy review,
- asset allocation review,
- investment performance analysis, and
- recommendation on improving investment performance.

The cost of the evaluation will be $14,000. If an investment manager search is determined to be appropriate as a result of the review and authorized by the Board, consultant services would also include conducting the search and recommending the new investment manager.
Staff Recommendation to the Board

Staff recommended the Vice Chancellor for Finance and Administration and the Controller be authorized to obtain the services of R. V. Kuhns and Associates for review and evaluation of investment alternatives.

Board Discussion and Action

Contrary to what was reported in the docket, Vice Chancellor Ihrig distributed to Board members a copy of the annual investment report. He reviewed the overall return figures and noted that the damage done by the rogue trader affected return and not principal. Mr. Ihrig pointed out that, by being in the South Africa-free equity fund, OSSHE did not sustain as great a loss as it would have otherwise. He indicated that Controller Steve Katz has been attending regional meetings of the Common Fund to learn about tighter controls being instituted to prevent and detect such activities in the future.

Mr. Willis asked if the investment firm would monitor Common Fund activities. Vice Chancellor Ihrig responded that the review by Kuhns & Company will not include such activity. The firm will be hired to review the Board’s investment policy and asset allocation, and compare the Common Fund’s performance analysis to other funds in a much broader way than the current investment report provides. Kuhns will then recommend to the Board any changes, which may include finding a new investment manager. Or the firm may just suggest changes in OSSHE’s distribution in types and amounts of funds.

Ms. McAllister moved Board approval of the staff recommendation. The following voted in favor: Directors Christopher, Imeson, McAllister, Puentes, Waddy, Willis, and Bailey. Those voting no: none.

Staff Report to the Board

In November 1992, the Board adopted major revisions to its residency rules. Those revisions became effective November 1, 1993. They have helped ensure that only bona fide Oregon residents benefit from resident tuition rates.

Staff now proposes several minor changes to the rules. The first will increase the number of hours above which students are presumed to be in Oregon primarily for educational purposes from seven to eight per semester or term. This is consistent with institutional policies that now consider students to be part-time who are taking eight or fewer credits. The second proposed change
increases the age of children able to qualify as military dependents from 23 to 24 years of age, consistent with federal practice relating to military dependents. Two other changes are to clarify wording. Finally, the effective date is not necessary and will be deleted.

No one appeared at the public hearing that was held on September 7, 1995. Also, no written comments on the proposed rule were received.

Staff Recommendation to the Board

Staff recommended that the Board adopt, as set forth below, amendments to Oregon Administrative Rules 580-10-029, 580-10-030, 580-10-031, 580-10-033, 580-10-035, and 580-10-045 to be effective upon filing of the rule with the Secretary of State.

Board Discussion and Action

Ms. Christopher moved and Mr. Imeson seconded the motion to approve the staff recommendation. On roll call, the following voted in favor: Directors Christopher, Imeson, McAllister, Puentes, Waddy, Willis, and Bailey. Those voting no: none.

Note: Language boldfaced and underlined indicates new language; brackets and shading indicates deletions.

Residence Classification

Definitions

580-10-029 For the purpose of OAR 580-10-030 through 580-10-045, the following words and phrases mean:

(1) "Domicile" denotes a person's true, fixed, and permanent home and place of habitation. It is the place where a person intends to remain and to which the person expects to return when the person leaves without intending to establish a new domicile elsewhere.

(2) "Financially Independent" denotes a person who has not been and will not be claimed as an exemption and has not received and will not receive financial assistance in cash or in kind of an amount equal to or greater than that which would qualify him or her to be claimed as an exemption for federal income tax purposes by another person except his or her spouse for the current calendar year and for the calendar year immediately prior to the year in which application is made.

(3) A "dependent" is a person who is not financially independent.
Determination of Residence

580-10-030 (1) For purposes of admission and instruction fee assessment, OSSHE institutions shall classify a student as Oregon resident or nonresident. In determining resident or nonresident classification, the primary issue is one of intent. If a person is in Oregon primarily for the purpose of obtaining an education, that person will be considered a nonresident. For example, it may be possible for an individual to qualify as a resident of Oregon for purposes of voting or obtaining an Oregon driver's license and not meet the residency requirements established by these rules.

(2) An Oregon resident is a financially independent person who, immediately prior to the term for which Oregon resident classification is requested:

(a) Has established and maintained a domicile in Oregon of not less than 12 consecutive months; and

(b) Is primarily engaged in activities other than those of being a college student.

(A) A student may be considered primarily engaged in educational activities regardless of the number of hours for which the student is enrolled. However, a student who is enrolled for more than seven hours per semester or quarter shall be presumed to be in Oregon for primarily educational purposes.

(B) Such period of enrollment shall not be counted toward the establishment of a bona fide domicile of one year in this state unless the student proves, in fact, establishment of a bona fide domicile in this state primarily for purposes other than educational.

(3) An Oregon resident is also a person who is dependent on a parent or legal custodian who meets the Oregon residency requirements of these rules.

(4) The criteria for determining Oregon resident classification shall also be used to determine whether a person who has moved from Oregon has established a non-Oregon residence.

(5) If institution records show that the residence of a person or the person's legal custodian upon whom the person is dependent is outside of Oregon, the person shall continue to be classified as a nonresident until entitlement to resident classification is shown. The burden of showing that the residence classification should be changed is on the person requesting the change.

[The effective date of this rule adopted by the Board November 20, 1992, is November 1, 1993.]
Residency Consideration Factors

580-10-031 (1) The following factors, although not necessarily conclusive or exclusive, have probative value in support of a claim for Oregon resident classification:

(a) Be primarily engaged in activities other than those of a student and reside in Oregon for 12 consecutive months immediately prior to the beginning of the term for which resident classification is sought;
(b) Reliance upon Oregon resources for financial support;
(c) Domicile in Oregon of persons legally responsible for the student;
(d) Acceptance of an offer of permanent employment in Oregon; and
(e) Ownership by the person of his or her living quarters in Oregon.

(2) The following factors, standing alone, do not constitute sufficient evidence to effect classification as an Oregon resident:

(a) Voting or registration to vote;
(b) Employment in any position normally filled by a student;
(c) The lease of living quarters;
(d) Admission to a licensed practicing profession in Oregon;
(e) Automobile registration;
(f) Public records, for example, birth and marriage records, Oregon driver's license;
(g) Continuous presence in Oregon during periods when not enrolled in school;
(h) Ownership of property in Oregon, or the payment of Oregon income or other Oregon taxes; or
(i) Domicile in Oregon of the student's spouse;

(3) Reliance upon non-Oregon resources for financial support is an inference of residency in another state.

(4) The resident classification of a dependent person shall be that of his or her parents or legal custodians, or, in case of divorce or other similar circumstances, the parent or legal custodian upon whom the person is financially dependent, unless the dependent has been in Oregon with the other parent or a legal custodian and established Oregon residency under these rules 12 months prior to the term for which Oregon resident classification is requested.

[(5) The effective date of this rule adopted by the Board November 29, 1992, is November 1, 1993.]

Evidence of Financial Dependency

580-10-033 (1) In determining whether a student is financially dependent and whether his or her parent, or legal custodian has maintained a bona fide domicile in Oregon for one year, a student must provide: (a) Legal proof of custodianship;
(b) Evidence of established domicile of parent or legal custodian;
(c) The identification of the student as a dependent on the federal
income tax return of the parents, or legal custodian.
Additional documentation to substantiate dependency during the current
calendar year may be required at a later time if deemed necessary by the
institution.

(2) A student who provides evidence that he or she is a dependent of
a parent or legal custodian who has maintained a one-year domicile in Oregon
shall not be required to establish a one-year domicile prior to classification of
resident status, provided such a student may not be classified as a resident
while receiving financial assistance from another state or state agency for
educational purposes.

[[3] The effective date of this rule adopted by the Board November
20, 1992 is November 1, 1993.]

Residence Classification of Armed Forces Personnel
580-10-035 (1) For purposes of this rule, armed services means
officers and enlisted personnel of the United States Army, Navy, Air Force,
Marine Corps, and Coast Guard.
(2) Notwithstanding OAR 580-10-030, members of the armed services
and their spouses and dependent children who reside in this state while
assigned to duty at any base, station, shore establishment, or other facility in
this state, or while serving as members of the crew of a ship that has an
Oregon port of shore establishment as its home port or permanent station,
shall be considered residents for purposes of the instruction fee.
(3) An Oregon resident entering the armed services retains Oregon
residence classification until it is voluntarily relinquished.
(4) An Oregon resident who has been in the armed services and
assigned on duty outside of Oregon must return to Oregon within 60 days
after completing service to retain classification as an Oregon resident.
(5) A person who continues to reside in Oregon after separation from
the armed services may count the time spent in the state while in the armed
services to support a claim for classification as an Oregon resident.
(6) The dependent child and spouse of a person who is a resident
under section (2) of this rule shall be considered an Oregon resident.
"Dependent child" includes any child of a member of the armed forces who:
(a) Is under 18 years of age and not married, otherwise emancipated,
or self-supporting; or
(b) Is under 23 years of age, unmarried, enrolled in a full-time
course of study in an institution of higher learning, and dependent on the
member for over one-half of his/her support.
Review of Residence Classification Decisions by IRC

580-10-045 (1) An interinstitutional residency committee (IRC) is established consisting of the officers determining student residence classification at [Department] OSSHE institutions and a member of the Chancellor's staff appointed by the Chancellor. The member of the Chancellor's staff shall serve as chairperson. A majority of the members of the Committee shall constitute a quorum. A majority of a quorum may make decisions.

(2) Residence cases of unusual complexity, especially where there may be conflict of rules, may be referred by an institution residence classification [office] officer to the IRC for decision.

(3) Any person who is aggrieved by the institution residence classification may, within ten days of the date of mailing or other service of classification decision, appeal the classification to the IRC. An aggrieved person may supply written statements to the IRC for consideration in reviewing the case and may also make an oral presentation to the IRC. The decision of the IRC shall be final unless appealed.

(4) A person dissatisfied with the IRC decision may, within ten days of the date of the mailing or other service of the IRC decision, appeal the IRC decision to the Vice Chancellor for Academic Affairs or designee. An appeal to the vice chancellor shall be in writing only. The vice chancellor's decision shall be final.

(5) A person granted a meritorious hardship exception to residency under this rule prior to July 1, 1990, shall not lose the exception solely because of the repeal of the exception authorization.

CONFIRMATION
OF INSTITUTIONAL
DEGREE LISTS

Staff Report to the Board

In accordance with Board regulations, the following members represented the Board in approving candidates for degrees and diplomas for the graduating classes at the designated institutions during the 1994-95 academic year and summer session:

Eastern Oregon State College
Jim Willis

Oregon Health Sciences University
Ronda Trotman Reese

Oregon Institute of Technology
Les Swanson

449
Staff Recommendation to the Board

Staff recommended the Board confirm the actions of the Board members in approving degrees and diplomas.

Board Discussion and Action

Ms. Christopher moved and Mr. Willis seconded the motion to approve the staff recommendation. The following voted in favor: Directors Christopher, Imeson, McAllister, Puentes, Waddy, Willis, and Bailey. Those voting no: none.

Overview

Portland State University seeks authorization to offer a program leading to baccalaureate degrees (B.A./B.S.) in Community Development and, in so doing, to eliminate its Certificate in Urban Studies program. This proposed new interdisciplinary major will emphasize experiential, participatory, and applied dimensions of community work and will include two possible areas of concentration: (1) Community Organization and Change and (2) Housing and Economic Development.

Community Development is an applied behavioral science that has roots in the more traditional fields of economics, sociology, social work, political science,
and regional planning. Issues commonly addressed in the study of Community Development include public safety policy concerns, social services, economic development, and methods to accommodate systemwide change. Graduates of this program will find employment in organizations such as state, regional, and local government agencies that address concerns of transportation, land use, security, and the environment. According to the Oregon Employment Division, the demand for workers in this area is increasing substantially.

The proposed degree program will be offered through the Department of Urban Studies and Planning in the School of Urban and Public Affairs, with some courses now offered through the certificate program being redesigned to fit this new major. Most of the core courses are already available. This undergraduate program will be unique in the State System.

Staff Analysis

1. Relationship to Mission

Portland State University's Strategic Plan specifies a vision of the University as "a model of the urban university for the 21st century... committed to addressing complex urban issues...(and to) multidisciplinary approaches to community-based questions." The proposed major in Community Development fits precisely into this vision. With the implementation of this proposed major, Portland State University will be placing a multidisciplinary, community-based program at the heart of its academic life: undergraduate education.

2. Evidence of Need

The Neighborhood Partnership Fund of Portland states that community development activities are undergoing rapid growth and that there are hundreds of positions in the Portland area alone that require the knowledge and perspective of those trained in a Community Development degree program. Graduates will generally find employment in local and state government, social service and advocacy organizations, environmental regulation agencies, and community development corporations. The Oregon Employment Division has recently shared with OSSHE Academic Affairs staff employment projections for the category of workers most likely to include professionals such as those trained in Community Development. Under the most favorable economic conditions, a 23.2 percent growth in this area is forecast for the State of Oregon between 1990 and 2000, and a 29 percent increase nationally.
between 1992 and 2005. Examples of organizations locally that are likely to employ graduates are REACH Community Development, 1000 Friends of Oregon; Association for Portland Progress, and the Bureau of Community Development. Specific examples of placement for Community Development degree recipients may be similar to those obtained by recent Urban Studies Certificate graduates: City Planner, City of Wilsonville; Staff Researcher, Columbia River Gorge Commission; and Community Involvement Specialist, City of Portland.

Currently, the demand for such professionals has been met by Portland State University's Certificate in Urban Studies program. However, the recent proliferation of organizations involved in community development efforts in Portland and in the Pacific Northwest has led to a call for more — and more extensively trained — professionals in this field. This move to the baccalaureate degree level is intended to match current needs for entry-level specialists in Community Development as well as prepare students for more advanced academic work in Community Development and related professional fields.

Typically the certificate program has attracted 10 to 20 students each year. Many of these students have used the General Studies option to construct the equivalent of an "Urban Studies major." The School of Urban and Public Affairs expects that many of the certificate students would choose the Community Development major when made available. It is anticipated that this proposed major will enroll a total of approximately 25 students each year.

3. Quality of Proposed Program

Students enrolled in this major will build a solid academic foundation by taking coursework in sociology, economics, political science, and research methods. Then, after an interdisciplinary community studies gateway course, they will enroll in a three-quarter core colloquium on the theory and practice of community development. In this sequence of courses, the economic, social, political, environmental, physical, and other dimensions of community development will be investigated. Two concentrations within the community development major will be available: (1) Community Organization and Change and (2) Housing and Economic Development. Two course equivalents of field experience are also required, to be tailored to each student's substantive interest area(s) within the community development rubric. This component of the major will be interdisciplinary, synthetic, and experiential in nature and is
intended as a serious investment on the part of the students in the area of their own community development emphases. Stemming from this experience in the field, a senior paper will be prepared that will integrate the student's degree program in its entirety. The experience of the institution and faculty in offering the certificate program, as well as the academic breadth of this proposed major and its applied emphasis, lead to the expectation of a program of high quality.

4. Adequacy of Resources to Offer the Program

Faculty. Currently, the Department of Urban Studies and Planning has a core group of 12.5 FTE faculty, supported by nine other individuals -- also tenured in Urban Studies -- whose primary responsibilities are in instruction, research, public service, and administration. The full-time faculty who will have primary responsibilities in implementing this proposed major have expertise in the areas of urban history, social change theory, community analysis, urban economics, and policy studies in housing, health, and transportation. Several of these faculty members have taught in the certificate program and have had experience working together in program design and in the classroom. The department anticipates hiring a 1.0 FTE new faculty member in 1996 who specializes in organizational behavior, social change, and social structure.

Budget Impact. No additional facilities or equipment are needed to implement the proposed program, and no new state funds are being sought. Present library holdings are adequate to comfortably support this proposed major. Funds made available from a faculty retirement in the School of Urban and Public Affairs will support .40 FTE of the desired new faculty position in Community Development. The Dean of Urban and Public Affairs plans to direct additional internal resources to fund the remainder of the desired faculty position (.6 FTE), to increase library holdings, and to purchase additional services and supplies.

5. Duplication

There are no other programs in Oregon such as this proposed program. The University of Oregon's program in Planning, Public Policy, and Management has a community development concentration area that emphasizes small towns, rural economics, and concerns with the environment.
Program Review

The proposal for addition of the bachelor's degrees in Community Development has been reviewed by the appropriate institutional bodies at Portland State University and has also been examined and supported by the Academic Council.

Staff Recommendation to the Board

Staff recommended the Board authorize Portland State University to terminate the Certificate in Urban Studies and to establish a program leading to the B.A./B.S. in Community Development, effective fall term 1995, with a follow-up review of the new program to be conducted by the State System Office of Academic Affairs during the 2001-02 academic year. The proposal should be placed on the consent agenda for final action at the October Board meeting.

Board Discussion and Action (September 15, 1995)

Portland State University Provost Michael Reardon reminded the Board of the productivity plan the University submitted a couple of years ago. One element of that plan was the development of new interdisciplinary undergraduate programs as well as building undergraduate programs that enable students to move into graduate programs available at Portland State University. Dr. Reardon noted that this degree fits those criteria.

Mr. Willis moved and Ms. Christopher seconded the motion to approve the staff recommendation. The following voted in favor: Directors Bailey, Christopher, Imeson, McAllister, Miller, Puentes, Waddy, Willis, and Swanson. Those voting no: none.

Board Discussion and Action (October 20, 1995)

Ms. Christopher moved and Mr. Willis seconded the motion to approve the staff recommendation. The following voted in favor: Directors Christopher, Imeson, McAllister, Puentes, Waddy, Willis, and Bailey. Those voting no: none.

The State System Office of Corporate and Public Affairs (CPA) has been participating in a series of meetings with individuals and groups representing Oregon businesses and industries; civic, community, and leadership organizations; legislators; and OSSHE institutional representatives to begin
Meeting #645

October 20, 1995

the process of building stronger support for the role of public higher education in helping Oregon meet its economic, social, and quality-of-life goals. These meetings have included the Oregon Business Council, American Electronics Association, Associated Oregon Industries, Software Association of Oregon, Portland Chamber of Commerce, institutional faculty leaders, department heads, and administrators, and government leaders. The meetings with individuals and groups representing business and industry have revealed a positive interest and willingness to participate in a process that begins with the identification of the needs and goals necessary for public higher education to meet the challenges of the 21st century and continues with the identification of desired outcomes and potential solutions.

As a next step in ongoing efforts to engage key higher education stakeholders in the development of potential solutions, the Office of CPA will conduct a survey of key Oregon businesses and industries to gather data and other information regarding their current and future needs for higher education's services. The proposed survey will include the distribution of a questionnaire designed to assess current and projected utilization (hiring) of OSSHE graduates, and small and large focus group discussions with key business and industry executives.

At the federal level, the House and Senate are set to consider proposals to cut more than $10 billion over the next seven years from student loan programs. The current Senate proposal would create an .85 percent tax on an institution based on its federal student and parent loan volume. Based on the 1994-95 loan volume for OSSHE institutions, such a tax would carry a price tag of slightly more than $1 million. The tax is viewed by the higher education community as a tax on individual students, payable by institutions.

The House and Senate proposals contain the provision to either eliminate or sharply curtail the direct loan program currently in place at six OSSHE institutions. The proposals also include provisions to return nearly $1.8 billion in federal funds now held in trust by guaranty agencies to the agencies without any corresponding obligation on their part; increase the interest rates charged to families on Parent Loans for Undergraduate Students (PLUS); and eliminate the grace period interest exemption currently received by borrowers during the first six months after they leave school.

A meeting with Rep. Bunn (R) is scheduled for October 9 and will provide an opportunity to outline the impact of the proposed cuts on OSSHE.

(No Board action required)
Mr. Grattan Kerans reported that, in response to the Governor's invitation for OSSHE to work more closely with other state agencies, Vice Chancellor Griffin, Mr. Andy Clark, and he met with the Governor's Chief of Staff Bill Wyatt to formalize that relationship. Mr. Kerans noted that Mr. Clark was absent from the Board meeting because he was in Bend attending the Governor's symposium on juvenile crime. "It's a major initiative between the State System and the Governor's office," said Mr. Kerans, "to find intervention and prevention strategies. This effort will continue through the 1997 legislative session, and OSSHE needs to find a more formal structure in which to continue these relations." Mr. Kerans indicated that the Academic Council is considering ways in which they can advance this activity.

(No Board action required)

Introduction

An important and beneficial consequence of faculty research is the creation of intellectual property that often leads to patents, licenses, and copyrights. Increasingly, the intellectual property generated by University of Oregon faculty is attracting the financial interest of private sector businesses and investors. Perhaps more importantly, there is a growing trend to form new companies based on technology developed by university researchers. These start-up companies are often those that, because of limited funding in their early years, wish to offer equity as part of their licensing agreement with the Board. When successful, such companies frequently fund continuing research and establish long-term working relationships with investigators that include direct financial sponsorship of research, the purchase or donation of equipment, and the training of students. Naturally, deciding to get involved in these kinds of relationships must be filtered through the University of Oregon's historic commitment to decline participation in classified research of any kind and to uphold the highest scholarly and ethical traditions of the University.

Investments by the private sector, as well as other financial opportunities afforded by partnerships with business and industry, create new avenues for the University to support research and instruction. To take full advantage of such support, however, the University of Oregon wants to reorganize its technology transfer operation so that it can benefit fully from these new and developing business opportunities. Because of the University of Oregon's public status, it is currently prohibited from becoming involved in some projects that could promote research at the University. In one recent example,
a licensee for a University-owned technology proposed to offer company stock as part of the consideration for licensing the technology. Regrettably, the State Constitution limits the Board's ability to take equity positions in return for licenses.

Proposal

In an effort to create new sources of funding and respond to the changing environment for university research, the University of Oregon is proposing formation of the University of Oregon Research Corporation, a separate, nonprofit organization to manage intellectual property and technology transfer. The purposes of the corporation are to:

- promote and aid faculty research by seeking and developing collaborative agreements with business and industry for licensing intellectual property and for sponsoring research;
- provide the means by which research discoveries may be developed or utilized to create funds for and to stimulate further research at the University of Oregon;
- increase interaction between business and industrial organizations and research investigators at the University of Oregon; and
- promote, protect, and develop the commercial value of inventions, discoveries, and other intellectual property by filing and prosecuting applications for patents and maintaining the same once issued.

The changing environment for research and development in the United States encourages increasing sponsorship for research from business and industry and promotes and rewards universities for transferring technology and intellectual property of all kinds to the private sector. The University of Oregon Research Corporation is intended to facilitate and advance these objectives for the University of Oregon, with a specific goal of improving the economic well-being of Oregon by contributing to the technology-based economy of the future.

The University of Oregon Research Corporation is modeled after similar entities at other institutions in which both the research community and their respective states have benefited from the creation of nonprofit research organizations. In assessing opportunities for the future, the University of Oregon believes similar benefits can be derived in Oregon from this
corporation through technology transfer and new avenues for sponsored research.

The University is currently investigating issues related to the establishment of a research corporation. Implicit in the proposal would be the Board's willingness to license intellectual property rights to the corporation. Therefore, in addition to authorizing the creation of a research corporation, the Research Corporation must be structured in a way that the Board believes is the best way to manage its intellectual property.

The issues that must be considered are:

- How closely aligned should the research corporation be to the University?

  The close involvement of the University ensures that the corporation's goals and methods are consistent with University goals and priorities. The value of University control must be balanced with the need to ensure that the corporation is independent enough to achieve the purpose for its creation.

- What will be the relationship between the corporation and individual faculty members who have developed the intellectual property managed by the corporation?

- What is the best type of corporation to minimize the corporation's potential tax liability?

- What kind of relationship should exist between the research corporation and the University foundation?

  The University has already conferred with foundation officials who support the creation of the research foundation.

- What types of activities will the research corporation perform? What types of intellectual property activities will the University continue to perform?

- What kind of support will the University provide the research corporation, both in the start-up phase and in the long-run?
What steps must be Board take to ensure its intellectual property is prudently managed by the research corporation?

With guidance from the Board, staff will bring the appropriate resolutions for Board consideration.

**Board Discussion**

Vice Chancellor Ihrig reminded the Board that this proposal was presented for discussion only. The Board would be requested to take action at a future meeting.

In faculty research, a lot of intellectual property is created. The University of Oregon has been exploring ways it can creatively get a better return on that property. The avenues open at the present time are through patenting and licensing. President Frohnmayer explained that, although the concept is new to the state of Oregon, it is not new with other major research universities around the country. "The inescapable fact is that, increasingly in the future, colleges and universities will not merely be spinning off people who will go and create wealth; they themselves will be wealth creators in the information economy."

He continued by pointing out that the major events in the Silicon Valley in California would have been inconceivable without the presence of Berkeley and Stanford. Likewise, the growth of the biotechnology industry in Seattle, Washington, would be inconceivable without the University of Washington. "It's clear that a major source not only of discovery, but of invention that creates wealth, will be a direct off-shoot of the activities that occur in the laboratories, studios, classrooms, and offices of members of our faculties," said President Frohnmayer. "Because many of these have significant commercial value, because of the constraints of the State System, and because entrepreneurship should be rewarded and also constrained in terms of controls over it, many universities around the country have, in conjunction with private partners, developed research foundations or research corporations."

Dr. Steadman Upham, vice provost for research and graduate education at the University of Oregon, noted that it is important to understand the pressures driving the proposal. One is the issue of investment and reinvestment, and the other is the theme of economic development. Dr. Upham reminded the Board of the return on the centers of excellence investment. "With a few million dollars invested, we hired some outstanding faculty in our science areas. These individuals have returned almost $25 million of funded external research to the University. That is impressive, but more impressive is the fact that the units in which they work have been energized by their activities and,
in the nine units in which these faculty were hired, from 1989 through 1995, the University has brought in $122 million in funded research.” Dr. Upham indicated that approximately 80 percent of the patents are subsequently acquired by licensees. While this is positive, it also puts pressure on the technology transfer activities to keep disclosures and inventions moving forward.

Mr. Rhinard asked if other research institutions in the State System would want to create a similar corporation. Vice Chancellor Ihrig responded that the question would more likely be whether each campus should have a corporation or whether one would extend to more than one campus.

Ms. McAllister asked if a code of ethics was set up to track the process. President Frohnmayer responded that there is a very broad pre-existing code of ethics for scientific conduct that is specifically designed to ferret out, prohibit, and curtail opportunity for conflicts of interest. He indicated that there are a number of research institutes that are privately funded and operated at the University, and in which faculty divide their time. They are governed by a rigorous conflict of interest policy that was very carefully crafted. Mr. Frohnmayer assumes there would be a natural carryover to the present proposal. Dr. Upham added that federally funded research is conducted under very strict guidelines that govern the activity of investigators and procedures. The current proposal merely moves the technology transfer operation out of the University and into the Research Corporation.

Ms. Waddy asked if graduate and undergraduate students would be engaged in research and be able to participate in the Research Corporation. Dr. Upham responded, “Absolutely. In fact, at the present time, graduate students are already involved in these activities.”

Chancellor Cox asked for clarification about the fiduciary responsibility — how the Corporation protects both the assets of the Corporation and the assets of OSSHE. Dr. Upham indicated that the governance structure included a board, whose membership would include institutional and noninstitutional representatives, with veto power residing with the president of the University. Ms. Waddy suggested considering graduate student representation on the board.

President Frohnmayer added, “It is a general view that creation of an independent entity of this kind provides greater insulation to the Board and to the institution than would otherwise be the case. Right now, these functions are being handled by the technology transfer office. If, through some accident of fate, liability exposure were to take place now, there would actually be greater liability of the state entities than if they were handled by an
independent entity of this nature.” Chancellor Cox indicated that was the point that he wanted reflected on record.

Mr. Bailey inquired about the timeline for implementation. Dr. Upham responded that they would like to move as quickly as possible. Draft articles of incorporation and bylaws are being reviewed by Vice Chancellor Ihrig’s office and legal counsel. Mr. Willis asked that the Board receive a summary of the articles of incorporation and a report that would follow up on the issues presented in the docket. Mr. Bailey requested an outline of one or two other similar ventures on other research campuses. Mr. Imeson added that he would like to see included in that material some information on various governance structures and some indication of why the governance structure selected is preferable. Mr. Ihrig suggested the Board also be provided with a summary of the business plan, featuring how this Corporation intends to be supported. Dr. Stevenson explained that the plan is essentially to use the same budget currently supporting the technology transfer office. One goal is to develop an endowment to provide an ongoing base for a patent fund.

(No Board action required)

There was significant activity during the past six months on Board-approved capital construction projects. The following table portrays the status of all active capital construction projects at the seven colleges and universities of the State System. A few are listed as complete, meaning that they are occupied and that all artwork, accounting, construction claims, and other transactions have been finished. Five projects reached this stage during the past six months. These included the 1989-1991 Systemwide repair and modernization effort, Agricultural Sciences II at Oregon State University, the Millar Library addition at Portland State University, the Health Services addition at Western Oregon State College, and the utility improvements effort at Oregon Institute of Technology.

Construction activity was completed recently for the CAPITAL Center, the Knight Library renovation at the University of Oregon, and the addition and renovation of Hoke Hall at Eastern Oregon State College. Construction began on energy-related improvements at Kerr Library and Kidder Hall at Oregon State University. Demolition and site preparation for the replacement of Phase I Amazon Student Housing replacement at the University of Oregon is nearing completion, and a design/build contract has been awarded for the construction of that project. The dispute between the University of Oregon and the architect retained for an earlier effort on this project was resolved amicably.
No activity was noted on newly established 1995-1997 projects since the balances noted in this report are those as of June 30, 1995. New projects were approved effective July 1, 1995, and their status will be reported next spring. Thirty-two projects with limitations totaling $181 million were approved by the Legislative Assembly for 1995-1997.

Previous reports included projects for Oregon Health Sciences University. Since that university is no longer a part of the State System, the status of its 21 projects is no longer being reported.

(No Board action required)
### CURRENT CAPITAL CONSTRUCTION PROJECTS

Balances as of June 30, 1995
($ in thousands)

<table>
<thead>
<tr>
<th>Coll/Univ</th>
<th>Project Name</th>
<th>Fund Source</th>
<th>Limit/Appn</th>
<th>Balance</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>OIT</td>
<td>Utility Improvements</td>
<td>GF</td>
<td>$2,940</td>
<td>0</td>
<td>Complete*</td>
</tr>
<tr>
<td>OSU</td>
<td>Ag Sciences II</td>
<td>GF, Fed, Gift</td>
<td>26,360</td>
<td>0</td>
<td>Complete*</td>
</tr>
<tr>
<td>PSU</td>
<td>Millar Library Add</td>
<td>GF</td>
<td>11,080</td>
<td>0</td>
<td>Complete*</td>
</tr>
<tr>
<td>SYS</td>
<td>Asbestos Abatement</td>
<td>GF</td>
<td>$2,062</td>
<td>5</td>
<td>Now Open*</td>
</tr>
<tr>
<td>SYS</td>
<td>Repair &amp; Modernization</td>
<td>GF</td>
<td>1,800</td>
<td>0</td>
<td>Complete*</td>
</tr>
<tr>
<td>OIT</td>
<td>Parking Imputs</td>
<td>Parking</td>
<td>500</td>
<td>51</td>
<td>Now Open</td>
</tr>
<tr>
<td>OSU</td>
<td>Kerr Library</td>
<td>GF, Gift</td>
<td>2,080</td>
<td>1,631</td>
<td>Balance Canc*</td>
</tr>
<tr>
<td>OSU</td>
<td>Seed Warehouse Replc</td>
<td>Inst</td>
<td>580</td>
<td>2580</td>
<td>Await Const</td>
</tr>
<tr>
<td>SOSC</td>
<td>KSOR Satellite Stn</td>
<td>Federal, Gift</td>
<td>419</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>UO</td>
<td>Knight Library Addtn</td>
<td>GF, Gift</td>
<td>26,620</td>
<td>263</td>
<td>Now Open*</td>
</tr>
<tr>
<td>UO</td>
<td>Student Housing</td>
<td>Housing</td>
<td>10,000</td>
<td>6,814</td>
<td>Ph II Demo*</td>
</tr>
<tr>
<td>SYS</td>
<td>Land Acquis, etc</td>
<td>Various</td>
<td>$600</td>
<td>0</td>
<td>Transferred</td>
</tr>
<tr>
<td>BOSC</td>
<td>Hoke Hall Addition</td>
<td>BF, Housing</td>
<td>2,500</td>
<td>12</td>
<td>Now Open*</td>
</tr>
<tr>
<td>WOSC</td>
<td>Health Services Addm</td>
<td>BF</td>
<td>415</td>
<td>0</td>
<td>Complete*</td>
</tr>
<tr>
<td>OSU</td>
<td>Environ Computing Ctr</td>
<td>Gift</td>
<td>2,000</td>
<td>34</td>
<td>Now Open</td>
</tr>
<tr>
<td>OSU</td>
<td>FRL Lab Renovation</td>
<td>Inst Funds</td>
<td>230</td>
<td>230</td>
<td>On Hold</td>
</tr>
<tr>
<td>OSU</td>
<td>Mitchell Gym Rehab</td>
<td>Gift</td>
<td>750</td>
<td>22</td>
<td>Now Open</td>
</tr>
<tr>
<td>OSU</td>
<td>S Oregon Exp Stn</td>
<td>Gift, Inst</td>
<td>500</td>
<td>45</td>
<td>Under Const</td>
</tr>
<tr>
<td>SOSC</td>
<td>Campus Ped Safety</td>
<td>Housing</td>
<td>235</td>
<td>113</td>
<td>Under Const</td>
</tr>
<tr>
<td>SOSC</td>
<td>Parking Expansion</td>
<td>Parking</td>
<td>150</td>
<td>43</td>
<td>Under Const</td>
</tr>
<tr>
<td>UO</td>
<td>Museum Nat Hist</td>
<td>Gift</td>
<td>1,570</td>
<td>NA</td>
<td>No Activity</td>
</tr>
<tr>
<td>UO</td>
<td>Longhouse</td>
<td>Gift</td>
<td>545</td>
<td>NA</td>
<td>No Activity</td>
</tr>
<tr>
<td>UO</td>
<td>N Campus Relocation</td>
<td>Riverfront</td>
<td>2,225</td>
<td>NA</td>
<td>On Hold</td>
</tr>
<tr>
<td>UO</td>
<td>Comm Services Bldg</td>
<td>Auxiliary</td>
<td>5,200</td>
<td>4,710</td>
<td>Bldg Acq</td>
</tr>
<tr>
<td>UO</td>
<td>Chem Lab Renov</td>
<td>Gift/Grant</td>
<td>1,520</td>
<td>523</td>
<td>Under Const</td>
</tr>
<tr>
<td>UO</td>
<td>EMU SELP</td>
<td>SELP</td>
<td>667</td>
<td>78</td>
<td>Under Const</td>
</tr>
<tr>
<td>PSU</td>
<td>Student Housing</td>
<td>Housing</td>
<td>19,040</td>
<td>18,858</td>
<td>On Hold</td>
</tr>
<tr>
<td>SYS</td>
<td>Utility Renovation</td>
<td>Various</td>
<td>$2,160</td>
<td>NA</td>
<td>Part Transf</td>
</tr>
<tr>
<td>SYS</td>
<td>Safety Improvements</td>
<td>Various</td>
<td>200</td>
<td>NA</td>
<td>No Activity</td>
</tr>
<tr>
<td>SYS</td>
<td>Academic Modern</td>
<td>Various</td>
<td>600</td>
<td>NA</td>
<td>Transferred</td>
</tr>
<tr>
<td>SYS</td>
<td>Handicap Improv</td>
<td>Various</td>
<td>1,335</td>
<td>NA</td>
<td>Transferred</td>
</tr>
<tr>
<td>SYS</td>
<td>Land Acquisition</td>
<td>Various</td>
<td>750</td>
<td>NA</td>
<td>Part Transf</td>
</tr>
<tr>
<td>SYS</td>
<td>Deferred Maint</td>
<td>GF, XI-G Bonds</td>
<td>23,340</td>
<td>5,342</td>
<td>Under Const</td>
</tr>
<tr>
<td>SYS</td>
<td>Capital Center</td>
<td>Various</td>
<td>6,200</td>
<td>5,644</td>
<td>Now Open*</td>
</tr>
</tbody>
</table>
**THE OREGON INTERNATIONAL INTERNSHIP PROGRAM**

The Oregon State System of Higher Education has received a $4,000,000 federal grant to establish a model international internship program. The grant funds, part of what has been called "the peace dividend," come to Oregon through the Defense Conversion Act, which is aimed at preparing U.S. citizens for non-defense related employment. The Oregon International Internship Program (OIIP) is being established through the Office of the Chancellor in cooperation with the Oregon Economic Development Department (OEDD), and collaborating agencies and corporations, here and abroad. The implementation of the OIIP is being coordinated by Dr. Jack Van de Water, OSSHB Assistant Vice Chancellor for International Education (and Dean of International Education at Oregon State University). Dr. Van de Water was present at the Board meeting to provide further information and respond to questions.

<table>
<thead>
<tr>
<th>Project</th>
<th>Type</th>
<th>Amount</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOSC KSOR Improvements</td>
<td>Grant, Gift</td>
<td>450</td>
<td>NA</td>
</tr>
<tr>
<td>SOSC Stevenson Union Add</td>
<td>BF, Auxiliary</td>
<td>600</td>
<td>99</td>
</tr>
<tr>
<td>SOSC Visual Arts Complex</td>
<td>Gift</td>
<td>2,700</td>
<td>2,382</td>
</tr>
<tr>
<td>SOSC Handicap Access</td>
<td>Inst</td>
<td>72</td>
<td>69</td>
</tr>
<tr>
<td>OIT Child Care Facil</td>
<td>BF</td>
<td>200</td>
<td>198</td>
</tr>
<tr>
<td>OSU Memorial Union Renov</td>
<td>BF, SELP, Inst</td>
<td>2,884</td>
<td>1,222</td>
</tr>
<tr>
<td>OSU Seafoods Lab</td>
<td>Grant, Gift</td>
<td>4,400</td>
<td>3,133</td>
</tr>
<tr>
<td>OSU Seafood Ed Center</td>
<td>Grant</td>
<td>1,995</td>
<td>1,750</td>
</tr>
<tr>
<td>OSU Pharmacy Lab Renov</td>
<td>Gifts</td>
<td>850</td>
<td>NA</td>
</tr>
<tr>
<td>OSU Langton/Women's Access</td>
<td>Inst</td>
<td>322</td>
<td>322</td>
</tr>
<tr>
<td>OSU Kerr/Kidder Energy</td>
<td>SELP</td>
<td>1,371</td>
<td>1,306</td>
</tr>
<tr>
<td>OSU Kerr Lib Expan/Remod</td>
<td>Gift, XI-G Bonds</td>
<td>20,000</td>
<td>19,248</td>
</tr>
<tr>
<td>OSU Lab Theater Renov</td>
<td>Gift</td>
<td>750</td>
<td>682</td>
</tr>
<tr>
<td>OSU Food Innovation Ctr</td>
<td>Grant, Inst, Rent</td>
<td>8,775</td>
<td>8,775</td>
</tr>
<tr>
<td>OU Law Library Add</td>
<td>Gifts</td>
<td>2,315</td>
<td>NA</td>
</tr>
<tr>
<td>OU Fac/Staff Child Care</td>
<td>Gifts, Fees</td>
<td>1,240</td>
<td>NA</td>
</tr>
<tr>
<td>OU OIMB Add/Alts</td>
<td>Grant</td>
<td>1,500</td>
<td>NA</td>
</tr>
<tr>
<td>OU Gilbert Hall Add/Alts</td>
<td>Gifts</td>
<td>7,500</td>
<td>7,258</td>
</tr>
<tr>
<td>OU Amazon Housing, Ph II</td>
<td>Housing</td>
<td>9,000</td>
<td>8,926</td>
</tr>
<tr>
<td>OU International College</td>
<td>GF/Housing/Lott</td>
<td>18,000</td>
<td>17,789</td>
</tr>
<tr>
<td>OU Johnson Hall Access</td>
<td>Inst</td>
<td>150</td>
<td>90</td>
</tr>
<tr>
<td>PSU Harrison Hall</td>
<td>Inst</td>
<td>1,850</td>
<td>704</td>
</tr>
<tr>
<td>PSU Housing Rehab</td>
<td>Housing</td>
<td>4,475</td>
<td>4,249</td>
</tr>
<tr>
<td>OU EMU SELP</td>
<td>SELP</td>
<td>637</td>
<td>321</td>
</tr>
</tbody>
</table>

* Indicates change in status since previous report.
Program Goals

The goals of the OIIIP are to:

- prepare the next generation of Oregon's leaders to cope with increasing international interdependence, a global economy, and economic competition and cooperation on a global scale;

- provide OSSHE students with the opportunity to combine study of other countries and cultures with the practical knowledge resulting from an internship experience;

- strengthen cooperation between OSSHE institutions and Oregon and Pacific Northwest businesses, agencies, and organizations that have or are seeking to develop an international dimension;

- expand and improve the linkage between Oregon and other countries, especially in areas related to trade and economic development common interests such as the environment, health, energy, democratic government, science, and technology;

- establish a model statewide program involving diverse interest groups in a collaborative public/private program that applies and integrates computer technologies and management techniques on a worldwide scale; and

- implement a program that generates a level of involvement and support that enables it to be sustained beyond the federal grant period.

The Student Internship Experience

Participation in the OIIIP will enable OSSHE students to include the experience as part of a degree program. A typical intern would study on campus about their international area of interest and career field; spend a short period as an intern with an Oregon or Northwest company or organization with the same area of international interest; travel to the foreign location to do additional study and orientation and then undertake an extended internship experience; return to the initial Oregon or Northwest business or organization for a short period to provide feedback related to
the foreign experience; and complete the cycle by returning to campus to complete degree studies.

**Implementation**

The OIIP will be led by a management team consisting of three co-directors, each with a regional area of expertise and responsibilities: Latin America, Europe, and Asia. A statewide coordinating committee will include representatives from all major constituent groups, including campuses, private businesses, the OEED, and trade organizations. OSSHE will organize internally to coordinate policies and procedures related to student applications, selection, orientation, placement, supervision, and evaluation. The management team will coordinate with existing internship programs and develop new opportunities in consultation with the OIIP Executive Board. A few countries will be selected for "pilot projects," based on the priority interests of the coordinating committee, OSSHE, and the existence of support networks abroad.

**Resources**

The grant will provide seed money for the program, including the base budget for the pilot project stage of implementation. Students will receive priority for grant funds, with OIIP Internship Scholarships being the major budget item. The management team will prepare a budget plan. The plan will include an initial two-year program using a portion of the grant funds; a transition budget for the second two-year period with grant funds and partial support from constituent institutions, businesses, and organizations; and a long-term budget plan with the goal of sustaining the program without federal funding.

**Timetable**

Initial implementation steps began in fall 1995. Priorities are to fill the co-director positions, develop an infrastructure within the State System, and establish an OIIP coordinating committee. Pilot projects will be organized and students informed of internship opportunities as soon as feasible.

**Board Discussion**

Dr. Van de Water reminded the Board that the OIIP is consistent with OSSHE's economic development goals and the general need for the
colleges and universities to strengthen international dimensions of education. Chancellor Cox inquired about the number of Oregon students able to participate in the program. Dr. Van de Water responded that approximately 150 students per year would participate.

Ms. Christopher asked if the program extended to all the OSSHE institutions, to which Dr. Van de Water responded affirmatively.

(No Board action required)

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

Brb Memorial Union Facility Condition Analysis, UO
An agreement was negotiated with ISEC Corporation, for professional services not to exceed $31,500. Financing will be provided from Article XI-F(1) bonds.

Housing Building Elevator Survey, OSU
An agreement was negotiated with Elevator Consulting Services, Inc., for consulting services not to exceed $3,670. Financing will be provided from state funds.

Kerr Library, Geotechnical Consulting Services, OSU
An agreement was negotiated with Fujitani Hils & Associates, Inc., for consulting engineering services not to exceed $10,000. Financing will be provided from state funds.

Law School Additions and Alterations, UO
An agreement was negotiated with Yost, Grube, Hall Architecture, for architectural and planning services not to exceed $427,895 for basic services. Financing will be provided from state funds.

Lower Level of Allen Hall, UO
An agreement was negotiated with Boucher-Mouchka-Larson Architects, for professional services in connection with a planning study not to exceed $19,090. Financing will be provided from state funds.
Residence Hall Study, UO
An agreement was negotiated with Gary Moye, Architect, for architect and planning services not to exceed $16,192. Financing will be provided from housing operations.

Transportation Study, OSU
An agreement was negotiated with Lancaster Engineering, for consulting engineering services not to exceed $9,665. Financing will be provided from state funds.

Award of Construction Contracts

Cramer Hall Chiller Replacement Project, PSU
On September 11, 1995, Hydro-Temp Mechanical, Inc., was awarded a contract for this project in the amount of $188,400. Financing will be provided from capital repair funds.

Johnson Hall Reroofing Project, UO
On June 28, 1995, Umpqua Roofing, Inc., was awarded a contract for this project in the amount of $112,990. Financing will be provided from capital repair funds.

Student Family Housing Replacement Project, Phase 1, UO
On September 12, 1995, John Hyland Construction, Inc., was awarded a contract for this project in the amount of $6,375,392. Financing will be provided from Article XI-F(1) bonds.

Acceptance of Projects

Cordley Hall Piping Replacement Project, OSU
This project is complete and was accepted on August 31, 1995. The final direct construction costs were $770,640. Financing was provided from capital repair funds.

Susan Campbell Hall Accessibility Improvements Project, UO
This project is complete and was accepted on December 21, 1994. The final direct construction costs were $233,484. Financing was provided from capital repair funds.

(No Board action required)
Mr. Bailey reported that the Joint Boards Working Group had not met since the last Board meeting. However, Mr. Swanson had discussed with Board of Education Chair Massey procedures of the Joint Boards of Education work. That discussion will continue into the next Working Group meeting.

Ms. Christopher indicated that the work of the Committee is moving along in a timely manner. She noted that Mr. Miller has done an excellent job of chairing the Committee, giving generously of his time and energy. Ms. Christopher also noted that the Committee has been very satisfied with the pool of applicants. “They are very qualified, very diverse with strong backgrounds and with wide geographic representation.” The Committee intends to have completed its work by December.

Mr. Bailey reported that the board’s first planning session was scheduled for November. “We got through the strike, and we finished up our first audit. Everything is in good shape. A strong point is the stable management team at OHSU. We’re not starting over, and using most of the OSSHE rules and procedures has helped with the transition.”

Several Board members thanked President and Mrs. Wolf for their hospitality at the previous evening’s dinner. In addition, they indicated their appreciation for the campus visit.

Background

This is the second of three forums planned in response to Board members’ request that selected important student life issues be brought to the Board for information and discussion. The first forum in February 1995 focused on students and campus placement services and issues. The current forum on college costs and student financial planning is offered in two parts. In July 1995, a preliminary report on the Oregon Family Resource Study, developed by the Human Capital Research Corporation, was presented by Brian Zucker and Board staff. The second part of the forum is scheduled for the October 1995 meeting. Next winter, the topic of the third forum will be student diversity, broadly defined to include racial/ethnicity, age, and gender dimensions.

Outline of Panel Presentations and Discussion Areas

For review, the Executive Summary and Policy Discussion and Overview sections of the final version of the Oregon Family Resource Study (August
1995) were included in the docket. In addition, contextual information about post-Measure 5 tuition increases, System-level grant and scholarship programs, and other data will be profiled during the early part of the forum.

The format for the forum included brief presentations and dialogue among Board members and invited panelists.

Vice Chancellor Weldon Ihrig related increased tuition to state funding trends and System tuition offsets. Gary Christensen, Assistant Vice Chancellor, described the System's major grant and fee remission programs.

George Pernsteiner, Vice President, Portland State University, and Brian Zucker, Human Capital Research Corporation, will summarize key findings from the Oregon Family Resource Study and relate them to emerging policy issues.

Douglas Collins, Executive Director, Oregon State Scholarship Commission, will share perspectives on state grant support for students in all of Oregon's postsecondary and higher education sectors.

An update on federal activities regarding student financial aid and the impact on campuses of increasing costs and the constrained capacity to assist students to meet these costs will be provided by campus officers: Richard Stenard, Dean of Students, Eastern Oregon State College; Keith McCreight, Director of Financial Aid, Oregon State University; and John Huntley, Director of Financial Aid, Oregon Institute of Technology.

OSSHE students Kari Olmsted, Oregon Institute of Technology, and Paul Mai, Portland State University, will describe their situations and approaches to managing the costs of education.

Rollie Altenburg, Counselor, Henley High School, will discuss financial planning questions and concerns that high school counselors receive from students and their parents.
Oregon Family Resource Study
Executive Summary

The Oregon Family Resource Study concerns the economic backgrounds of state residents attending Oregon colleges and universities. Based on surveys from more than 7,100 families, this research was developed to help clarify the impact of current funding policy and implications for future funding.

The social characteristics of dependent students attending Oregon's public and private four-year institutions are highly similar in terms of parent education attainment, family incomes, and family composition. The 1992 median family income of dependents at OSSHE institutions was $47,210 compared with $45,734 at private colleges. While the family income of community college dependents was lower, they represent a predominantly middle-class population as well, with a median family income of $40,097. Independent students represent a more diverse population with family incomes that reflect pronounced differences in student age and family composition. For independents attending OSSHE institutions, the 1992 median family income was $14,190 compared with $27,900 at private colleges and $18,895 at community colleges.

For comparison, the estimated 1992 statewide median for all families with a household head of comparable age (45-54) was $42,450, and $32,114 for all Oregon households. For dependents and independents combined, the 1992 median income of OSSHE, private college and community college families are $34,332, $38,957 and $29,708 respectively.

Few dependents are the first generation in their family to attend college. At four-year institutions, only one in ten parents of dependents have not had some college education compared with 39 percent for the state, which challenges our hopes and expectations that families from all educational backgrounds are equally represented. Among independents, the proportion of first generation students conforms more closely with the state population and points to the importance of adult education for ensuring that individuals from all backgrounds have access to college.

Oregon's three systems of higher education represent distinct funding environments, with average prices (self-reported average prices include tuition, fees, room and board, and expenses) for full-time dependents who do not live at home of $8,856 at OSSHE institutions, $16,124 at private
colleges and $4,620 at community colleges. (The community college budget includes students who attended less than a full year.) The provision of grant aid (from public and private sources) substantially reduces the average price of attendance in all three sectors and is particularly effective for low- and moderate-income families (under $35,000). For full-time dependents attending OSSHE institutions, grant aid on average lowers attendance costs by 12 percent, compared with 32 percent at private institutions and 13 percent at community colleges. Grant aid also greatly reduces the price differences between sectors. After receipt of grant aid, the average price difference between OSSHE and private colleges falls from $8,035 to $2,523 for a low-income (under $20,000) dependent and from $9,418 to $4,989 for a middle-income ($35,000-$49,000) dependent.

Despite significant grant aid, families at all income levels represent the primary underwriter of attendance costs. For dependents, responsibility for meeting costs are evenly split between students and parents, with student responsibility rising as family income decreases. At the same time, neither student nor parents adequately prepares for college.

Less than 38 percent of all parents save for college and less than 25 percent of all dependents contribute to their education through some form of savings. Given this level of participation and minimum reliance on current income to help fund expenses, loans represent a large and increasingly critical funding component for college. Nearly 50 percent of all OSSHE, 70 percent of all private college and 25 percent of all community college students borrow to help pay for college, and as family income declines, the incidence of borrowing and levels of debt tend to rise.

Under current policy, low- and moderate-income (under $35,000) families still face the highest burden of responsibility relative to family resources. This burden is reflected in the incidence of borrowing, sacrifice of current income, and hours of student employment. While middle-income ($35,000-$49,999) families are large borrowers as well—and in the case of private colleges demonstrate the highest loan levels of any group—that burden must be considered in light of the limited effort middle-income families demonstrate to save for college or sacrifice current income.

Low- and moderate-income (under $35,000) parents of dependents attending public or private four-year colleges exhibit nearly identical levels of support regardless of sector, while middle-income ($35,000-$49,000) parents with dependents attending private colleges contribute nearly $2,700
more than their public sector counterparts. These differences in parental effort help explain the observed similarity in income distributions between public and private four-year institutions, despite a large gap in tuition. Overall, comparatively few parents fail to contribute either through loans, savings or income towards their children's education, and family contributions in general meet or exceed federal expectations across all incomes. While this behavior is perhaps expected, it is an important confirmation of parental commitment towards postsecondary education in Oregon.

For dependents, an increase in attendance costs would be borne both by parents and students, with students assuming greater responsibility overall. Moreover, as family income decreases, student responsibility rises. In terms of type of support (current versus future income), reliance on loans would nearly double from 17 percent today to 31 percent of all additional costs. For independents, reliance on loans would be even greater, with 50 percent of each new dollar in costs met through debt rather than savings or current income. Independents were also more likely to reduce course loads to help offset additional costs and extend their time to completion.

Faced with a specified cost increase and no additional grant aid, 54 percent of all OSSHE, 55 percent of all private college, and 42 percent of all community college families would take some other course of action rather than pay the increase. For all three sectors, families with incomes above $65,000 were the most likely to remain at their current institutions and pay the additional cost.

Among those who would not pay the increase, almost all families at four-year institutions would instead attend lower-cost institutions, with a large movement of public and private students to community colleges (36 and 25 percent respectively) and from private institutions to OSSHE institutions (17 percent).

Oregon Family Resource Study
Policy Discussion and Overview

Three aspects of Oregon's higher education funding environment served as the impetus for the Oregon Family Resource Study: reductions in state support for higher education driven largely by Measure 5, rising attendance costs due to an increasing reliance on tuition for revenue, and a stagnation in family income contributing to greater financial need.
These conditions have direct bearing on current funding policy, but hold even stronger implications for the future of state, system, and institutional resources. The deliberations and actions of the 1995 Oregon legislature, as well as those of individual campuses, are testament to extensive changes in Oregon's funding structure not only under consideration but underway.

While the findings from the Oregon Family Resource Study represent one moment in time, their implications are more appropriately considered within the context of dynamic environment. Within this context, the basic policy objectives of equity, efficiency, and adequacy must be augmented by the necessity to build greater stability and flexibility into an increasingly uncertain future.

Of the many issues facing the future financing of higher education, none is perhaps more fundamental than the prospect of a prolonged stagnation in family incomes. Because families are the primary underwriter of higher education, directly through tuition and indirectly through collection of tax revenue, the condition of family resources will largely determine the future cost structure of higher education. It is against this backdrop of uncertain family resources that the price of attendance has steadily risen while federal, state, and institutional aid policies have vacillated.

The prospects of achieving a lasting impact and a capacity to weather future adversity will depend on a return to some constancy in support and an adherence to shared responsibilities. All of Oregon's funding partners have a role in building greater stability into the system. A sustainable and economically viable funding structure will be achieved only through clearly defined objectives and lasting commitments to goals, including state support for institutional funding and financial aid, institutional consistency in awarding aid, and greater communication to and preparation by all Oregon's families. Toward that end, the findings of this study point to three basic policy issues that represent challenges and opportunities for Oregon to increase its capacity to invest in its citizens.

The Integration of Tuition and Financial Aid Policy

Without an adequate understanding of financial aid policy, it is impossible to discern the impact of changes in tuition. As tuition at both public and private institutions has increased faster than inflation, families have been less able to meet attendance prices entirely on their own. While more families apply for financial aid and more qualify for assistance, the
availability of grant aid has not kept pace with rising financial need. Whether increases in attendance prices are borne equally by all families or differentiated based on ability to pay is a question that should be purposefully resolved rather than the de facto outcome of several uncoordinated policies. Among the varied aspects of a more closely integrated tuition and financial aid policy, three program building blocks stand out in particular:

**Building a Stronger Aid Delivery Infrastructure**

As attendance prices rise, the importance of ensuring that all needy families have access to clear information and advice on financial planning will become more critical to ensure that all aid resources are properly utilized.

**Expanding Eligibility to All Needy Families**

Currently, students taking less than a full load are ineligible for a state grant, as are middle-income and needy families who fail to apply before state dollars run out. While these policies may have been appropriate given lower attendance prices and lower proportions of part-time students, limiting grant aid to high-need students or operating an under-funded program that rations support will increasingly result in deleterious effects if a growing population of needy students is expected to absorb full increases in tuition.

**Improving the Articulation of Support to Better Meet the Dynamics of Need**

While constituents of Oregon’s state grant program benefit from a straightforward, easy to understand eligibility formula, they are disadvantaged by its unresponsiveness to changes in financial need. Among eligible recipients in any sector, students receive that same award, even though their financial need may vary by several thousand dollars. Similarly, a difference of one dollar in family income can translate into the loss of more than $1,000 in aid rather than a gradual reduction in support. Finally, Oregon’s state grant formula fails to consider how changes in tuition or other resources (such as a decrease in the federal Pell Grant) impact need.
In broader terms, these elements suggest that the opportunities and risks of further increases in tuition rest squarely on the quality of the financial aid safety net.

The Movement to Income Contingent Funding

Oregon is clearly moving toward a funding model in which an increasing share of the price of attendance is financed through the future earnings of students. The economic viability of this powerful trend must be understood in terms of both the level of borrowing students assume, and a realistic assessment of future earnings. While there is precise information concerning student debt levels, information on the distribution of earnings among recent graduates is inadequate to determine whether current or anticipated future loan levels are sustainable. Even if the vast majority of students are able to service their debt after college, large debt levels may still represent an excessive burden and limit a series of lifelong choices and investment decisions (including graduate school and career and family responsibilities).

Oregon's rising student loan levels are driven both by rising financial need and the limited financial preparedness of families. To the extent that attendance prices continue to rise, the use of savings incentives such as tax credits and deductions, non-taxable escrow accounts, and prepaid tuition will become more important as instruments to help mitigate against rising debt. Though numerous examples of such programs already exist, collective experience concerning the most effective vehicles and their long-term impact remains highly limited and ineffectively publicized.

Investing in Education Outcomes Rather than Inputs: Toward Timely Graduation

This study is based on the funding circumstances families face during a single academic year. If considered in terms of a college degree, rather than one year attendance, however, the implications of rising tuition, financial need, and family debt are compounded. To the extent that students require more time to graduate or attend college for several years but fail to earn a degree, family's education investment and its economic return may be dramatically altered. It is therefore appropriate to define the finances of higher education in terms of the total investment needed to achieve intended outcomes. Under this perspective, the elimination of support services or a reduction in required classes, while lowering per student costs on an annual
basis, may result in prolonged time to completion and higher cost in the long run. Understanding how educational costs and institutional practices affect outcomes as well as institutional budget is therefore a key toward managing the economic viability of a college education.

**Board Discussion**

Vice Chancellor Clark introduced the student life issues forum, indicating that these forums are opportunities for the Board to learn in more detail about issues of special concern to students.

Vice Chancellor Ihrig provided historical background about tuition and financial aid in Oregon since 1989. He noted the impact of declining federal work study and grants, declining state support, and OSSHE’s increased grants and scholarships in response to those declines. He also highlighted the increased use of federal loans. Mr. Ihrig indicated that the key question to begin the discussion is: does our financial assistance keep up with trends in tuition?

Assistant Vice Chancellor Gary Christensen directed the Board’s attention to a handout summarizing current State System financial need and academic merit-based programs. Mr. Christensen pointed out that 90 percent of the overall change in financial aid since 1989-90 has been in federal loans. In addition, the state need grant for the State System has decreased by ten percent from 1992-93 to 1994-95. Mr. Doug Collins, executive director of the Oregon State Scholarship Commission, reviewed the need grant program in Oregon. It is significant to note that one-third of eligible students who apply do not receive assistance from the Commission because the program is underfunded.

Two OSSHE financial aid directors, a dean of students, two OSSHE students, and a high school counselor also provided additional insight into and information about current and prospective financial challenges for students. Mr. Brian Zucker from Human Capital made some broad policy observations and suggestions. “Currently there is a basic mismatch between state grant policy from a different funding environment and the environment students now face. This is a very fundamental issue.” He stated that there are two basic assumptions. One, that most new money will come from private sources. Two, that this new money, both public and private, will pass through two filters: demonstration of financial need and academic merit. Mr. Zucker suggested several things that could positively impact future student financial
arrangements: family preparation; revised state grant aid program; better sources of student income through high-wage, high-quality internships rather than poorly paid work study; and a better future for degreed students. “We rely on future income to pay for education. We know that degreed students have a better outlook in earning potential; there is much data to substantiate that. Time to complete a degree profoundly affects the opportunity and the out-of-pocket costs. Every private institution in the country is pushing as hard on this one as they can. They have to justify in their market a tuition differential. Colleges that invest in this realm, that manage toward student outcomes, get results. Invest in the information. Invest in building the culture. Invest in retention.”

Ms. Christopher thanked the panel for the information. Mr. Bailey remarked that high tuition/high aid policy has been considered, but this suggests a different way of looking at the problem. Mr. Rhinard added special thanks to the high school counselor. “That’s where higher education dreams are made or broken.”

ADJOURNMENT

The meeting of the Board adjourned at 12:45 p.m.

Virginia L. Thompson
Secretary of the Board

Les Swanson, Jr.
President of the Board