REGULAR MEETING OF THE  
OREGON STATE BOARD OF HIGHER EDUCATION  

November 17, 1995

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ADJOURNMENT 512
ROLL CALL

The meeting of the State Board of Higher Education was called to order at 10:45 a.m. by President Les Swanson.

On roll call, the following answered present:

Dr. Herb Aschkenasy  Ms. Gail McAllister
Mr. Bob Bailey  Ms. Esther Puentes
Ms. Diane Christopher  Mr. Mark Rhinard
Mr. Tom Imeson  Ms. April Waddy
Mr. Les Swanson, Jr.

Mr. Rob Miller was not in attendance because he was out of the country, and Mr. Jim Willis was absent due to a conflict in schedule.

MINUTES APPROVED

The Board dispensed with the reading of the minutes of the October 20, 1995, regular meeting of the Board; the revised summary of the July 21, 1995, Work Session; the minutes of the November 2, 1995, Executive Session; and the minutes of the November 2, 1995, Special Board meeting. Ms. Christopher moved and Ms. McAllister seconded the motion to approve the minutes and summary as submitted. The following voted in favor: Directors Aschkenasy, Bailey, Christopher, Imeson, McAllister, Puentes, Rhinard, Waddy, and Swanson. Those voting no: none.

PRESIDENT'S REPORT

President Swanson thanked University of Oregon President Frohnmayer and his staff for hosting the Board meeting and providing information on the University’s student aid program and tenure information.

Board Member Confirmation

Mr. Swanson announced the Senate confirmation of the appointment of Board member Rhinard and reappointment of Board member Christopher.

OSSHE Long-Range Planning

President Swanson summarized the goals of the afternoon Board Work Session. “We will begin the important process of planning for the future — both the near future and for the next six years. We have a Governor who has a strong interest in education, and higher education is an important part of the education continuum. So between now and early summer, we will work very hard to put together the best vision for higher
education that we can and the concrete steps by which to implement that vision. This is a significant period in the history of higher education. Oregon is on the move. The economy is strong.” Mr. Swanson noted that OSSHE has not changed significantly in approximately 50 years, and now it is time to re-examine how to best move into the future.

CHANCELLOR’S REPORT

Financial Aid

Chancellor Cox underlined the importance of the morning’s presentation about financial aid. He reiterated that the long-term implications are not favorable as the federal government seems poised to retreat from providing access to education. Dr. Cox pointed out that, for the first time since World War II, governmental allocation patterns appear to support the philosophy that higher education is a private good whose expense should be borne largely by the individual. “This is not in the best long-term interest of this country,” stated Dr. Cox. “Those of us who care about access and about protecting that right for young Oregonians to come need to be alert and active.” The Chancellor reported that there were ongoing conversations among Mr. Brian Zucker, Oregon State Scholarship Commission Executive Director Doug Collins, and himself regarding a closer study of the state need grant program and how to bring money to that fund. Dr. Cox indicated he had received and would be reviewing a proposal from Dr. Zucker regarding such a study.

OSSHE Enrollment

“Last month, I reported with pride the number of graduates OSSHE had in the last academic year,” said Chancellor Cox. “We have additional good news. OSSHE enrollments are up roughly 400 over last year.” In addition, he noted that enrollments for self-support and extended studies classes are up 7,000. He tempered enthusiasm about this long-term trend of increasing enrollments with the awareness that it is occurring precisely at a time when threats to financial aid are also increasing.

Community College Service District, Klamath Falls

Chancellor Cox announced that he received a memorandum of understanding for review regarding the formation of a community college service district in Klamath County on the Oregon Institute of Technology campus. He congratulated President Wolf and his staff for their work on this collaborative activity.

Linus Pauling Institute, OSU

Dr. Cox directed Board attention to a letter in their packets from Oregon State University leadership regarding the possible transfer to the University from California of the Linus Pauling Institute. The Chancellor indicated that Oregon State University has had ongoing conversations with the Pauling family about the possibility of transferring the institute to Dr.
Pauling's former alma mater. Dr. Cox alerted the Board that such a transfer would require formal Board approval.

Chancellor Cox thanked Mr. John Bernard for his assistance in the Board’s long-range planning process. He noted that Mr. Bernard has offered his services pro bono. Dr. Cox observed that “one criticism of higher education is that we spend so much time looking in the mirror and not enough time looking out the window. This process allows us to look out the window.”

Relative to the search for a 13th president for Oregon State University, Chancellor Cox stated that he was pleased with the outcome. “We had a pool of over 100, all of whom were considered seriously. We brought ten semi-finalists to Portland at the end of October. It was a very diverse group with six sitting presidents and a good balance of ethnicity and gender. The final pool consisted of three sitting presidents. Dr. Risser, the new president, will be here at the end of December or the first of January.” Dr. Cox commended the work of the Search Committee and of Chair Rob Miller in particular, as well as the faculty at Oregon State University.

The Chancellor noted that the process for presidential selection will be reviewed. “We will gather representatives from Western Oregon State College and Oregon State University, Bob Bailey, Rob Miller, and will also receive input from others. There’s always opportunity to make the process better.”

Dr. Sam Connell, president of the Interinstitutional Faculty Senate (IFS), indicated that it was his last meeting as president. He thanked the Board for its warm reception during the past year, and reflected on a statement he made at his first Board meeting in January 1995. At that time he had said that one of the goals of IFS was to represent faculty at OSSHE Board meetings and to be a resource and a source to the Board of expertise that may be utilized for planning and informational needs.

“Last week we got a call from Dr. Cox,” said Dr. Connell, “asking that faculty be involved in the planning as higher education positions itself for the 21st century. We look forward to that participation as faculty members and many are here today who are anxious to hear about the process.” Dr. Connell commended the Chancellor for inviting this active participation.
Finally, Dr. Connell noted that new leadership in IFS would be in effect January. However, he stressed that although there may be different people at the Board meetings, there would be strong continuity. Dr. Cox said that he'd be a "tough act to follow." President Swanson thanked Dr. Connell for his service to higher education.

Public Comments

Dr. Cox invited Jon Isaacs, president of the Associated Students of Oregon State University, and Jeremy Scott, a student at Oregon State University to address the Board. Mr. Isaacs read a prepared statement (which is on file in the Board's office) expressing his concerns about the recent University presidential search process. He indicated that a perception existed on campus that student opinions "were completely disregarded, and that the decision was made before the finalists ever stepped on campus." However, he did state that the students were not passing judgment on the job Dr. Risser will do.

Mr. Swanson pointed out that the three finalists for the Oregon State University presidency did, indeed, reflect diversity -- two were women and one was a minority. He indicated that the process by which presidents are selected will be reviewed, and he thanked Mr. Isaacs for his input.

Mr. Scott identified himself as a Native American in his fifth year of a double-degree program at the University. He indicated his disappointment and anger in the selection of the next University president. He felt that it did not represent the change in direction he would have liked at the University.

Mr. Scott also addressed the topic of the Underrepresented Minority Achievement Scholarship Program (UMASP) and other programs that support diversity on campus. He urged the Board to continue their support of such programs. Mr. Isaacs echoed Mr. Scott's belief that diversity needed to be supported not only by specific programs, but by top leadership giving priority to issues of diversity.

Ms. Puentes asked for clarification about Mr. Scott's perceptions and concerns. Dr. Cox underlined the value of the UMASP, noting that it has an excellent success rate.
Review of the Underrepresented Minority Achievement Scholarship Program (UMASP) and Related Student Financial/Academic Support Programs

Executive Summary

The U.S. Office of Civil Rights interpretation of the 1994 guidelines on "race-targeted" financial awards permits affirmative action "even in the absence of prior discrimination" to overcome the effects of conditions that resulted in limiting participation by persons of a particular race, color, or national origin. At the same time, postsecondary institutions can use financial aid to create student diversity as part of institutional mission.

OSSHE's use of the Underrepresented Minority Achievement Scholarship Program (UMASP) is a narrowly tailored approach to achieve equal educational opportunities for groups of students identified as historically underrepresented in the State System. The definition of "underrepresented" is the comparative participation rate of Oregon high school graduates who enter State System institutions as first-time freshmen the fall after high school graduation. The average participation rate for Oregon high school graduates is used as the baseline standard. When this standard is applied, three groups have participation rates below the average -- African American, American Indian, and Hispanic American.

This report reviews key factors related to tuition/fee remission programs as efforts on behalf of OSSHE to eliminate past discriminatory effects. Several critical areas are reviewed: (1) the Minority Student Diversity Initiative and the UMASP as a policy approach to address significant disparities in student representation by race and ethnicity; (2) the impact of UMASP at the campus level, including a review of campus recruitment and retention regarding impact on tuition remission awards and efforts to achieve and maintain greater student diversity; evidence of student and community views of UMASP's contributions and other tuition remission award programs to campus diversity; and (3) the challenges confronting the State System to further actions by the Board and campuses to ensure that all tuition/fee awards, particularly UMASP, remain within the Office of Civil Rights guidelines while achieving equal educational opportunities for all students.

The staff report to the Board during the May 1987 meeting noted that the Minority Enrollment Initiative established temporary measures to correct historical underrepresentation of certain racial/ethnic minorities.
Specifically in fall 1986, while approximately 16 percent of Oregon's white high school graduates enrolled in the State System institutions, only 8 to 9 percent of African American, Hispanic, and Native American students graduating from Oregon high schools enrolled in the State System institutions fall term following graduation.

In January 1990, the tuition remission programs were reorganized in order to improve the overall academic quality and diversity of the System's enrollment by attracting Oregon residents based on academic merit and achievement. The restructuring gave campuses a range of financial support options for increasing student diversity. The Oregon State Board of Higher Education authorized the following: (a) extra and special Systemwide recruitment efforts; (b) each institution to identify, contact, and encourage qualified underrepresented minority resident students to attend a state college or university; (c) institutional student services and academic support programs to expand their efforts to improve the retention of these students once enrolled; and (d) initiation of tuition fee waiver scholarship programs (that include tuition waiver for junior level transfer students). [See Appendix A in full report.]

For the purpose of this report, each campus was asked to provide four areas of information: (1) examples of effective campus activities to recruit underrepresented minority group students since UMASP was implemented in 1987; (2) the types of support services the campus provides to retain UMASP students; (3) student evaluation of UMASP program; and (4) the relationship of UMASP financial aid award decisions to other fee remission programs. A summary of campus responses indicates that campuses are actively engaged in the recruitment and retention of minority group students and that staff commitment is at a high level. Minority group students participating in the program find real benefits in support services provided by campuses. The college transition is greatly facilitated by the academic advising and tutorial classes available to students. Campuses are beginning to use the variety of tuition fee programs to maximize diversity on the campus. All students have the opportunity to receive a tuition remission scholarship based on merit. However, there is a glaring need for systematic data collection and evaluation of the program in terms of the impact the UMASP program is having on achieving student diversity both quantitatively and qualitatively at the campus level. One example of qualitative assessment would be student views on campus climate.
Since the inception of the UMASP in fall 1987, the overall OSSHE college participation rate of all students from Oregon’s annual senior class has decreased from 16 percent in fall 1986 to an average of 15 percent between fall 1986 and fall 1994. In contrast, the college participation rate for all underrepresented minorities increased from 8 percent in fall 1986 to an average of 12 percent between fall 1986 and fall 1994, three points below the overall rate of 15 percent. Between fall 1986 and fall 1994, the African American college participation rate averaged 12 percent, which was 3 percent above the fall 1986 rate of 9 percent. The college participation rate of European American students declined from 16 percent in fall 1986 to an average 14 percent between 1987 and 1994. Hispanic students recorded an average participation rate of 15 percent between 1987 and 1994, compared to 10 percent in 1986. Asian students consistently went on to college at almost double the rate for all students, increasing from 23 percent in fall 1986 to an average rate of 28 percent between fall 1987 and 1994. Native American students experienced the greatest increase in college participation, going from 6 percent in 1986 to an average of 13 percent between fall 1987 and fall 1994. Asian American and Hispanic Latino students are the only two groups at or above the overall average participation rate of 15 percent. [See Table A-7 in full report.]

The State System has experienced its greatest influx of students from diverse racial/ethnic backgrounds since implementing the Minority Student Enrollment Initiative in 1987. The UMASP has been the centerpiece for attracting and supporting those students from underrepresented minority student groups. Clearly, maintaining the UMASP is critical to campus efforts to retain a diverse campus environment, while recruitment remains important. The continued success of the program will be retention in terms of academic progress, student integration in the social as well as academic environment, and degree completion. A shift in emphasis goes beyond a descriptive account of demographic, academic, and ethnic/racial characteristics to a more in-depth account of what is happening to students, faculty, and staff. As noted in the report, the campuses are providing a number of activities and programs to attract and support diverse campus representation. Now, a critical next step is to determine the extent to which these activities and programs are making a difference to minority group retention and campus climate. Removing barriers and establishing a climate of support in order to achieve fair outcomes for all students will require making fundamental changes in institutional procedures and group relations, pedagogical approaches, and curricular
development. Within this context, several issues remain for further consideration.

As a result of this review, several questions remain open for determining major policy revisions:

• The UMASP program has been in existence for eight years. Progress has been made in terms of increased underrepresented minority group enrollment, as well as heightened Board and campus commitment to supporting programs and activities to increase student diversity. Has enough progress been made to establish a timeframe for phasing out the UMASP? Are the measures for progress defined sufficiently? Are outcome measures (i.e., degree completion, retention) included in the assessment?

• The cost of attending higher education has a negative impact on the participation rates of all students. Should the array of State System tuition fee remission programs be recast to consider a balance between need and non-need based financial support? If so, what are the implications for a financial support program targeted for underrepresented minority group students?

• Demographic shifts are taking place. European American student enrollments are declining and are now below the average participation for first-time freshman resident students. In contrast, Asian Americans far exceed the average participation rate for first-time freshman resident students. Among the underrepresented groups, Hispanic American participation is at the average participation rate for first-time freshmen. African American and Native American rates remain below average. In the 1990s, the Asian/Pacific Islander population will experience the fastest growth in the United States with 65.4 percent of high school graduates (followed by 55.9 percent for Hispanics, 14.3 percent for American Indians, 1.5 percent for African Americans and a decline of 6.8 percent for Whites). [See Table A-3 in full report.] In terms of high school attainment, 1990 census data already show more than 70 percent of Asian American men and 80 percent of Asian American women over 25 years of age had finished high school. However, aggregate data for Asian Americans mask different experiences by Asian sub-populations. For example, census data reported lower high school completion rates for students from Southeast Asia and the Philippines than for students
of Japanese and Chinese ancestry. Also, while 1990 census data show that 67 percent of Asian Americans graduated from high school, only 22.3 percent of the Hmong Americans and 31.4 percent of the Laotian Americans graduated from high school (WICHE). Current racial/ethnic group classifications usually do not distinguish among sub-populations of Asian and Pacific Islanders. Educational institutions need to improve the collection of racial/ethnic data from K-12 through graduate school and explore new definitions of racial/ethnic classifications that more accurately define the subgroups of multiracial and multiethnic populations.

In doing so, what are the implications for the types of academic and cultural support services campuses now provide? Should the definition of underrepresentation be redefined to consider other factors that would better reflect demographic shifts among students graduating from high school and planning to attend an OSSHE institution? Is first-generation college-goer a more appropriate criterion for underrepresentation? Will this approach allow a disaggregation of Asian-American populations, particularly recent immigrants, who may be less represented in the State System?

- State System and campus programs promote support for all students to make the transition from school and work to a four-year institution. Campuses have established support services for UMASP recipients. Students indicate a high level of satisfaction with the program. Also a recent campus climate survey of students at each campus showed all students supportive of programs designed to increase student diversity and advocated greater attention to tolerance and awareness of diversity in all sectors of the campus community. Do we effectively relate financial support for diversity with assessment of our needs to maintain efforts to increase diversity? Should programs targeted at minority group student transitions expand their mission to include services for all students?

To develop appropriate policy responses to the issues raised in this report, the following steps will be taken:

- The Chancellor's Office will monitor and review the changes in the underrepresented student population. Indicators that define "critical mass" representation will be developed. Critical mass will
be determined through consultation with the campuses about participation rates, enrollments, and retention of underrepresented groups.

- A Systemwide analysis will be conducted to determine if tuition fee remission awards are being used effectively to ensure student diversity by both need and merit.

Several UMASP operational policy recommendations are also included:

- The gap between transfer credit requirements and UMASP credit hour eligibility requirements should be determined with a goal of achieving better policy alignment.

- Current procedures for dissemination of information about scholarship opportunities to promote diversity should be reviewed.

- The identification of students of color who respond to the Post-High School Survey in their junior high school year should be better utilized in recruitment efforts.

- Procedures for continuous input on the program (e.g., regular meetings of campus UMASP coordinators) should be put into place.

The array of institutional programs, policies, and structural changes in Oregon colleges and universities is comparable to what other public institutions in other states have implemented. The next step for campuses is to assess the impact of their efforts on the recruitment and retention of minority students and on the campus as a whole. The assessments and the identification of variables to account for students and faculty of color presence and shared orientation are critical to the hard work to provide the equal representation. Such assessments will guide Systemwide efforts to address any continued patterns of underrepresentation as defined in Principle Three and the firmly established policies and practices for achieving student diversity through equal educational opportunities for all students as defined in Principle Four of The Office for Civil Rights Guidelines.
Board Discussion

Vice Chancellor Clark introduced the report on the UMASP. Dr. Clark thanked the students from Oregon State University for their comments that had set the stage for the report. "One of the Board's commitments has been the challenge of increasing diversity through provision of policy support and commitment of real resources to provide for increased access to minorities. It is timely to review the UMASP, instituted in 1987, because many students have benefitted from the program and the System has benefitted from them, as well," according to Dr. Clark.

It was pointed out that a report similar to that provided for the Board will be provided to the Office for Civil Rights fulfill an agreement arising from a grievance or complaint challenging the UMASP.

Vice Chancellor Clark introduced Dr. Thomas Coley who has responsibility for the UMASP. Dr. Coley reminded the Board that the original intent of the program was to provide institutions with tools that would enable them to recruit and retain students of color. The institutions continue to have a responsibility for providing support for academic progress of students, once they are on the campus.

From the 1987 inception of the initiative, the participation rate of students (participation defined as the rate of high school graduates who enter an OSSHE institution in the fall) has increased from 6 percent overall to 13 percent. "Despite that success," according to Dr. Coley, "areas of concern remain. The original thrust of UMASP was to get students on the campuses, and little emphasis was placed on retaining them. That is turning around, but we need better overall evaluation of how well that is working. In addition, we need better data on the impact of tuition fee remission on increasing student diversity. The other aspect that needs to be studied is the effects of different programs on elimination of other discriminatory elements."

It was pointed out that the Oregon State University students had a perception that there was a question of whether or not the UMASP should be continued. In light of recent court rulings on the continuation of programs designed to address affirmative action and diversity challenges, the Board must examine whether or not the original goals of the UMASP have been achieved. "Although great progress has been made," according to Dr. Coley, "we have not completed the work we set out to do. But we
have to continue to address this issue and ask ourselves honestly what changes are needed in the program."

Ms. Waddy remarked, "This program is really significant for achieving an acceptable level of minority students on our campuses. Being a scholarship program that is based on merit brings a whole new cadre of students. It does a great job of bringing minority students to campuses for academic reasons, not just for athletic."

Mr. Bailey added that he had heard nothing from Board members that indicated there is a desire to lessen the priorities the Board has set on increasing diversity. Dr. Coley confirmed that by indicating that in every discussion by the Board over the past five years, there has been a reaffirmation of that commitment, including the initiatives taken by the Board to increase faculty diversity, not just student diversity. Several questions were asked about how information about the UMASP gets to high school students and whether that information was universally available. Dr. Coley indicated that the OSSHE School Relations staff include information on UMASP in visits to the high schools. However, he indicated that there may be "uneven distribution and encouragement by high school counselors for students to apply."

Mr. Swanson thanked Dr. Coley and Vice Chancellor Clark for the work being done in the area of increasing student diversity on the campuses. "The Board remains 100 percent committed to this and other programs that will increase diversity."

(No Board action required)

At the September meeting, the Board authorized the Vice Chancellor for Finance and Administration to undertake the actions necessary to transfer the real property utilized by Oregon Health Sciences University to the Department of Administrative Services (DAS) with the understanding that the DAS would enter into a ground lease as requested by Oregon Health Sciences University to facilitate the sale of its bonds. The Department of Justice has advised the Vice Chancellor and DAS that DAS lacks authority to enter into such a lease. DAS has requested that, to assist Oregon Health Sciences University, the Board retain title to the property and enter into a ground lease with Oregon Health Sciences University.

The Department of Justice has negotiated with Oregon Health Sciences University on behalf of the state. Oregon Health Sciences University has
signed a 50-year lease of the properties it currently uses. DAS has agreed to enter into an interagency agreement with the Board by which DAS will manage the lease. If the Board is willing to enter into the lease, it must vote to do so.

Three issues related to the lease remain unresolved. Therefore, if the Board votes to authorize the President and the Secretary to sign the lease, their authority should be conditioned on resolution of those matters.

Staff Recommendation to the Board

Based on the advice from the Attorney General and a request from the Department of Administrative Services, the Board authorizes the Board President and the Board Secretary to sign a lease on the Board's behalf entering into a lease with Oregon Health Sciences University for the property currently utilized by Oregon Health Sciences University. This authority is effective when the following conditions have been met:

1. The Board has received a consent to the execution of the lease by General Electric Credit Corporation (GECC) or its successor in interest to a First Deed of Trust (Trust Deed) executed on April 26, 1994, that is in a form reasonably acceptable to the Department of Justice, or the Board has received a letter of credit, performance bond, or other form of security reasonably acceptable to the Department of Justice securing the underlying obligation of the GECC Trust Deed.

2. Oregon Health Sciences University, DAS, and OSSHE staff on behalf of the Board have signed a written agreement or amendment to an existing agreement, approved by the Office of the State Treasurer and the Department of Justice, by which the parties achieve compliance with the parity requirements of Section 58(2) of Oregon Laws 1995, Chapter 162, with respect to the holders of outstanding obligations that were issued prior to the date of that enactment for equipment or projects for Oregon Health Sciences University.

3. Oregon Health Sciences University, DAS, and OSSHE staff on behalf of the Board have signed a written agreement or amendment to an existing agreement, approved by the Office of the State Treasurer and the Department of Justice, which establishes the requirements and procedures for review and approval by the State,
prior to issuance of publication, of the contracts, disclosures, official statements and other documents issued or executed by or on behalf of Oregon Health Sciences University in relation to its issuance or incurrence of obligations under Oregon Laws 1995, Chapter 162.

The Board also directs the Vice Chancellor for Finance and Administration to enter into an interagency agreement with the Department of Administrative Services to manage the lease and assume all associated costs.

**Board Discussion and Action**

Mr. Swanson introduced Attorney General Ted Kulongoski who had been asked to advise the Board about action taken by the Board in September regarding land lease arrangements with Oregon Health Sciences University. Attorney General Kulongoski said, “From a legal perspective, it doesn’t matter what Oregon Health Sciences University calls itself, it still has a relationship with the State as a public entity. People sometimes give things titles and try to imply that they are something else, but they are still an instrumentality of the State and I think we have to look at them that way.

“I want to make a comment to the Chancellor and his office because it appears that they have been buffeted back and forth because one time they are told that the Board doesn’t have to sign the lease and that the Department of Administrative Services [DAS] has to sign the lease; and then we reverse that.

“We have negotiated a lease that tries, to the best of our ability, to anticipate the issues and risks that are of concern to OSSHB. I wish I could tell you that what we are going to give you is risk free. Obviously, my interest is in protecting the State – that is my responsibility, that is my client. What we have tried to do, as I have said, is to draft a lease that provides the least risk to the State System. This issue is very, very important to the Governor and my view is that, to be very blunt, if I am correct that Oregon Health Sciences University is an instrumentality of the State, the State has a responsibility to see that they have a program that is in the state’s interest and that we do everything we can to facilitate them in accomplishing that objective.
"I believe this lease agreement does that. I am not telling you that there will not be some disagreements among the parties about some of the terms."

Mr. Kulongoski introduced Ms. Suzanne Townsend and asked her to further explain some of the major points of the lease. Ms. Townsend explained, "The parties to the lease are the State of Oregon acting by and through the State Board of Higher Education and Oregon Health Sciences University, a public corporation. The State has been defined to exclude the legislative assembly. We did that because we are not certain that the Board has the authority to bind the legislative assembly for some of the matters that are contained in the lease. Therefore, we specifically excluded the legislature from the definition of 'state,' so that only the state administrative and executive branches act by and through the State Board of Higher Education.

"The lease is for a 50-year term, beginning with the effective date of Senate Bill 2, so the effective date of the lease is July 1, 1995. The lease cannot be terminated during that period unless the legislature has defeased the bonds that are outstanding at the time of the termination. The property that is the subject of the lease is primarily the main campus area on the hill and several related University properties in the metro area not directly connected to the hill. It is the property that was in use by Oregon Health Sciences University prior to SB 2 as part of the University mission.

"The lease makes it quite clear in Section Three that the State is not warranting that it has authority to lease the property that is the subject of the lease. The reason for that is that the legislature may have preempted the field in this area by doing what it did in SB 2. The bill says that title to the real property will remain with the State of Oregon, but that the bill gives exclusive care, custody, and control of the property to Oregon Health Sciences University and, without a term, of course, in the statute. But some of the indications in the legislative history are that the legislature considered that to be in the nature of a lease in the statute. So, to reduce risk for the State, the charges that we took an action for which we had no authority, we have made it clear that we're not warranting that we have the authority to do it.

"Oregon Health Sciences University is accepting the property 'as is.' We're providing a covenant not to disturb their rights. This means, to the fullest extent required or permitted by law, the State is agreeing that it
won't do anything that will interfere with Oregon Health Sciences University's right to use the property as it's been given to them in SB 2."

Vice Chancellor Ihrig added that, if the Board approves the current resolution, DAS will manage the lease; it will not be done by Oregon Health Sciences University or OSSHE. The Board resolution directs OSSHE to enter into an interagency agreement so that DAS will manage all aspects of the lease and incur all legal costs.

Mr. Bailey, a member of the Oregon Health Sciences University board, added that his major concern as a member of the State Board of Higher Education is, "What is our liability relative to the lease?"

Mr. Kulongoski explained that an action taken by the legislature in 1991, intended to codify statutes, repealed the ability of DAS to hold property other than property on which a state agency is located. Therefore, DAS cannot hold the lease on property for Oregon Health Sciences University — it can only manage it. Mr. Kulongoski made another point relative to the ability of Oregon Health Sciences University to sell bonds. "My understanding is that the market looks to the revenue stream that generates the dollars that pay off the bonds. That is the particular piece of property that OSSHE is leasing to Oregon Health Sciences University. They have to have some assurances that if, in fact, the University cannot repay the obligation, there is someplace that their bondholders will be able to seek recovery. And, in this case, the property is still ultimately owned by the State of Oregon or OSSHE.

"In the lease we have attempted to limit the liability of OSSHE to be responsible for the bonds if, in fact, there is a default. I'm not telling you that someone can't make a contrary argument about this. But, ultimately, from my perspective, somebody in the state of Oregon is going to be held responsible if there is a default."

Mr. Bailey said, "The key really is that the 50-year lease gives assurance to the bondholders, insurers, and rating people that the revenue flow from that facility, the income generated from it, will not be interrupted during the period that they are paying it off. They want to be assured that during the period of time of the bonds, the income will not be interrupted."

Continuing, Mr. Kulogoski said there was "one other issue. There will be a fourth item in the resolution. It says, 'As one of the conditions, the Department of Justice resolves to its satisfaction the form of the legal
opinion that Oregon Health Sciences University has requested the Department to provide. They have been contacting us, talking to us about an opinion that they would like us to give them, and I have been working with them on that. That's the fourth element in this process.”

Dr. Aschkenasy moved and Mr. Imeson seconded the motion to adopt the resolution with the fourth addition. The following voted in favor: Directors Aschkenasy, Bailey, Christopher, Imeson, McAllister, Puentes, Rhinard, Waddy, and Swanson. Those voting no: none.

Staff Report to the Board

The first quarter investment report of the Pooled Endowment Fund of the Oregon State System of Higher Education for the period July 1, 1995, through September 30, 1995, is presented in two parts: first, a summary report from the Common Fund that describes the performance results of the various funds used by the State System, followed by tables showing the market value and investment performance of the State System Pooled Endowment Fund through September 30, 1995.

COMMON FUND SUMMARY

Equity Fund ($22.9 million market value) The Equity Fund had a total return of 7.9 percent for the quarter, which lagged that of the Standard & Poor’s 500 Index (S&P 500), which returned 8.0 percent. For the calendar year to date, OSSHB’s equity investments had a total return of 24.3 percent compared to 29.7 percent for the index.

During the quarter, all of the strategies in the fund added value, with the exception of the hedge managers and international equities. The dollar strengthened against foreign currencies during the three months, particularly the yen and the mark, which hurt international returns when translated into dollars.

In the U.S. markets, the concentration of returns in a limited number of stocks and sectors that had characterized the first six months of the year was less evident. With a broader-based market, the combination of more diversified strategies did better.

Bond Fund ($12.9 million market value) The Bond Fund had a total return of 1.9 percent for the quarter compared to 2.0 percent for the
Lehman Aggregate Index. So far this year, the fund is up 14.4 percent while the index is up 13.6 percent.

Despite attractive foreign yields, the Bond Fund's 25 percent allocation to the Global Bond Fund Less Hedged detracted from performance due to the renewed strength of the U.S. dollar against most foreign currencies.

Real Estate (market value $2,408,000 as of 6/30/95)* The portfolio has continued to benefit from the strengthening national economy. Strong demand for commercial space as well as for residential units, coupled with limited new additions to supply, have seen many markets return to more normal supply-demand equilibrium. In fact, as the available inventory of vacant space in several markets has begun to diminish, rents have actually begun to increase slowly.

Stability in occupancy, coupled with real rent increases, is most pronounced in the apartment and industrial segments of the market. Retail is currently showing mixed results nationally, primarily due to intense competition and sluggish consumer spending. By contrast, well-located larger retail properties have continued to outperform other types of retail. The office sector is just now beginning to show significant improvement in occupancy, particularly among well-located modern suburban office properties and a few downtown markets.

Endowment Realty Investors I's portfolio is well positioned to benefit from overall market and industry trends because of its emphasis on residential (40 percent of the portfolio) and retail (32 percent of the portfolio), with a substantial portion of the retail sector invested in major retail properties.

Endowment Energy Partners I (market value $667,000 as of 6/30/95)* Endowment Energy Partners I continued to generate strong income for its investors during the quarter. Nevertheless, continued weakness in both gas and oil commodity pricing has placed pressure on portfolio companies as monthly cash flows trail projections, generally by more than 15 percent. A strengthening in commodity prices reported in the first quarter was more than reversed during the second quarter. At June 30, 1995, natural gas prices were approximately $1.40 per mcf (metered cubic feet), while oil sold at approximately $17 per barrel.

Many portfolio companies have offset revenue declines resulting from price reductions, with an increase in volumes produced from successful
reserve development activity. The extended duration of the price declines (now approaching a year) has required careful monitoring of portfolio companies and loan modifications (where appropriate) to help them weather this difficult period.

The good news is that many portfolio companies have developed significant additional potential for reserve development. In addition, the fall season is a period of normal cyclical increases in commodity prices. The portfolio will continue to be managed in a manner that will allow it to benefit from a potential recovery in commodity pricing, as it has in the past.

Endowment Partners I (market value $461,000 as of 6/30/95)*
Endowment Partners Fund I has committed its $46 million to seven managers. As of June 30, 1995, the managers have drawn down $43.2 million, bringing the fund to a 94 percent-invested state. No new portfolio companies were added during the quarter. The managers have invested in 86 portfolio companies. Through June 30, the fund has received distributions totaling $18.5 million from the group of managers, the bulk of which represent sales of public stock through secondary offerings and acquisitions of portfolio companies, including EquiCredit, Kendall, Allison Engine, First USA, Ann Taylor, Broadcasting Partners, and ITI Technologies. The fund made distributions of $4 million to participants during the quarter.

The net internal rate of return to participants in Endowment Equity Partners since inception in October 1988 through June 30, 1995, is 12.6 percent. The net internal rate of return to participants in Endowment Mezzanine Partners since inception is -3.5 percent. The combined net internal rate of return since inception to participants in both funds is 10.4 percent. These returns are based on conservative valuations of the investments, as most private companies are only revalued once a year at December 31, and the public companies are valued at a discount of 20-30 percent from the public market price.

Endowment Venture Partners I (market value $589,000 as of 6/30/95)*
Endowment Venture Partners I (EVP I) is fully committed to 14 management firms, which, as of June 30, 1995, have drawn down $70.6 million, or 80 percent of the $87.9 million committed to them. The Common Fund is pleased with the progress made by the managers, and many of them report a large flow of investment opportunities. Fourteen of the 15 partnerships in EVP I have called more than 70 percent of
capital commitments, and most of them have completed adding new companies to their portfolios. Typically, a manager will stop adding new companies to its portfolio once a fund has invested 75-80 percent of committed capital, reserving the balance to make follow-on investments in the more successful companies. During the quarter the managers drew down $5.4 million and added 18 new company names to the portfolio.

* The Common Fund write-up for the sections noted is the same as the June 30, 1995, annual report, since information for the quarter ending September 30, 1995, was not available in time to be included.

**OSSHE INVESTMENT PERFORMANCE**

The following tables present the investment performance results through the first quarter of 1995-96 for the OSSHB Pooled Endowment Fund.

**Board Discussion**

Vice Chancellor Ihrig indicated that the total dollars invested in the endowment have dropped by about 48 percent because Oregon Health Sciences University has been removed from those numbers.

Mr. Ihrig noted that the report from Kuhn and Associates evaluating OSSHB investment performance and making a recommendation regarding investment policy and performance will be delivered to the Board in February 1996.

(No Board action required)
OREGON STATE SYSTEM OF HIGHER EDUCATION  
1995-96 First Quarter Investment Report  
Pooled Endowment Fund  
Market Value

<table>
<thead>
<tr>
<th></th>
<th>Market 7-01-95</th>
<th>Market 9-30-95</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL ENDOWMENT</strong></td>
<td>$39,129,890</td>
<td>$40,880,377</td>
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<tr>
<td><strong>EQUITY INVESTMENTS</strong></td>
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<tr>
<td>Common Fund, Equity Fund</td>
<td>21,329,386</td>
<td>22,891,194</td>
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<tr>
<td><strong>FIXED INVESTMENTS</strong></td>
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<td></td>
</tr>
<tr>
<td>Common Fund, The Bond Fund</td>
<td>12,920,320</td>
<td>12,921,508</td>
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<tr>
<td><strong>OTHER INVESTMENTS</strong></td>
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<tr>
<td>Real Estate Investment Trust</td>
<td>2,407,768</td>
<td>2,407,768</td>
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<tr>
<td>Endowment Energy Partners</td>
<td>666,838</td>
<td>666,838</td>
</tr>
<tr>
<td>Endowment Partners Fund</td>
<td>460,774</td>
<td>460,774</td>
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<tr>
<td>Endowment Venture Partners</td>
<td>563,298</td>
<td>589,311</td>
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<tr>
<td>Cash</td>
<td>781,506</td>
<td>942,984</td>
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<tr>
<td><strong>Total Other</strong></td>
<td>4,880,184</td>
<td>5,067,675</td>
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</table>

Note: Oregon Health Sciences University became a separate entity on July 1, 1995, and is no longer included in the Oregon State System of Higher Education Pooled Endowment Fund.
OREGON STATE SYSTEM OF HIGHER EDUCATION
1995-96 First Quarter Investment Report
Pooled Endowment Fund Investment Performance
Periods Ending 9-30-95
(Based on Total Return)

<table>
<thead>
<tr>
<th></th>
<th>CURRENT QTR</th>
<th>1 YEAR</th>
<th>3 YEARS</th>
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<tbody>
<tr>
<td><strong>TOTAL ENDOWMENT</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>OSSHE</td>
<td>5.2%</td>
<td>18.8%</td>
<td>11.9%</td>
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<tr>
<td><strong>EQUITY (STOCK) INVESTMENTS</strong></td>
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<tr>
<td>OSSHE-EQUITY FUND</td>
<td>7.9%</td>
<td>21.8%</td>
<td>14.8%</td>
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<tr>
<td>S &amp; P 500 STOCK INDEX</td>
<td>8.0%</td>
<td>29.7%</td>
<td>15.0%</td>
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<td><strong>FIXED (BOND) INVESTMENTS</strong></td>
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<tr>
<td>OSSHE–BONDS</td>
<td>1.8%</td>
<td>15.0%</td>
<td>9.2%</td>
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<td>LEHMAN AGGREGATE INDEX</td>
<td>2.0%</td>
<td>14.1%</td>
<td>6.7%</td>
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<td><strong>OTHER INVESTMENTS</strong></td>
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<tr>
<td>REAL ESTATE INVESTMENT TRUST</td>
<td>1.5%</td>
<td>8.7%</td>
<td>4.2%</td>
</tr>
<tr>
<td>ENDOWMENT ENERGY PARTNERS</td>
<td>2.5%</td>
<td>34.8%</td>
<td>21.2%</td>
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<td>11.8%</td>
<td>21.6%</td>
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<td>ENDOWMENT VENTURE PARTNERS</td>
<td>0.0%</td>
<td>40.4%</td>
<td>12.7%</td>
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<tr>
<td><strong>OSSHE–STOCKS/BONDS COMBINED</strong></td>
<td>5.9%</td>
<td>19.6%</td>
<td>13.0%</td>
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<td><strong>WEIGHTED TARGET INDEX</strong></td>
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<tr>
<td>60% S &amp; P 500 STOCK INDEX</td>
<td>5.6%</td>
<td>23.3%</td>
<td>11.6%</td>
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<tr>
<td>40% LEHMAN AGGREGATE INDEX</td>
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Note: All amounts are net of investment charges.
OREGON STATE SYSTEM OF HIGHER EDUCATION  
1995-96 First Quarter Investment Report  
Pooled Endowment Fund  
Market Value

<table>
<thead>
<tr>
<th></th>
<th>Market 6-30-95</th>
<th>OHSU'S Portion*</th>
<th>Market 7-01-95</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL ENDOWMENT</strong></td>
<td>$75,212,038</td>
<td>$36,082,148</td>
<td>$39,129,890</td>
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<tr>
<td><strong>EQUITY INVESTMENTS</strong></td>
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<td></td>
</tr>
<tr>
<td>Common Fund, Equity Fund</td>
<td>$40,997,471</td>
<td>$19,668,085</td>
<td>21,329,386</td>
</tr>
<tr>
<td><strong>FIXED INVESTMENTS</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Common Fund, The Bond Fund</td>
<td>$24,834,305</td>
<td>$11,913,985</td>
<td>12,920,320</td>
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<tr>
<td><strong>OTHER INVESTMENTS</strong></td>
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</tr>
<tr>
<td>Real Estate Investment Trust</td>
<td>$4,628,000</td>
<td>$2,220,232</td>
<td>2,407,768</td>
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<tr>
<td>Endowment Energy Partners</td>
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<td>$614,900</td>
<td>666,838</td>
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<tr>
<td>Endowment Partners Fund</td>
<td>$885,660</td>
<td>$424,886</td>
<td>460,774</td>
</tr>
<tr>
<td>Endowment Venture Partners</td>
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<td>563,298</td>
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<tr>
<td>Cash</td>
<td>$1,502,143</td>
<td>$720,637</td>
<td>781,506</td>
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<tr>
<td><strong>Total Other</strong></td>
<td>9,380,262</td>
<td>4,500,078</td>
<td>4,880,184</td>
</tr>
</tbody>
</table>

*Note: Oregon Health Sciences University became a separate entity on July 1, 1995 and is no longer included in the Oregon State System of Higher Education Pooled Endowment Fund. Oregon Health Sciences University's portion of the OSSHE endowment funds at 6-30-95 is 47.9739%.
At the September meeting, the Board instructed the Vice Chancellor for Finance and Administration to proceed with appropriate maintenance to the president’s residence in Corvallis. Finance and Administration staff have worked with the staff at Oregon State University and Benchmark Architectural Services of Corvallis to review the repair needs and related costs. Since the house has not had any major repair work since 1984 other than a new roof, this is an appropriate time to perform needed repairs and improvements. Major needs include a new energy-efficient heating and air-conditioning system, along with energy-efficient windows; modernization of the kitchen and bathrooms; repairs of prior water damage, plus addressing a list of internal and external repairs identified by a professional home inspection. Modernizing wall and floor coverings, as well as electrical fixtures and lighting, are included in the project. The total funds being provided for the work identified above is $160,000.

(No Board action required)

Vice Chancellor Ihrig introduced Ms. Marilyn Foute, who is replacing Mr. George Pernsteiner as Associate Vice Chancellor for Administration.

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

Contracts for Professional Consulting Services

Architectural Services, SOSC
An agreement was negotiated with Architectural Design Works for consulting/architectural services at Southern Oregon State College. Financing will be provided from state funds.

Supercritical Fluid Treatment Test Facility
An agreement was negotiated with PSI for consulting engineering services at Oregon State University. Financing will be provided from state funds.
Meeting #647

November 17, 1995

Award of Construction Contracts

**College Center Bookstore Remodel Project, EOSC**
On September 15, 1995, Michael A. Becker General Contractor, Inc., was awarded a contract for this project in the amount of $85,721. Financing will be provided from building repair reserve funds.

**Fairbanks Hall Piping Replacement Project, OSU**
On August 31, 1995, Dale Ramsay Construction Co., was awarded a contract for this project in the amount of $149,980. Financing will be provided from capital repair funds.

**Montgomery Pedestrian Bridge Repiping 1995 Project, PSU**
On October 2, 1995, Hydro-Temp Mechanical, Inc., was awarded a contract for this project in the amount of $117,000. Financing will be provided from capital repair funds.

Acceptance of Projects

**Lab Animal Resource Repairs Project, OSU**
This project is complete and was accepted on October 18, 1995. The final direct construction costs were $235,001. Financing was provided from capital repair funds and building repair reserves.

(No Board action required)

**EFFICIENCY UPDATE NEWSLETTER**
Vice Chancellor Griffin reported that the first issue of Efficiency Update, a newsletter dedicated to communication about the Higher Education Administrative Efficiency Act, is ready to be distributed. It is an internally focused newsletter indicating how OSSHE is doing business differently and what policies are changing.

**GOVERNMENT RELATIONS**
Mr. Grattan Kerans referred to a memo in the Board packet regarding a lottery estimate that indicates decreased funds. "The lottery estimate is $17.1 million below the estimate upon which the budget was predicated. Our chief concern in the last legislative session (after faculty compensation) was to control the growth of tuition, and the very first priority on the lottery futures list was buyout of the second year of tuition at a cost of $3.5 million. If the present trend continues and lottery futures do not become available, that presents a significant item of concern, and the 1996-97 OSSHE budget will have to reflect some change as a result of that lack of tuition buy-down."
Mr. Swanson reported that, at the last meeting of the Joint Boards Working Group, Mr. Dave Myton, executive director of Teacher Standards and Practices Commission (TSPC) described a new set of regulations regarding teacher licensure and preparation. These include standards for initial licensure as well as continuing education requirements. After his presentation, Mr. Myton solicited feedback from the Working Group.

During the second part of the meeting, Mr. Roger Bassett reviewed the Governor’s executive order regarding education.

Mr. Bailey reported that a priority of the board was the bond sale and the lease that was presented at the Board of Higher Education meeting.

Ms. Christopher remarked that, for both the Western Oregon State College and Oregon State University presidential searches, five of the six finalists were women. “This is important, because gender has been an issue.” Dr. Aschkenasy commended Mr. Miller for his exemplary leadership. “He showed patience, tolerance, and inclusiveness during the search process.”

Ms. Waddy reported that she attended an Oregon Student Lobby leader conference. There were other student regents from other states in attendances, and Ms. Waddy indicated that there is interest in building a coalition of student regents around the Northwest.

Ms. McAllister thanked the University of Oregon faculty and staff for the detailed and helpful information presented at the visit’s presentation.

The meeting of the Board adjourned at 12:30 p.m.

The Work Session began at 1:50 p.m.

Chancellor Cox opened the Work Session with a general overview of the planning process to be presented and discussed. He stressed that higher education has the unique opportunity to put forward a comprehensive vision and plan for moving into the next century. To achieve the goals, the Chancellor underscored the importance of having a process that was understood and accepted by those who would be participating in it. In addition, planning needs to occur in a manner that assures OSSHE is
prepared to meet the Governor's timetable of having preliminary plans by June 1996, would extend the work of the 2010 Panel to include graduate education and research, clarify a realistic role for higher education in economic and regional development, and assure access to high-quality education for all qualified Oregonians.

"The first imperative," according to Dr. Cox, "is to gain greater clarity about what Oregon needs higher education to be in the next century. Once that is clear, we need to look internally and review the System and institution missions, seeking greater focus and moving toward sharper differentiation. That will mean that some institutions may cease doing some things they are now doing and adding new ones. Third, once there is absolute clarity on missions, we need to focus all available resources in support of core System and institution goals. Finally, we would move to consider governance structures that would enable us to advance the OSSHE's and Oregon's common agenda."

Chancellor Cox introduced John Bernard, Executive Vice President and co-founder of World Class Management, Inc., who agreed to work with the System, pro bono, to establish a planning framework. Mr. Bernard indicated that the planning process is designed to challenge current thinking. Change is one of the only constants in life and it is occurring everywhere, not just in higher education. OSSHE needs to be able to respond more rapidly to these changes. Therefore, the process focuses not on what to think about but on how to think about it at a very different level.

Mr. Bernard suggested that the purpose of the planning process is to develop a strategic plan based on the previous work of the 2010 Panel to assure that OSSHE will meet the needs of Oregon into the next century. He strongly encouraged the Board to produce a plan that builds acceptance, leads to the best possible answers, and can be successfully implemented. Continuing, he added, "It takes three forces to create anything new: activating forces that are strategic in nature, restraining forces, and reconciling forces. You, as a Board, as leaders, need to reconcile the activating and restraining forces."

Mr. Bernard used a series of overhead transparencies (a set is available in the Board's Office) and began by asking the Board members, "What is at stake? If our efforts fail, what are we risking? What is the risk of doing nothing? How compelling is it (to do something)?" Various responses were:
If we fail, we prevent people from getting the education they need. We will become like private institutions.

The quality of the Oregon workforce and the quality of jobs.

The people of Oregon have learned not to expect too much leadership and expect to get a confused message without a true purpose and a direct plan to achieve that purpose. We have the opportunity to do that now and if we don’t we will reinforce the old image.

A critical window of opportunity is going to close and it might not be open for a long time. Risk is involved.

The economy of Oregon.

We will be someone’s colony, a two-tiered society.

The adoption of an entirely new learning/teaching model.

The United States, among all industrialized nations, has the greatest separation of wages between those who have and those have not. What’s at stake is what we hold dear – the way our society works. Education is a major path.

Next year and the year after that, students able to get into an Oregon college or university are not going to have the kind of opportunity to get jobs and raise children as they would like. We control the mechanism by which they are either going to enter and succeed or be denied access. We must provide the highest quality education directed towards leading a good cultural and economic life.

Mr. Bernard challenged the Board to ask if these were really compelling reasons. Then he asked what might need to be let go to work toward these goals.

- Preconceived notions
- Looking inside the normal boundaries
- Letting go of the way we currently get things done
- Resistance to change and hesitancy to let go of the comfort of what exists
- Fear of taking risks
- Acceptable responses to crisis
- Academic stereotypes of the teaching/learning process
- Institutional agendas
- Tradition
- Present notions of hierarchy
- The calendar
- The notion that change has an ending
- The “what we’ve accomplished” syndrome
Mr. Bernard underscored that change requires a guiding coalition that consists of all Board members, the presidents, Governor, key business/community leaders, and legislators. Members of this coalition all need to be heading toward the same goal and supporting the direction. If members of the coalition don’t support decisions when they leave the group, they have exited the team and should be called on it.

Why focus on the process? Mr. Bernard indicated that it leads to building acceptance and requires a thoughtful design that forces people out of their usual boundaries and focuses work on a different basis. It must build ownership through the process because implementation of the plan will require interdependence.

Mr. Bernard remarked, “Without acceptance, a brilliant plan is worthless! We must achieve a common understanding of where we are at the present and, if we don’t agree on what the picture is today, we are already in trouble. Do you think you (the Board) are ready for a rigorous process to move toward a much more detailed sense of what you want the System to be in the year 2010?”

Chancellor Cox asked if we had a choice. “As custodians of this enterprise, we could continue on as we are but, at some point, there are no more rabbits in the hat.” President Swanson indicated there have been a series of events, strategic forces, and key people in the state who are ready to see changes in higher education, want to see changes, and are willing to assist. “A lot of factors are converging that make us and the time ready for such an effort.”

Mr. Imeson observed, “I want to be sure we don’t delude ourselves into thinking this is an effort to gain support for a budget plan by June. It must go beyond that. I don’t want to see this just aimed at a budget process—that is not the expectation people have of us. That, to me, is something that is narrower in scope than we should accept. We need to create a product in which people will want to invest over time. If it is all short term, it won’t be sufficient.” Dr. Aschkenasy added that there is a place where the short-term and the longer term elements come together and the Board needs to be aware of that point.

Mr. Bernard presented other aspects of the planning process and focused on how teams would be used. For them to function effectively, there is a need to create a common process and language. Using contemporary group process tools, the teams will process thoughts and ideas and
equalize participation of all participants. Mr. Bernard also indicated that it is extremely important to utilize third-party professional facilitators to assist the team process and staff to be assigned to each team for the backup work.

The teams are not decision-making groups, but rather their charge will be to gather information and data, sort and prioritize it, and provide a clearer understanding of the issues on the assigned subjects. The Board must set clear objectives and clear targets that lead to development of a plan.

Before the Board begins, Mr. Bernard suggested that there needed to be a test of readiness on the part of the Board, presidents, and Chancellor's Office. If agreed, then the Board would move through the process in the next few months creating key objectives, detailed plans, and finish the first phase by June.

The process, as outlined by Mr. Bernard, takes a lot of time, energy, resources — it is not an easy task. Breakthrough Planning is a powerful systematic planning process used to identify, sort, and resolve issues. It works through the creation of a series of planning tables that look heavily into the situations, the wants/needs of constituent groups, and barriers to progress. As indicated above, the work is completed through a series of teams and each major strategy becomes an objective for the next level of the plan.

Mr. Imeson repeated that his concern is not with the process, since his company has successfully used Mr. Bernard's firm. "My concern is more with the scope and timing. If what we're talking about is reformation, and we really want to do that and bring people along with us, I guess having detailed plans by June seems to be a very difficult undertaking."

Ms. Christopher expressed support for the process, but wanted to be sure that all of the participants in the Work Session had an opportunity to express their opinions and concerns. In addition, she added that it was not clear what the next steps would be for the Board. Ed Dennis, incoming executive director of the Oregon Student Lobby, said that he had met with his board and they had concerns that undergraduate education, although implicit in all of the work of the teams, did not seem to be a focus of the planning work.

In the course of the Work Session, Mr. Duncan Wyse, president of the Oregon Business Council (OBC) provided a perspective from the business
point of view. The OBC, working in collaboration with other industries, is discussing the role they need to play in the planning process. "It is time for a review of higher education for just the reasons you all have given. Access is extremely important in Oregon," Mr. Wyse said. Continuing, he indicated that another area of interest to OBC is lifelong education.

"We encourage a fundamental review of public finance for higher education and how higher education should be organized," Mr. Wyse observed. "We see stronger collaborations needed between systems and business, greater internationalization of programs, and the need for graduate programs at places in close proximity to people. Businesses are ready to assist and the OBC has already engaged in an analysis of employer needs."

Ms. Jill Kirk of Tektronix, Inc., underscored the comments of Mr. Wyse. "The business community views these issues as extremely important, very critical. To that end, we are going to be working hard ourselves to deliver the information you need. Business does not have a single voice -- there are a lot of different industries. In addition, business people are also community members and parents. So we are not representing just one aspect."

There appeared to be general consensus from the Board that it would be beneficial to have a Work Session on December 15, 1995, in Portland. The time was tentatively set for 9 a.m. - 2 p.m.

Mr. Swanson indicated that it might be necessary for the Executive Committee of the Board to meet in December. President Swanson made the following recommendation:

Pursuant to Article II, Section 5 of the Bylaws of the Board of Higher Education, the Board delegates to the Executive Committee authority to take final action as designated or deemed by the Committee to be necessary subsequent to the adjournment of this meeting and prior to the Board's next meeting, January 19, 1996. At its December 15 meeting, the Executive Committee may act for the Board in minor or emergency matters, subject to Board approval at the Board's January meeting.

Ms. Christopher moved and Ms. McAllister seconded the motion to delegate authority according to President Swanson's recommendation. The
following voted in favor: Directors Aschkenasy, Bailey, Christopher, Imeson, McAllister, Puentes, Rhinard, Waddy, and Swanson. Those voting no: None.

ADJOURNMENT The meeting of the Board adjourned at 4 p.m.

Virginia L. Thompson
Secretary of the Board

Les Swanson, Jr.
President of the Board