April 11, 1996

TO: MEMBERS OF THE STATE BOARD OF HIGHER EDUCATION

A regular meeting of the State Board of Higher Education will be held on Friday, April 19, 1996. The meeting will be held in Smith Memorial Center on the campus of Portland State University, Portland, Oregon, in accordance with the locations and schedule listed below:

Friday, April 19, 1996

8:30 a.m. - Board Meeting
Rooms 327/328/329

10:30 a.m. - Board Work Session: Long-Range Planning
(or at conclusion of Board meeting)
Task Force Reports
Rooms 327/328/329

Noon - Lunch -- Browsing Lounge
Room 238 (Browsing Lounge)

1 p.m. - Board Work Session Continued
Task Force Reports
Board Work Session: Agreement on targets and strategies to achieve them
Rooms 327/328/329

4:00 - Adjournment

4 - 5 p.m. - Task Force Chair Meeting
(or at conclusion of Work Session)
Room 338 (Vanport)

(Over, please)
Telephone messages for Board members and institution officials attending the meetings may be called to Portland State University, 725-4442. If special accommodations are required, please contact the Board's office 72 hours in advance.

Cordially,

[Signature]

Virginia L. Thompson
Secretary of the Board
OREGON STATE BOARD OF HIGHER EDUCATION
SCHEDULE OF MEETINGS FOR 1996

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
</tr>
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<tr>
<td>April 19, 1996</td>
<td>Portland State University</td>
</tr>
<tr>
<td>May 17, 1996</td>
<td>Portland State University -- Joint Boards</td>
</tr>
<tr>
<td>June 21, 1996</td>
<td>Southern Oregon State College -- Visit, Renewal</td>
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<tr>
<td>July 19, 1996</td>
<td>Portland State University</td>
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<td>September 20, 1996</td>
<td>State Capitol</td>
</tr>
<tr>
<td>October 18, 1996</td>
<td>Eastern Oregon State College -- Visit</td>
</tr>
<tr>
<td>November 15, 1996</td>
<td>Portland State University -- Joint Boards</td>
</tr>
</tbody>
</table>

BOARD COMMITTEES

**Executive Committee**
Les Swanson, Jr., Chair
Herb Aschkenasy
Robert Bailey
Diane Christopher
Rob Miller

**Joint Boards Working Group**
Robert Bailey
Esther Puentes
Les Swanson, Jr.

**Agricultural Research**
Rob Miller
Robert Bailey, Alternate

**Oregon Progress Board**
Vice Chancellor Tim Griffin

**Board Representative to OHSU Board**
Bob Bailey

**Public Information Committee**
Jim Willis, Chair

**Community & Economic Development**
Tom Imeson, Chair
Diane Christopher
Jim Willis

**Graduate Education & Research**
Herb Aschkenasy
Rob Miller
Gail McAllister, ex officio

**Lifelong Education & Professional Development**
Gail McAllister, Chair
Esther Puentes
April Waddy

**Undergraduate Education**
Bob Bailey, Chair
Mark Rhinard
REGULAR MEETING OF THE
OREGON STATE BOARD OF HIGHER EDUCATION

April 19, 1996

ROLL CALL

APPROVAL OF MINUTES

PRESIDENT'S REPORT

Special Recognition: NAIA, Division II National Champions, WOSC

CHANCELLOR'S REPORT

IFS Report

ACTION ITEMS

Finance & Administration

Acquisition of U S WEST Building, PSU
In March, the Board Executive Committee authorized staff to request permission from the E-Board for expenditure of up to $20,970,000 to acquire and outfit the US WEST operations center in downtown Portland for use by PSU for its School of Engineering and Applied Science. The Board is requested to ratify that Committee action and to approve the acquisition and equipping of that facility, as detailed in the staff report.

Campus Development Project, UO
The UO requests Board approval to reconfigure two previously approved capital projects to meet current and projected educational needs.

OSSHE Pooled Endowment Fund
R. V. Kuhns & Associates, investment counselors, presented their findings to the Board in February. This item recommends Investment Objectives and Policy Guidelines for Board approval, which would then be submitted for approval to the Oregon Investment Council (OIC). In addition, staff recommends the Board appoint a committee to conduct a search for new equity investment managers.
Bond Reimbursement Resolution
The Board is being asked to approve delegation of authority to reimburse expenditures with proceeds of future bond sales.

Optional Retirement Plan
Approval is requested for an Optional Retirement Plan Document and the establishment of a Retirement Plan Committee to administer the Plan, authorized by SB 3395 and approved by the Board at the February meeting. In addition, two of the optional plans are mutual fund plans, which require a Trust Document and appointment of trustee(s). Staff requests Board approval of the Trust Document and staff appointment of trustee(s). This item will also appear on the May consent agenda.

CONSENT ITEMS

Academic Affairs

OSSHE Academic Degree Program Planning
There are two parts to this item. The first is a report to the Board on staff understanding of the direction the Board gave regarding next steps in planning for the undergraduate preproposals discussed at the February Board meeting. The second is the request for Board approval on the consent agenda of the programs approved at the February meeting.

Finance and Administration

Resolution for the Sale of Article XI-G & Article XI-F(1) Bonds
The fall bond sale was deferred to April, and staff recommended an adjusted amount for Article XI-F(1) and Article XI-G bonds. This action was approved by the Executive Committee in March, and is brought for Board ratification at this meeting.

Resolution Regarding Classified Information for
U.S. Department of Defense, OSU
This routine item, which is identical to previous resolutions except for date and name changes, is for compliance with the U.S. Department of Defense Industrial Security Manual requirements.
REPORT ITEMS

Academic Affairs

Update of *Where Have All the Graduates Gone?* -- Survey of the Oregon High School Graduating Class of 1995
This study, similar to the study of the class of 1993, is intended to provide data about choices graduates make regarding postsecondary education.

Corporate and Public Affairs

Legislative Report

COMMITTEES

Public Information Committee

Corporate Advisory Group
Vice Chancellor Griffin and Board member Willis will report on a group of professional marketing and public affairs experts they have assembled to develop a marketing strategy for OSSHE.

Joint Boards Working Group

Report Regarding OHSU Board

ROUTINE ITEM

Finance and Administration

Summary of Facilities Contracting Activities
A routine update of contracting activities for Board information.

ITEMS FROM BOARD MEMBERS

ADJOURNMENT
ACTION ITEMS
SUMMARY

In March, the Board Executive Committee authorized staff to request permission from the State of Oregon Emergency Board for the Board to expend up to $20,970,000 to acquire and outfit the U S West operations center in downtown Portland for use by Portland State University for its School of Engineering and Applied Science. The Emergency Board schedule necessitated this unusual strategy since the request is on the agenda for its meetings on April 11 and 12. Staff will report the results of the Emergency Board's action at the Board meeting.

Negotiations between Board staff and the Attorney General's office are underway with the developers. The progress of these negotiations will also be reported at the Board meeting.

Portland State University seeks authorization from the Board of Higher Education to expend funds to acquire and equip a U S WEST facility located next to the University District for their Urban Center, Phase II. The facility will primarily house classrooms and laboratories for PSU's School of Engineering and Applied Science.

Staff Report to the Board

Gerding/Edlen Development Company of Portland holds an option to purchase a 195,000-square-foot facility from the U S WEST Corporation. The building, located one block from the PSU campus at SW Harrison and SW Fourth in downtown Portland, also includes a 389-space underground parking garage and a large area of landscaped open space. The facility has been used for offices and computer operations and has exceptional electrical and mechanical systems and an extremely large raised floor computer and laboratory environment.

PSU proposes that the Board enter into a joint ownership agreement with Gerding/Edlen Development Company under which the Board initially would acquire ownership of the parking and of about 117,000 square feet of space for laboratories, classrooms, offices, meeting areas, and a communications and data processing center. These spaces would comprise the lower level and part of the first floor of the facility. After all vacant space in the building has been leased, the Board would have the option of acquiring title to the remaining space.
The initial transaction (stage one), involving the land beneath the building (about 117,000 square feet of space and an area for about 389 parking spaces), would cost a total of $14,370,000. This includes $12,150,000 for acquisition, $1,220,000 for tenant improvements to be furnished by the developer, and $1,000,000 for future improvements if additional gifts and grants can be secured by the University. The future improvements will help equip the laboratories to be used by the School of Engineering and Applied Science.

The second purchase (stage two), which could occur in 1998, will be for an amount not to exceed $6,600,000 plus closing costs.

The electrical engineering program and a new wireless communications research laboratory are targeted for the new space in the U S WEST building. These would be the first of several programs and new laboratories in electrical engineering, computer science, and mechanical engineering, which the School of Engineering and Applied Science hopes will occupy the entire building in the future.

The initial transaction would be financed from a combination of sources, principally Article XI-F(1) bonds to be repaid from rental income and parking revenue. The first-stage plans for the approximately 117,000 square feet include 35,000 square feet leased to U S WEST for an operations center, 25,000 square feet leased to the City of Portland for offices and communications and computer functions, 5,000 square feet to be leased for storage, 8,000 square feet to be used by PSU for conference and meeting services, and 35,000 square feet to be used by the School of Engineering and Applied Science. (Another 9,000 square feet of common space is included as well.) In addition, there would be approximately 389 parking spaces acquired by the Board in this transaction.

Rent paid by the City and U S WEST, combined with parking revenue, will pay the necessary debt service on bonds and provide most of the funds for building operations. A cash donation of $500,000 (already pledged) is available for the project. The following table summarizes the planned financing arrangement for the initial transaction.
Although some of the tenancy is private (most notably the U S WEST holdover), OSSHE’s bond counsel has determined that the percentage of private use in relation to total bond issuance is within Internal Revenue Service guidelines for a tax-exempt issuance of all the bonds. About $2.9 million of previously issued Article XI-F(1) bonds would supplement bonds to be sold this spring.

The purchase of the remainder of the building, if the Board chooses to do so at a later date, would be financed through the issuance of bonds to be repaid from rental revenue associated with the space. PSU could occupy the space upon the expiration of the leases if sufficient funds can be found in the future to pay debt service and operating costs.

It is anticipated that rental and parking income, coupled with normal operations and maintenance funding for the space used for academic programs, will pay all debt service and operating expenses.

An environmental assessment has been performed. A small amount of asbestos was found; it was deemed to be stable. U S WEST will remove a storage tank prior to closing.

Agreements with the developers are being prepared and will be subject to approval by the Attorney General. They will include options for the Board to purchase the remainder of the building at various points.

If the necessary approvals are granted by the Emergency Board, PSU will request that the Chancellor enter into the agreements necessary
to purchase the property. Completion of the transaction also will be contingent upon the conclusion of satisfactory lease terms with U.S. WEST and the City of Portland and appropriate approvals of use by the City of Portland.

The project will be entitled Urban Center, Phase II—Acquisition of U.S. WEST Building. Its budget will be $20,970,000 (plus closing costs for stage two).

Staff Recommendation to the Board

The Board ratifies the March 14, 1996, action of the Board Executive Committee, which authorized staff to request approval from the Emergency Board for this project as described in the docket for that material. (A copy of the full item, Executive Committee discussion, and action is on file in the Board’s Office.)

Further, staff concurs with the request of Portland State University and recommends the Board authorize the Chancellor, in consultation with the President of the Board or his designee, to pursue negotiations with Gerdng/Edlen Development Company to acquire the property within the parameters outlined in this report and to enter into agreements necessary to purchase the property within the amounts and limitations described in this report and as may be approved by the Emergency Board in its meetings on April 11 and 12, 1996.

BOARD ACTION:

Summary

The University of Oregon is seeking Board approval to reconfigure two previously approved capital projects that will establish a three-phase Campus Development Project. This project will provide 3,000 new teaching stations and related support space to meet the needs of its College of Arts and Sciences and other departments, as well as the Lundquist College of Business and Law School. The total estimated cost for this project is $36 million, $19.9 million of which are planned from gifts/grants, and the remaining $16.1 million from a combination of Article XI-G and Article XI-F(1) bonds.
Staff Report to the Board

In 1993, the legislature approved an Other Funds limitation of $7.5 million for an addition to Gilbert Hall for the College of Business. In 1995, the legislature authorized $4.7 million of Article XI-G bonds to be issued for the first phase of an addition to and alteration of the Law School building, provided that another $4.7 million of private gifts could be raised to match the bonds. Another phase of the Law School project was anticipated before the year 2001.

Student enrollment at the University of Oregon has rebounded from the post-Measure 5 low point and now exceeds 17,000 students (head count) in fall term. That figure is expected to grow by the year 2003 to more than 21,000 students. The University's all-time peak enrollment was 18,534 students in the fall of 1988.

Much of the University's classroom space does not meet modern instructional needs. Many rooms lack the modern technological infrastructure needed to permit faculty and students to use computers and multimedia instruction approaches.

University officials, faced with the twin challenges of increased numbers of students and outmoded classroom facilities, are proposing an overall strategy both to expand and modernize core academic space on the campus. The University is proposing to combine the two existing projects (Gilbert Hall Addition and Phase I -- Law School Addition and Alterations) and reconfigure the project to increase by 3,000 teaching stations the amount of modern academic space available to the University. The project, when completed, would relocate the Law School to land available at the eastern edge of the campus periphery, freeing up the current Law building's central campus space for general educational uses.

The result is that the University believes that its needs can best be served by (1) moving ahead with the Gilbert Hall Addition this year, using a combination of $1.8 million of gifts raised by the Lundquist College of Business and $5.7 million of Article XI-F(1) bonds to be repaid from a variety of sources available to the University (summer session revenue, rentals, indirect cost recovery, and other sources); (2) constructing a new building for the School of Law in the east campus area at a cost of $24.5 million (rather than constructing an addition to the present Law School and renovating the old building for
continued Law School use); and (3) renovating the existing School of Law building for use by the College of Arts and Sciences for general instructional needs ($4 million). The total project cost is $36 million, including $16.9 million already approved by the Board and the legislature.

The first stage, the addition to Gilbert Hall for the College of Business, will begin in 1996-97 with the sale of $5.7 million of Article XI-F(1) bonds. Its construction would relieve some of the need for general classroom space by adding 40,000 square feet of new space for a total of over 900 instruction stations. The second stage would entail the design and construction of the new Law School facility. The proposed new facility will comprise approximately 120,000 square feet to house the Law School library, 565 instruction stations, 41 faculty offices, and several administrative areas. Design work, now underway for Phase I of the Law School Addition and Alterations project, would be redirected toward a complete new facility design. Necessary bond authorization for this stage would be sought from the Legislative Assembly in 1997. This stage would be funded with $9.4 million of Article XI-G bonds and $15.1 million of gifts.

The final stage is the renovation of the existing Law School building for classroom and office use by the College of Arts and Sciences and other departments. The existing 82,000-square-foot Law Center will be renovated to contain 1,850 instruction stations supporting state-of-the-art instructional technology. This stage would use $1 million of Article XI-G bonds and $3 million of gifts. The entire project, therefore, requires $19.9 million of gifts, $10.4 million of Article XI-G bonds (repaid from the state General Fund), and $5.7 million of Article XI-F(1) bonds (repaid from various sources available to the University).

Plans are for the new Gilbert Hall Addition to be open in the fall of 1998 and the new School of Law facility in 1999. The renovation of the existing School of Law building is slated to be finished in the year 2000.

Fundraising is well underway for this project and all its components. Sufficient revenue has been identified by the University to ensure that the Article XI-F(1) bonds issued for this project meet the self-liquidating and self-supporting requirements the state constitution imposes for the use of such bonds.
Meeting #651

April 19, 1996

The University seeks Board approval to reconfigure the prior approved College of Business and Law School projects to establish this three-part project, to be called the Campus Development Project, and authorization for staff to seek necessary limitations, appropriations, and bond authority from the legislature to move the project forward on the schedule outlined earlier.

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Type F Total</th>
<th>Type F Bonds</th>
<th>Type G Bonds</th>
<th>Gifts/Grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gilbert Hall Addition (new classroom facility)</td>
<td>7,500(^1)</td>
<td>5,700</td>
<td></td>
<td>1,800</td>
</tr>
<tr>
<td>Renovation of Current Law School Building for general instructional use</td>
<td>4,000</td>
<td>1,000</td>
<td>3,000</td>
<td></td>
</tr>
<tr>
<td>Construction of New Law School Building</td>
<td>24,500</td>
<td></td>
<td>9,400(^2)</td>
<td>15,100(^3)</td>
</tr>
<tr>
<td>Totals</td>
<td>36,000</td>
<td>5,700</td>
<td>10,400</td>
<td>19,900</td>
</tr>
</tbody>
</table>

1 Project amount authorized by the 1993 Legislature.
2 $4.7 million of Article XI-G bonds were authorized by the 1995 Legislature.
3 $4.7 million of private funds were authorized by the 1995 Legislature.

The UO request for the 1997 legislative session will include $5.7 million in Article XI-G bonds and $13.4 million in gifts.

Staff Recommendation to the Board

Staff concurs with the request of the University of Oregon and recommends that the Board approve the overall concept of the project as described: (1) establish the Campus Development Project with a budget of $36 million; and (2) approve the use of the limitations previously established for the Gilbert Hall Addition and Phase I of the Law School Addition and Alterations Project as part of the overall Campus Development Project. Further, staff recommends that the Board authorize staff to initiate appropriate planning plus incorporate the Campus Development Project in the System capital request prepared for the 1997 Legislature with the necessary limitations, appropriations, and bonding authority necessary to complete the Project within a total budget of $36 million.

BOARD ACTION:

OSSHE
POOLED ENDOWMENT FUND

Staff Report to the Board

In February R. V. Kuhns & Associates reported their findings on the investment performance of the Common Fund and presented a draft
statement of investment objectives and policy guidelines for consideration by the Board. They recommended that the Board consider changing equity investment managers to obtain better performance. They also recommended that the Board adopt the draft investment guidelines reproduced below.

Since the Oregon Investment Council (OIC) has ultimate authority over all state investments, any actions by the Board would need to be approved by the OIC, as noted in the following investment objectives and policy guidelines.

Staff Recommendation to the Board

Staff recommends that the Board approve for recommendation to the OIC the following Investment Objectives and Policy Guidelines for the QSSHE pooled endowment funds.

In addition, staff recommends that the Board appoint a committee to conduct a search for new equity investment managers, subject to concurrence of the OIC.

OREGON STATE SYSTEM OF HIGHER EDUCATION POOLED ENDOWMENT FUND

Investment Objectives and Policy Guidelines

I. INTRODUCTION

This statement governs the investment of the Pooled Endowment Funds (the "Fund") of the Oregon State Board of Higher Education (the "Board").

This statement documents for investment managers the policy of the Board with regard to the investment of the Fund’s assets, the investment objectives, and the expectations and requirements with respect to the managers' performance.

II. RESPONSIBILITY OF BOARD, INVESTMENT MANAGERS

The responsibility of the Board is to define (with concurrence of the Oregon Investment Council [OIC]) and to recommend to the
OIC broad investment guidelines, selection of investment managers, and determination or approval of asset allocation. The investment managers are responsible for optimizing the return on the assets within these guidelines.

The Board will assure that a procedurally prudent investment process is followed. The elements included in, but not limited to, this process are an asset allocation strategy that addresses risk/reward considerations, a written statement of investment policy, selection of "prudent experts" or money managers charged with implementation of investment decisions, control of the investment expenses, monitoring the performance of investment managers and other service providers, and identifying and avoiding conflicts of interest.

III. THE FUND

The Fund is a permanent fund and is expected to operate in perpetuity, so these funds will be invested long term. It is important to follow coordinated policies regarding spending and investments to protect the principal of the funds and produce reasonable total return.

IV. FUND MANAGEMENT

Recognizing that investment competence must be measured over a complete market cycle, the Board does not expect to react to short-term investment developments. Nevertheless, the Board may act on interim qualitative judgments. Qualitative factors that will be reviewed on an ongoing basis include any fundamental changes in a manager's investment philosophy, any changes in a manager's organizational structure, financial condition (including any significant changes in total assets under management), personnel, and any change, relative to their peers, in the manager's fee structure.

V. OBJECTIVES

The investment objective of the Fund is to seek consistency of investment return with emphasis on capital appreciation over long periods of time since the Fund will operate in perpetuity. In
keeping with the performance goals included in this Policy, achievement of this objective shall be done in a manner that maintains the purchasing power of the principal amount of these assets by exceeding the level of inflation by five percent or more as measured by the Consumer Price Index (CPI).

The investment portfolio's performance shall exceed the median fund in a universe of other endowment funds over a market cycle. A market cycle is defined as an investment period lasting three to five years.

VI. ASSET GUIDELINES, PERFORMANCE OBJECTIVES, AND DIVERSIFICATION

A. The Fund shall maintain minimal cash, consistent with short-term requirements. Short-term cash will be invested in the Oregon State Treasurer's Short-Term Investment Pool.

B. Fixed-income securities, for purposes of these guidelines, shall mean mortgage-backed securities, U.S. government securities, investment-grade corporate bonds, and other fixed income securities, such as certificates of deposit and commercial paper. The objective of this component of the Fund is to preserve capital in keeping with prudent levels of risk, through a combination of income and capital appreciation. Realization of income will be subordinate to safety, liquidity, and marketability (securities should be readily marketable). This component of the Fund shall adhere to the following categories:

1. Investment-grade bonds are those bonds rated in the four highest grades assigned by Moody's Investors Service, Inc. (Aaa, Aa, A, or Baa) or Standard & Poor's Corporation (AAA, AA, A, or BBB).

2. U.S. Treasury Securities shall consist of bills, notes, and bonds.

Fixed-income managers have full discretion over the allocation between long-term, intermediate, or cash equivalent investments, provided that the duration of any manager's portfolio shall not exceed the duration of the Lehman Aggregate Bond Index by more than one and one-half (1-1/2) years.

The performance of fixed-income securities shall exceed the performance of the Lehman Aggregate Index by 0.50 percent or more after manager fees on a total return basis and shall also exceed the median in a universe of other fixed-income portfolios over a market cycle.

C. **Equity securities** are to be made primarily in well-established, quality companies. The objective specific to this component of the Fund is to maximize long-term total return through a combination of income and capital appreciation. The restrictions pertinent to this portion of the Fund are as follows:

*Large-Cap Equity Requirements:*

1. Not more than ten percent of the companies invested in should have market capitalizations less than $1 billion.

2. Portfolios should be comprised of at least 30 security issues.

Performance of equity securities shall exceed the S&P 500 Index by one percent or more after manager fees and should exceed the median in a universe of other equity portfolios over a market cycle.

*Small-Cap Equity Requirements:*

Investments in smaller companies with market capitalization less than one billion dollars shall be permitted (subject to the small-cap equity limitations
of Section VIII). Portfolios should be comprised of at least 30 security issues. If such investments are segregated into a separate, smaller company portfolio, the performance of the securities shall exceed the performance of the Russell 2000 Index by one percent or more after manager fees over a market cycle.

*International Equity Requirements:*
Investments in the equity securities of companies located outside of the United States are permitted (subject to the international equity limitations of Section VIII). Portfolios should be comprised of at least 30 security issues. Performance of non-U.S. international equity portfolios shall exceed the performance of the EAFE (Europe, Australia, and Far East) Index and should exceed the performance of the median in a universe of other actively managed international equity portfolios over a market cycle.

D. Diversification

1. Not more than five percent of the market value of any investment fund shall be invested in any single issue, property, or security. This restriction does not apply to U.S. Government-issued securities.

2. No investment in any single issue, security, or property shall be greater than five percent of the total amount of value of that issue, security, or property.

VII. SPENDING POLICY

The amount of endowment return available for spending (distribution) is based on a percentage of the average unit market value of the 20 quarters preceding the current fiscal year. The current year distribution per unit is determined by the Board and is currently at 5.5 percent of the five-year moving average unit market value. The distribution amount per unit is multiplied by the
current year distribution per unit is determined by the Board and is currently at 5.5 percent of the five-year moving average unit market value. The distribution amount per unit is multiplied by the current number of units and any additional units added during the current year as new endowment money comes into the Fund. This shall be exclusive of investment management fees.

VIII. ALLOCATION OF ASSETS

The following represents target asset allocations and the ranges by asset category.

Allocation of assets by class:

<table>
<thead>
<tr>
<th>Class</th>
<th>Normal Allocation</th>
<th>Ranges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Category</td>
<td>70%</td>
<td>60%-80%</td>
</tr>
<tr>
<td>Fixed Income Category</td>
<td>25%</td>
<td>20%-40%</td>
</tr>
<tr>
<td>Cash</td>
<td>5%</td>
<td>0%-10%</td>
</tr>
</tbody>
</table>

The allocation of equity assets shall be as follows:

<table>
<thead>
<tr>
<th>Class</th>
<th>Normal Allocation (% of Equity)</th>
<th>Ranges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large-Cap Equity</td>
<td>65%</td>
<td>50%-75%</td>
</tr>
<tr>
<td>Small-Cap Equity</td>
<td>20%</td>
<td>10%-30%</td>
</tr>
<tr>
<td>International Equity</td>
<td>15%</td>
<td>10%-30%</td>
</tr>
</tbody>
</table>

IX. OTHER INVESTMENTS

The Board recognizes that the addition of other investment classes reduces total fund volatility.

It is the intent of the Board, with the concurrence of the OIC, to place up to ten percent of the aggregate Fund assets in venture capital, real estate, distressed securities, and oil and gas partnerships. This allocation is to provide for portfolio diversification.

X. OTHER GUIDELINES AND REQUIREMENTS

Custodial responsibility for all securities is to be determined by the Board or its designee(s).
XI. INVESTOR RESPONSIBILITY

The Board is to meet as often as necessary with the investment managers. The frequency of meetings is to be determined in part by the performance evaluation results compared to predetermined objectives and manager characteristics. The Board is to meet with each manager at least once a year.

XII. INVESTMENT MANAGERS

The Board, with the concurrence of the OIC, allocates funds to individual managers and from time to time may withdraw funds or reallocate funds between managers. Each manager’s performance is to be compared regularly with the performance of the appropriate market indices and with other universe portfolios managed with similar assets in a similar manner.

An investment manager shall not use derivatives to increase portfolio risk above the level that could be achieved in the portfolio using only traditional investment securities. Moreover, an investment manager will not use derivatives to acquire exposure to changes in the value of assets indices that, by themselves, would not be purchased for the portfolio. Under no circumstances will an investment manager undertake an investment that is non-covered or leveraged to the extent that it would cause portfolio duration to exceed limits specified above. The investment manager will report on the use of derivatives on a quarterly basis to the administrative manager.

As a general guideline that applies to all assets managed, transactions are to be entered into on the basis of "best execution," which means best realized price.

Subject to the terms and conditions of this Policy, manager(s) shall have full discretionary authority to direct investment, exchange, and liquidate the assets of the Fund. The Board expects that the investment manager(s) will recommend changes to this Policy when the manager(s) view any part of this Policy to be at variance with overall market and economic conditions. The Board shall direct all managers to vote proxies in the interest of the Fund.
XIII. CONCLUSION

Implementation of this Policy, including investment manager selection, shall be the responsibility of the Board, subject to the necessary approvals of the OIC.

Investment performance will be reviewed quarterly against the appropriate benchmark and stated objectives.

This Policy shall be reviewed by the Board at least every two years.

BOARD ACTION:

BOND REIMBURSEMENT RESOLUTION

Summary

Staff is seeking approval from the Board for delegation of authority to reimburse expenditures with proceeds of future bond sales.

Staff Report to the Board

Internal Revenue Service regulations prohibit using federally tax-exempt bonds to reimburse expenditures previously made. An exception is granted if a written declaration of official intent to reimburse the expenditures with the proceeds of a future bond sale is made on or before the date on which the expenditure is made. Such declarations must be signed by the Board or its designee.

The following resolution authorizes the Vice Chancellor for Finance and Administration or the Controller to sign declarations of official intent with respect to reimbursement bonds. The designation to sign such declarations allows OSSHE to make reimbursable expenditures without bringing each individual construction project to the Board for this approval. Signing such a declaration does not obligate OSSHE to issue bonds to reimburse the expenditures, but it does give OSSHE that option.

Staff Recommendation to the Board

Staff recommends the Board adopt the following reimbursement resolution.
RESOLUTION

WHEREAS, the Oregon State Board of Higher Education (the "Board") authorized the issuance of bonds (the "Bonds") from time to time to provide funds for or to reimburse the Board for the costs of educational facilities owned or operated by the Board; and

WHEREAS, the Internal Revenue Service has published regulations (the "Regulations") that prohibit the State of Oregon from issuing federally tax-exempt Bonds to reimburse expenditures previously made by the Board unless the requirements of the Regulations are met; and

WHEREAS, one of the requirements of the Regulations for the issuance of Bonds to reimburse an expenditure previously made is that a declaration of official intent to reimburse the expenditure with the proceeds of the Bonds be made on or before the date on which the expenditure is made; and

WHEREAS, the Regulations authorize the Board to designate a person or persons to declare official intent on behalf of the Board to reimburse expenditures with the proceeds of Bonds;

NOW THEREFORE, the Board resolves as follows:

Section 1. The Vice Chancellor for Finance and Administration or the Controller (the "Representatives") are hereby designated as the representatives of the Board who are authorized to declare official intent on behalf of the Board for purposes of the Regulations.

Section 2. Declarations of official intent by the Representatives shall be considered to be declarations of official intent by the Board but shall not obligate the Board or the State of Oregon to issue Bonds to finance the costs of expenditures described in such declarations of official intent.
BOARD ACTION:

Staff Report to the Board

The 1995 Oregon Legislature passed House Bill 3395, which authorized the State System of Higher Education to offer a defined contribution retirement plan as an alternative to the Public Employees' Retirement System (PERS). In February the Board approved implementation of the Optional Retirement Plan.

Legal counsel and the project consultants recommend that the Board appoint a Retirement Plan Committee to administer the plan. Responsibilities of the Committee would include determining employee eligibility for plan participation, hearing appeals on questions of eligibility, authorizing fund transfers, directing beneficiary payments, and performing other administrative duties as outlined in the Plan Document, to be performed within the guidelines specified by existing OSSHE Administrative Rules. It is recommended that the retirement committee consist of three members: the Assistant Vice Chancellor for Human Resources (chairperson), OSSHE's Manager of Personnel/Payroll Operations, and one Benefits Officer from an OSSHE campus.

In addition, legal counsel recommends that the Board approve the Plan Document, which determines plan provisions, for submittal to the Internal Revenue Service for their approval. The Oregon Attorney General's Office, the William M. Mercer Company, and OSSHE staff were involved in developing the Plan Document. A copy has been provided to the Board. A member of the Attorney General's staff will be in attendance at the April Board meeting to respond to any Board questions about the Plan Document.

Finally, Section 401(a) of the Internal Revenue Code requires establishment of trustees to manage plan assets placed with mutual funds; two of the optional retirement plans are mutual funds. The trust can be administered internally or contracted with a third party. A copy of the Trust Document, which defines the trustees' duties and limits on trustees' liability, has been provided to the Board.
Staff Recommendation to the Board

Staff recommends that the Board approve the Optional Retirement Plan Document as well as the establishment of a Retirement Committee to administer provisions of the Optional Retirement Plan with membership as described above. The Board delegates authority to the Vice Chancellor for Finance and Administration to make any changes necessary in the Plan, to sign the Plan and to undertake other actions necessary to implement the Plan in a timely manner. Staff recommends that the final Plan, containing any changes in the document currently before the Board, be placed on the May consent agenda.

Further, staff recommends that the Board approve establishment of an OSSHE Optional Retirement Plan trust, approve the Trust Document and delegate to the Vice Chancellor for Finance and Administration authority to make any necessary changes in the Trust Document, to sign the Trust Document and to appoint trustee(s). Alternatively, the Board delegates authority to the Vice Chancellor for Finance and Administration to contract for external trust services, if he so chooses. Staff recommends that the final Trust Document, containing any changes in the document currently before the Board, be placed on the May consent agenda.

BOARD ACTION:

OS SHE
ACADEMIC
DEGREE
PROGRAM
PLANNING

Staff Report to the Board

At the February meeting, the Board held the first discussion of planning proposals for academic degree programs under a policy adopted in July 1995. Program preproposals were presented by Oregon Institute of Technology (OIT), Oregon State University (OSU), and the University of Oregon (UO) for bachelor's-level programs. According to the new policy, the Board will provide direction to campuses for those proposals that should be developed as full proposals for implementation. The full proposals would return to the Academic Council for review and then to the Board for action.

As outcomes of the February discussion, Chancellor Cox and Vice Chancellor Clark understand the Board's direction to be as follows, and they seek further guidance if this is not the case:
Oregon Institute of Technology

- **Bachelor's Degree in Vascular Technology.** Proceed with development of the full proposal to expand the present option into a bachelor's level program.

- **Bachelor's Degree in Sonography.** Proceed with development of this new program, which is related to the OIT's medical imaging area.

- **Bachelor's Degree in Physical Rehabilitative Sciences.** Address concerns before proceeding. New resources would be required for bachelor's programs in Occupational Therapy and the broadly conceived Health Science program. Four areas of concern were raised. One, is more analysis needed to determine the feasibility of establishing programs at the bachelor's level that are moving rapidly toward requiring master's preparation for accreditation and professional practice? Two, should Systemwide collaborative planning for master's programs in Physical Rehabilitative Sciences (specifically in Physical Therapy) provide the framework to which bachelor's programs should be articulated? Three, what should be the balance of health technology programs and other technology programs at OIT? And, four, given resource limitations, should investments be made in new health technology programs in Klamath Falls, or in programs offered by OIT in the Portland Metropolitan area? These concerns should be addressed before development of full program proposals continue.

Oregon State University

- **Bachelor's Degree in Biological Engineering.** Proceed with development of the full proposal and design the program to assure ABET accreditation.
University of Oregon

- **Bachelor's Degree in Biochemistry.** Proceed with development of the full proposal.

- **Bachelor's Degree in Creative Writing.** Proceed with development of the full proposal.

- **Bachelor's Degree in Mathematics and Computer Science.** Proceed with development of the full proposal.

These three programs are interdisciplinary, cooperative programs among departments that will draw from existing resources and respond to significant student demand. Discussion ensued about the importance of relating special initiatives that require new resources to directions emerging from the planning process.

(No Board action required)

Proposals for implementation of new programs include:

- **Master of International Management (MIM), Portland State University and Oregon Joint Professional Schools of Business**

- **Master of Science in Medical Informatics, Oregon Health Sciences University**

- **Bachelor of Arts and Bachelor of Sciences in Philosophy, Economics, and Political Science, Eastern Oregon State College**

(Note: The Bachelor of Science in Emergency Medical Services, OHSU, was withdrawn from Board consideration.)

**MASTER OF INTERNATIONAL MANAGEMENT (MIM), PSU AND OREGON JOINT PROFESSIONAL SCHOOLS OF BUSINESS**

**Introduction**

Portland State University and the Oregon Joint Professional Schools of Business (OJPSB) request authorization to offer a program in International Management leading to a master's degree. The goal of
the International Management program is to prepare business managers for work in internationally oriented organizations in the Asia/Pacific region. The program involves coursework in business education, foreign language competency in Chinese or Japanese, and a variety of opportunities for transfer of theory to practice including a study tour to China or Japan as a capstone experience. The program is to be housed at the new OSSHE CAPITAL Center. Some Board members may recall that a proposed graduate program in International Management was part of the plan for the OJPSB submitted to the legislature in 1993.

Staff Analysis

1. **Relationship to Mission**

   The program is related to the mission and plan of Portland State University as a comprehensive urban university. The Portland metropolitan area is witnessing great expansion in interactions with Asia/Pacific people, businesses, and governments. This program deploys State System talent to help the Portland community meet the challenges of increased global interaction.

2. **Evidence of Need**

   The International Management program responds to the interests of the Portland business community for professionals with specialized international business management skills and knowledge to sustain and achieve higher levels of competitiveness in a rapidly changing global economy. A 1993 survey of Oregon businesses, conducted by then Dean of Business Administration John Oh (Portland State University) and Professor Gerardo Ungson (University of Oregon), supports the need for internationally trained employees: two-thirds of the respondents projected that international competition will increase over the next five years. Cultural business etiquette, international negotiations, functional competence in international areas of business, and oral proficiency in a foreign language were ranked highly by these Oregon employers. Executives also indicated the need for a program that would allow employees to accumulate new knowledge and skills while in the workplace.
3. **Quality of Proposed Program**

The proposed program consists of intensive, integrated and modularized two-month long courses. These are particularly well-suited for corporate sponsorship of the professional education of current employees to enable the fusion of work and learning. This program is expected to attract students from the Pacific Northwest, other sections of the United States, and Asia who are interested in employment opportunities related to the globalization of the economy. There are no similar programs in the Pacific Northwest.

This 65-credit hour program offers a compressed degree option of 12 months for full-time study; a 24-month option for part-time study is also offered. The program will be offered as a cohort program enrolling 30 students, with capacity for 40 students at full implementation (20 U.S. and 20 international students). Graduate and undergraduate programs at Portland State University, Oregon State University, and the University of Oregon meet the accreditation standards of the American Assembly of Collegiate Schools of Business (AACSB). The State System institutions involved in the program are Portland State University, Oregon State University, the University of Oregon, and Southern Oregon State College. Portland State University will grant the degree for the proposed program.

4. **Adequacy of Resources to Offer the Program**

The program intends to draw upon the collective faculty expertise from OSSHE institutions. Each of the three institutions providing faculty for the program already offer international business courses. Current faculty resources at Portland State University, the University of Oregon, and Oregon State University are adequate to cover the major business areas such as accounting, finance, human resources, information systems, marketing, business strategies, and Asia/Pacific international relations.

In the 1993-1995 Legislative Session, $2 million in Lottery Funds was allocated to the OJPSB in part to launch the program. The OJPSB does not have a separate faculty;
participating institutions are allocating faculty to teach these courses as part of their teaching loads.

Facilities at the CAPITAL Center will be leased for this program.

Program Review

The proposed program has been reviewed by all appropriate institutional committees including the OJPSB Executive Committee and the OJPSB Governance Board, was reviewed by an external committee of distinguished experts, and positively reviewed by the Academic Council.

Staff Recommendation to the Board

Staff recommended the Board authorize Portland State University and the Oregon Joint Professional Schools of Business to establish a program leading to a Master of International Management, effective summer term 1996, with a follow-up review of the program to be conducted by the State System Office of Academic Affairs in the 2001-02 academic year.

Board Discussion and Action (February 16, 1996)

Chancellor Cox asked about the projected numbers of part-time versus full-time students in the program. Mr. John Oh, director of PSU’s master’s of international management program, said that there probably will be an even mix -- about 30 each year for both full-time and part-time students. Mr. Jim Reinmuth, executive director of OJPSB, added that it is important to remember there will be both Oregon and Asian students to ensure intercultural learning.

Ms. McAllister asked if the two-month course is an introduction to the year-long course. Mr. Oh responded that it is an intensive eight-week program for those students who have never taken business fundamentals.

Ms. Puentes asked if the focus would be broadened to include other cultures. Mr. Oh said that such an expansion would be ideal in the future; however, currently the focus is on the Asian Pacific.
Mr. Bailey inquired about the potential for ongoing funding. Mr. Reinmuth replied that the grant was moved to permanent funding; Mr. Oh explained that the program will be "on its own" in four years. Vice Chancellor Ihrig commented that, in his experience, nothing in student funding is ever permanent.

Mr. Rhinard asked if there is corporate sponsorship for students, to which Mr. Oh responded that several applicants are obtaining support from the corporate sector. This is not the case for four-year students, however. In addition, he noted that all the foreign applicants are being supported by their company -- their salary is paid as well as tuition and living expenses.

Chancellor Cox applauded the cooperative efforts that have allowed such a model program to come together.

Ms. Christopher moved and Ms. McAllister seconded the motion to approve the staff recommendation. The following voted in favor: Directors Aschkenasy, Bailey, Christopher, Imeson, McAllister, Puentes, Rhinard, Waddy, Willis, and Swanson. Those voting no: none. The program will appear on the next Board meeting consent agenda.

BOARD ACTION:

MASTER OF SCIENCE IN MEDICAL INFORMATICS, OHSU

Introduction

Oregon Health Sciences University requests authorization to offer a program in Medical Informatics leading to a Master of Science degree. The objective of the proposed program is to educate future developers and managers of health care information systems. Medical informatics is the rapidly developing scientific field involving the storage, retrieval, and optimal use of biomedical information, data, and knowledge on which to base clinical decisions and research plans.
Staff Analysis

1. Relationship to Mission

The proposed degree program is directly related to the mission and academic plan of the Oregon Health Services University of providing education and access to information for all of Oregon's health care providers. OHSU is already a leader in medical informatics with its Biomedical Information Communication Center (BICC). The development of advanced clinical information systems is essential to OHSU's continued success in the areas of research, education, and patient care.

2. Evidence of Need

There are currently ten postdoctoral training programs in the United States, including one at OHSU. There is no master's level program in medical informatics in the Pacific Northwest. The State System offers degree programs in somewhat related areas (i.e., computer science, public health, and systems science), but these programs complement, not duplicate, the proposed medical informatics program.

Students with academic backgrounds in either health care and/or computer science will be attracted to this program. The program will be particularly appealing for health care professionals who want to continue working, but cannot make the full-time commitment required in the postdoctoral fellowship program. Initially, enrollment will be very small to start (first cohort of five students), but projected to be 12 students by the third year of operation.

Graduates of these programs find ample employment opportunities in industry, academia, and community health settings. Larger health systems employ personnel in information management positions. With the move to managed care, smaller health systems will also need to hire such personnel with combined expertise in health care and information technology.
3. **Quality of Proposed Program**

The 60-hour program of study is concentrated in five areas: medical informatics, health and medicine, computer science, decision making, and research methods. The program will be administered as a non-departmental, interdisciplinary effort of the School of Medicine. Several key components of the computer science part of the curriculum will be taught by faculty at Oregon Graduate Institute (OGI). Eight courses will have to be developed (e.g., medical artificial intelligence, health data analysis, medical informatics practicum).

4. **Adequacy of Resources**

Existing state resources and student tuition are adequate to provide the program for 10 to 12 students.

**Program Review**

The proposed program has been reviewed by all appropriate institutional committees and by an on-site external review team, and was reviewed positively by the Academic Council.

**Staff Recommendation to the Board**

Staff recommend the Board authorize Oregon Health Science University to establish a program leading to a Master of Science degree in Medical Informatics effective fall term, 1996, with a follow-up review of the program to be conducted by the State System Office of Academic Affairs in the 2001-02 academic year.

**Board Discussion and Action (February 16, 1996)**

OHSU Provost Hallick summarized the program. Mr. Bailey asked about the expected numbers of out-of-state students who would participate in the program. Dr. William Hersh responded that approximately 50 percent are expected to be from out of state.

Mr. Bailey moved and Ms. Christopher seconded the motion to approve the staff recommendation. The following voted in favor: Directors Aschkenasy, Bailey, Christopher, Imeson, McAllister, Puentes, Rhinard, Waddy, Willis, and Swanson. Those voting no:
none. The program will appear on the next Board meeting consent agenda.

BOARD ACTION:

BACHELOR OF ARTS AND BACHELOR OF SCIENCES IN PHILOSOPHY, ECONOMICS, AND POLITICAL SCIENCE, EOSC

Introduction

Eastern Oregon State College seeks authorization to offer an interdisciplinary program leading to a baccalaureate in philosophy, economics, and political science.

Staff Analysis

1. **Relationship to Mission**

The proposed program fits Eastern's institutional strategy of investment in core arts and sciences, two professional programs (teacher preparation and undergraduate business), and the technological and organizational infrastructure necessary to deliver services throughout the region.

2. **Evidence of Need**

Eastern Oregon State College's design presents an interdisciplinary approach to crucial questions that face citizens and policy makers. Current controversies regarding natural resource management (e.g., water, grazing rights, protection of endangered species), health care (e.g., Oregon Health Plan, physician-assisted suicide), and labor issues (e.g., workers compensation) are illustrative of the ongoing policy debates that the next generation of Oregonians will face.

The program will prepare graduates for a variety of careers that require analytical skills and knowledge of institutional processes that drive social policy questions. Following OSSHE's vision in 2010, graduates are expected to need broad training in fundamental, but transferable, skills to be prepared for the changes in work and the workplace they will encounter. Graduates are likely to find employment in teach-
ing, banking and finance, journalism, resource management, social services, criminal justice, and other public service. The program will provide excellent undergraduate preparation for students intending formal study of law or considering postgraduate study in economics, political science, or philosophy.

3. **Quality of Proposed Program**

The curriculum draws upon a number of existing areas of curricular strength at EOSC and will provide a common curricular experience for students in the interdisciplinary program. All elements of the proposed course of study are already offered, with the exception of the senior capstone experience. Currently, a major portion of the program is deliverable off campus to nontraditional and placebound students, providing another degree option for these students. After the initial start-up and recruitment period, the proposed program is expected to graduate 10 to 20 students per year. There is capacity in the program to accommodate the anticipated number of additional students.

4. **Adequacy of Resources**

No new resources are needed to implement this program. The program will consist of existing courses, present faculty, and will use existing facilities and resources.

**Program Review**

The proposed program has been reviewed by all appropriate institutional committees and was reviewed positively by the Academic Council.

**Staff Recommendation to the Board**

Staff recommended the Board authorize Eastern Oregon State College to establish a program leading to a Bachelor of Arts or Sciences Degree in Philosophy, Politics, and Economics effective upon approval, with a follow-up review of the program to be conducted by the State System Office of Academic Affairs in the 2001-02 academic year.
Board Discussion and Action (February 16, 1996)

Dr. Bruce Shepard, provost of EOSC, underscored that the programs rest on the foundation of the vision of what will be required of higher education in the future, Eastern's mission, and strategies that EOSC is using in pursuit of that mission. The strategies include making necessary investments in technological and personnel structures, and concentrating resources in the core arts and sciences program. Provost Shepard noted that by bringing together the strengths of each of these programs, they compensate for the blind spots. "At Eastern, we avoid overspecialization, even at the upper level."

Ms. McAllister moved and Mr. Rhinard seconded the motion to approve the staff recommendation. The following voted in favor: Directors Aschkenasy, Bailey, Christopher, Imeson, McAllister, Puentes, Rhinard, Waddy, Willis, and Swanson. Those voting no: none. The program will appear on the next Board meeting consent agenda.

BOARD ACTION:

RESOLUTION FOR THE SALE OF ARTICLE XI-G & ARTICLE XI-F(1) BONDS

Summary

At the July 21, 1995, Board meeting, the Board authorized the State Treasurer to issue $26,960,000 of bonds in the fall under authority of Article XI-F(1) and $200,000 under authority of Article XI-G of the Oregon Constitution for construction projects for higher education. Since the fall bond sale was deferred to April, staff now recommends that the Board authorize the State Treasurer to issue an adjusted amount of $44,580,000 of bonds for Article XI-F(1) projects and $11,985,000 of bonds for Article XI-G projects.

Staff Report to the Board

The 1995 Legislative Assembly authorized the Board of Higher Education to issue general obligation bonds to finance projects for capital construction and facilities repair and renovation. The maximum amount authorized for 1995-1997 is $96,070,000 for bonds to be issued under authority of Article XI-F(1) of the Oregon Constitution, which are to be repaid from dedicated revenue sources associated with these projects or from student building fees. An additional
$32,950,000 of bonds may be issued under Article XI-G. Debt service on these bonds is paid from the General Fund.

Typically, the Board requests the State Treasurer to issue bonds at least twice during each biennium. However, the bond sale scheduled for fall 1995 was postponed by the State Treasurer, with staff concurrence, to spring 1996. As a result, adjustments to the Board-approved projects and new projects have emerged, as reflected in the Resolution.

Article XI-G bonds are matched by an appropriation from the state General Fund and are general obligations of the state. The construction projects included in this bond sale are for the University of Oregon Law Center planning and Systemwide capital deferred maintenance projects. The UO project will use gift funds as matching for the Article XI-G bonds. The required match for bonds issued to pursue deferred maintenance projects are from an appropriation made by the legislature for that purpose.

The legislature also approved a possible lottery allocation to replace the need to issue bonds to address deferred maintenance projects. However, since this source is not expected to be available and due to time constraints in securing contractor commitments in advance of the upcoming summer construction season, the bonds are being sold this spring.

Article XI-F(1) of the Oregon Constitution authorizes the Board to issue bonds to construct and repair facilities used by self-supporting operations. Such bonds constitute general obligations of the state. Article XI-F(1) has been used to issue most of the outstanding bonds of the State System. Uses have been to construct and renovate student facilities (student unions, health facilities, recreation facilities), housing facilities (residence halls and family housing), athletic facilities (stadia), and hospital/clinic facilities. In recent years, bonds also have been approved by the legislature for projects to house communications activities and child care facilities.

The colleges and universities are requesting that $26,960,000 of Article XI-F(1) bonds authorized for issuance in fall of 1995 be adjusted to a new total of $44,580,000 for spring 1996. The purposes for which the bonds would be sold include the development of student family housing at the UO ($6,120,000), to be repaid from housing
revenue; the design and construction of a new residence hall and renovation of the current residence facility at EOSC ($4,015,000), to be repaid from housing revenue; building fee-supported renovation work at three student unions (WOSC, OSU, and the UO) totaling $5,255,000; the renovation of the West Hall Dining Center at OSU ($4,410,000), supported by housing charges; the renovation of student housing facilities at PSU ($2,245,000), to be repaid from housing charges, and the Urban Center Phase II at PSU ($13,475,000), to be repaid from a variety of sources including parking fees, general auxiliary, and rental income from the City of Portland and U S WEST; the West Hall Renovation Project at OSU ($8,450,000), to be repaid from housing charges; and a supplemental sale for the OSU Food Innovation Center ($610,000), to be repaid from rental income.

Of the total Article XI-F(1) bonds, bond counsel will designate the $2,245,000 for Portland State University's Housing Renovation project as 501(c)(3) bonds because a private non-profit entity will manage the housing units for the University. In addition, bond counsel may designate a portion of the Urban Center Phase II project bonds ($2,445,000) as taxable because of space utilization by a private entity, U S WEST.

The resolution now before the Board authorizes staff to pursue the sale of bonds for all projects currently identified by the colleges and universities as needing bond funding during 1996-97. Adjusted bond issuance amounts requested for both Article XI-F(1) projects and Article XI-G projects are listed in the resolution. All figures for these projects include a two percent addition for the bond cost of sale/discount.

Staff believes that the projects for which Article XI-F(1) bonds are proposed meet the self-liquidating and self-supporting requirements of Article XI-F(1), Section 2 of the Oregon Constitution.

Staff Recommendation to the Board

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

WHEREAS, ORS 286.031 states, in part, that the State Treasurer shall issue all general obligation bonds of this state after consultation with the state agency responsible for administering the bonds proceeds; and

WHEREAS, ORS 286.033 states, in part, that the state agency shall authorize issuance of bonds subject to ORS 286.031 by resolution; and

WHEREAS, ORS Chapters 351, 288, and 286 provide further direction as to how bonds are sold and proceeds administered; and

WHEREAS, Senate Bill 5535, Chapter 410, Oregon Laws 1995, establishes Oregon Constitution limitations on the amount of bonds that may be sold pursuant to Articles XI-G and XI-F(1) for the 1995-1997 biennium; and

WHEREAS, Senate Bill 5555, Chapter 254, Oregon Laws 1995, lists those projects that may be financed pursuant to Articles XI-G and XI-F(1); and

WHEREAS, it is appropriate for this Board to authorize the State Treasurer to issue bonds for projects authorized by Senate Bill 5555 and in amounts not greater than authorized by Senate Bill 5555 and as otherwise required by law for the 1995-1997 biennium without requiring further action of this Board;

NOW, THEREFORE, be it resolved by the State Board of Higher Education of the State of Oregon as follows:

Section 1. Issue. The State of Oregon is authorized to issue general obligation bonds (the "Bonds"), in such series and principal amounts as the State Treasurer, after consultation with the Vice Chancellor for Finance and Administration of the Department of Higher Education, shall determine are required to fund projects authorized by Oregon law for the 1995-1997 biennium. The Bonds shall be designated, dated, authenticated, registered, shall mature, shall be in such denomination, shall bear such interest, be payable, be subject to redemption, and otherwise contain such terms as the State Treasurer determines, including the designations as Oregon Baccalaureate
Bonds, after consultation with the Vice Chancellor for Finance and Administration. The maximum net effective interest rate for the Bonds shall not exceed ten percent per annum.

Section 2. Article XI-F(1) Projects. Bonds are authorized to be sold to provide funds for projects as may be authorized by the Oregon legislature and as may be revised by the Vice Chancellor for Finance and Administration as authorized by Oregon law.

<table>
<thead>
<tr>
<th>Article XI-F(1) Projects</th>
<th>Bonds Authorized</th>
<th>Revised Bond Authorization</th>
</tr>
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<tbody>
<tr>
<td><strong>University of Oregon</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Family Housing (Amazon Housing, Phase II)</td>
<td>$ 9,705,000</td>
<td>$ 6,120,000</td>
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<tr>
<td>EMU Safety Improvements</td>
<td>255,000</td>
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<tr>
<td>EMU/Child care</td>
<td>305,000</td>
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<td>Vivian Olum Child Care Center</td>
<td>130,000</td>
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<tr>
<td>Amazon Housing Child Care</td>
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<tr>
<td><strong>Oregon State University</strong></td>
<td></td>
<td></td>
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<tr>
<td>Memorial Union Renovation, Ph II</td>
<td>$ 2,705,000</td>
<td>$ 2,705,000</td>
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<tr>
<td>West Hall Dining Renovation</td>
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<tr>
<td>Food Innovation Center</td>
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<tr>
<td>West Hall Renovations</td>
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<td>8,450,000</td>
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<td><strong>Portland State University</strong></td>
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<tr>
<td>Housing Renovation</td>
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<tr>
<td>Urban Center Phase II</td>
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<td><strong>Western Oregon State College</strong></td>
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<tr>
<td>Forensics Laboratory</td>
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<tr>
<td>Werner-College Center Renovation</td>
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<td><strong>Eastern Oregon State College</strong></td>
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<tr>
<td>Residence Hall Construction/Renovation</td>
<td>$ 4,015,000</td>
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<td>Total Article XI-F(1) Projects</td>
<td>$26,960,000</td>
<td>$44,580,000</td>
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Section 3. Article XI-G Projects. Bonds are authorized to be sold to provide funds for projects as may be authorized by the Oregon legislature and as may be revised by the Vice Chancellor for Finance and Administration as authorized by Oregon law.

<table>
<thead>
<tr>
<th>Article XI-G Projects</th>
<th>Bonds Authorized</th>
<th>Revised Bond Authorization</th>
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<tr>
<td>University of Oregon</td>
<td>July 21, 1995</td>
<td>March 14, 1996</td>
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<tr>
<td>Law Center</td>
<td>$200,000</td>
<td>$510,000</td>
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<td>System</td>
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<tr>
<td>Capital Repair/Deferred Maintenance</td>
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Section 4. Maintenance of Tax-Exempt Status. The Board covenants for the benefit of the owners of the Bonds to comply with all provisions of Internal Revenue Code of 1986, as amended (the "Code"), that are required for Bond interest to be excludable from gross income for federal income taxation purposes (except for taxes on corporations), unless the Board obtains an opinion of nationally recognized bond counsel that such compliance is not required in order for the interest to be paid on the Bonds to be so excludable. The Board makes the following specific covenants with respect to the Code:

(a) The Board shall not take or omit any action if the taking or omission would cause the Bonds to become "arbitrage bonds" under Section 148 of the Code, and shall assist in calculations necessary to determine amounts, if any, to allow the State to pay to the United States all "rebates" on "gross proceeds" of the Bonds that are required under Section 148 of the Code.

(b) Covenants of the Board or its designee in its tax certificate for the Bonds shall be enforceable to the same extent as if contained herein.
Section 5. **Sale of Bonds.** The State Treasurer, with the concurrence of the Vice Chancellor for Finance and Administration, shall sell the Bonds as the State Treasurer deems advantageous.

Section 6. **Other Action.** The State Treasurer, the Vice Chancellor for Finance and Administration, or the Controller of the Department of Higher Education is hereby authorized, on behalf of the Board, to take any action that may be required to issue, sell, and deliver the Bonds in accordance with this resolution.

**Executive Committee Discussion and Action** (March 14, 1996)

Ms. Christopher asked about other needs of OIT relative to earthquake damage. Mr. Ihrig responded that those were largely covered by insurance.

Ms. Christopher moved and Dr. Aschkenasy seconded the motion to approve the staff recommendation, with final ratification by the full Board at the April 1996 meeting. The following voted in favor: Directors Aschkenasy, Christopher, Miller, and Swanson. Those voting no: none.

**BOARD ACTION:**

**RESOLUTION REGARDING CLASSIFIED INFORMATION FOR U.S. DEPARTMENT OF DEFENSE, OSU**

**Staff Report to the Board**

The Industrial Security Manual issued by the U.S. Department of Defense requires that owners, officers, and executive personnel of corporations and regents or trustees of colleges and universities whose employees have access to classified material in the course of working on Department of Defense contracts delegate to others the authority for fulfilling the requirements of the Industrial Security Manual and exclude themselves from access to classified information.

The resolution recommended for adoption is that which is required by the Manual and is, except for changes in the date and names of Board members, identical to that which has been previously adopted by the Board.
Staff Recommendation to the Board

Staff recommends the Board adopt the following resolution regarding access to classified information related to the Department of Defense material.

Resolution

That those persons occupying the following positions for Oregon State University shall be known as the Managerial Group as described in the Industrial Security Manual for Safeguarding Classified Information:

President
Vice Provost for Research and International Programs
Chief Business Officer
Security Supervisor
Assistant Security Supervisor

That the chief executive and the members of the Managerial Group have been processed or will be processed for a personnel clearance for access to classified information, to the level of the facility clearance granted to this institution as provided for in the aforementioned Industrial Security Manual.

That the said Managerial Group is hereby delegated all of the Board’s duties and responsibilities pertaining to the protection of classified information under classified contracts of the Department of Defense or User Agencies of its Industrial Security Program awarded to Oregon State University.

That the following named officers and members of the Oregon State Board of Higher Education shall not require, shall not have, and can be effectively excluded from access to all classified information in the possession of Oregon State University and do not occupy positions that would enable them to affect adversely the policies and practices of Oregon State University in the performance of classified contracts for the Department
of Defense or User Agencies for its Industrial Security Program awarded to Oregon State University.

Officers and Board Members

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<tr>
<th>Name</th>
<th>Title</th>
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<td>Les Swanson, Jr.</td>
<td>President</td>
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<td>Herb Aschkenasy</td>
<td>Vice President</td>
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<td>Robert Bailey</td>
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<td>Diane Christopher</td>
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<td>Tom Imeson</td>
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<td>Gail McAllister</td>
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<td>Walter R. Miller</td>
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<td>Esther Puentes</td>
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<td>Mark Rhinard</td>
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<td>April Waddy</td>
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<td>Jim Willis</td>
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<td>Joseph Cox</td>
<td>Chancellor</td>
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<td>Virginia L. Thompson</td>
<td>Secretary</td>
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BOARD ACTION:
REPORT ITEMS
In an effort to gain a better understanding of the post-high school activities of Oregon high school graduates, a telephone survey was undertaken in February 1996 of the Oregon high school graduating class of 1995. This survey is an update of a similar study of the class of 1993, reported in the OSSHE publication, *Where Have All the Graduates Gone?*

This study aimed to identify the percentage of the high school graduating class who attended a postsecondary institution in fall 1995, their specific college choices and the reasons for those choices, reasons for those who chose not to go to college, and high school grade point average. Demographic variables of gender, race or ethnicity, and home county were included. Telephone interviews were conducted with 400 randomly selected high school graduates drawn from the OSSHE Post-High School Plans survey data base, with an additional 400 interviews conducted with ethnic minority graduates. The ethnic minority over-sample was weighted proportionately and merged with the general random sample.

As shown in the table below, the college enrollment rates of the Oregon class of 1995 are very similar to those of the class of 1993, and to rates for the United States as a whole. In both Oregon classes, the proportion of women enrolled in college was substantially larger than the proportion of men enrolled, a statistically significant difference in both years.

| Percent of High School Graduates Enrolled Fall Term Following Graduation |
|-----------------------------|----------------|----------------|
|                             | Men  | Women | Total |
| Oregon—1995                | 54.8 | 65.7  | 60.1  |
| Oregon—1993                | 57.6 | 67.0  | 62.5  |
| U.S.—1994                  | 60.6 | 63.2  | 61.9  |

Over 60 percent of the respondents in the Oregon class of 1995 survey were enrolled in some form of postsecondary education in fall 1995. An additional 5.5 percent delayed enrollment to winter 1996. Another 9.5 percent said they would *definitely* enroll in college within 12 months, while 6 percent said they would *probably* enroll within 12 months. Thus, the college attendance rate of the class of 1995 at the
end of 18 months following graduation could be more than 80 percent, based on the findings of this survey.

The college choices of the survey respondents are distributed as follows:

- 19 percent attended an Oregon State System institution in fall 1995
- 21 percent attended an Oregon community college
- 4 percent attended an Oregon independent college
- 13 percent attended an out-of-state four-year institution
- 3 percent attended an out-of-state two-year institution
- 40 percent did not attend college in fall 1995

As in the earlier study, the major reasons for choosing or not choosing a college are related to prices and cost to students and to academic reputation:

- The affordable cost of OSSHE compared to other four-year college options was a major reason for respondents who chose an OSSHE institution. On the other hand, the relatively high cost of OSSHE compared to a community college was a major reason those attending an Oregon community college did not attend an OSSHE institution. (Nearly half of those going to an Oregon community college said they plan to transfer to an OSSHE school later.) For students selecting private four-year and out-of-state institutions, the availability of good financial aid and scholarships was a major reason for their choice.

- The cost of college was the major reason cited for those not attending any college. Other important reasons were entry into military service and having a work schedule that did not allow them time to go to school.

- The academic reputation of the institution or major program of study was the first or second most important consideration for respondents choosing any of the four-year college options, public or private.

For community college students, the desire to stay close to home was a major factor in their selection of the community college. Similarly,
many of the students choosing OSSHE did so because they wanted to stay closer to home.

Conversely, students attending an out-of-state institution cited "wanting to leave Oregon" as a major reason for their college choice. And, continuing the pattern identified in the earlier study, a large proportion of the top students leave the state to attend college: nearly 39 percent of the respondents with high school grade point averages of 3.75 or better attended an out-of-state institution.

This study was conducted by the OSSHE Office of Institutional Research Services, with assistance from Alliance Interviewing Services and MarketLink of Eugene. The full report will be available at the Board meeting.

(No Board action required)

The Office of Corporate and Public Affairs has assembled a group of professional marketing and public affairs experts whose role in the coming months will be to build a marketing strategy designed to let the state's citizens understand the many ways public higher education contributes to their lives.

The Corporate Advisory Group will work through summer 1996 to create a plan that will build into the legislative session and the academic school year. The Group will use a two-pronged approach to distill OSSHE's message: a grassroots approach designed to have an impact on personal communications channels, and a mass media campaign with the goal of informing and educating all Oregonians about their public higher education system.

The members of the Corporate Advisory Group will create a plan that will make clear to every Oregonian that higher education is important to the future. By structuring the plan to reach specific stakeholder groups, the Group will be able to tailor its message to legislators, business and civic leaders, students, parents, alumni, and members of the media, as well as the general public.

Vice Chancellor for Corporate and Public Affairs Tim Griffin is leading the Group with Board member Jim Willis. Members of the Corporate Advisory Group include Carol Dillin, manager of Corporate Communications and Advertising, Portland General Electric; Jim Haynes,
manager of media relations, U S WEST Communications; Roxie Howlett, Howlett and Gaines Public Relations; Mike Riley, president of Riley and Associates, Inc.; Barbara Rozell, Marketing Coordinator, KPMG Peat Marwick; Judy Corwin, director of Public Information, WOSC; Tom Hager, director of Communications, UO; Janis Nichols, director of Public Relations, PSU; and Francesca Clifford, Media/Communication specialist, OSSHE.

(No Board action required)
ROUTINE ITEM
SUMMARY OF
FACILITIES
CONTRACTING
ACTIVITIES

Staff Report to the Board

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

Professional Consultant Agreements

Interior Design Services, SOSC
An agreement was negotiated with Grape Street Design Associates for consulting interior design services at Southern Oregon State College. Financing will be provided from state funds.

East Campus Modular Classrooms, UO
An agreement was negotiated with the firm L.A. Kersh, Architecture for professional services at the University of Oregon. Financing will be provided from state funds.

Law School Additions and Alterations, UO
An agreement was negotiated with Geotechnical Resources, Inc. for geotechnical services at the University of Oregon. Financing will be provided from state funds.

Prince Lucien Campbell, Computer Composition Lab, UO
An agreement was negotiated with the firm L. A. Kersh, Architecture for professional services at the University of Oregon. Financing will be provided from state funds.

Award of Construction Contracts

Miscellaneous Roofing Projects, ENSC
On March 8, 1996, McDonald & Wetle, Inc. was awarded a contract for this project in the amount of $168,515. Financing will be provided from state funds.

Pedestrian Walkway Replacement Project, ENSC
On March 22, 1996, Edmondson & Frye, Inc. was awarded a contract for this project in the amount of $138,487. Financing will be provided from capital repair funds.
Acceptance of Projects

Fairbanks Hall Parking Reconstruction Project, OSU
This project is complete and was accepted on January 22, 1996. The final direct construction costs were $64,543. Financing was provided from parking maintenance reserves.

Radiation Center Parking Reconstruction Project, OSU
This project is complete and was accepted on January 4, 1996. The final direct construction costs were $146,437. Financing was provided from parking maintenance reserves.

Shop Buildings Reroofing Project, OSU
This project is complete and was accepted on January 9, 1996. The final direct construction costs were $202,700. Financing was provided from state funds.

Women's Building ADA Upgrade Project, OSU
This project is complete and was accepted on January 22, 1996. The final direct construction costs were $173,780. Financing was provided from state funds.

North and South Stairwell Fire Door Replacement Project, PSU
This project is complete and was accepted on January 5, 1996. The final direct construction costs were $98,400. Financing was provided from capital repair funds.

Pacific Hall Third Floor Lab Remodel Project, UO
This project is complete and was accepted on March 27, 1996. The final direct construction costs were $67,836. Financing was provided from building use credits.

(No Board action required)