MINUTES OF REGULAR MEETING OF THE
STATE BOARD OF HIGHER EDUCATION HELD
April 15, 1988

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PSU Plan for the 90s

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PRESIDENT’S REPORT
- Drug/Alcohol Abuse Intervention
- Next Meeting Dates

ADJOURNMENT & RECONVENING DATE

Adjourned Session of April 15, 1988

Acceptance of Bid for $9,320,000 State of Oregon, State Board of Higher Education Building Bonds, Series 1988 A, Article XI-F(1)

Resolution re State Board of Higher Education General Obligation Advance Refunding Bonds

ADJOURNMENT
STATE BOARD OF HIGHER EDUCATION
MINUTES OF REGULAR MEETING HELD IN ROOM 338,
SMITH CENTER, PORTLAND STATE UNIVERSITY,
PORTLAND, OREGON

April 15, 1988

Meeting #563
A regular meeting of the State Board of Higher Education was held
in Room 338, Smith Center, Portland State University, Portland,
Oregon.

ROLL CALL
The meeting was called to order at 10:00 a.m., April 15, 1988, by
the President of the Board, Mr. James C. Petersen, and on roll
call the following answered present:

Mr. Robert R. Adams
Mr. John W. Alltucker
Miss Kasey K. Brooks
Mr. Gene Chao
Mr. Mark S. Dodson
Mr. Richard F. Hensley

Mr. Michael W. Hermens
Mrs. Janet S. Nelson
Mr. George E. Richardson, Jr.
Mrs. Arlene D. Schnitzer
Mr. James C. Petersen

Absent: None.

OTHERS PRESENT

Centralized Activities—Chancellor William E. Davis; Secretary
Wilma Foster; W. T. Lemann, Executive Vice Chancellor; Lawrence
Pierce, Vice Chancellor, Academic Affairs; Wil Post, Vice Chan-
cello; Public Affairs; John Owen, Vice Chancellor, OCAPE; W. C.
Neland, Associate Vice Chancellor, Facilities Division; Davis
Quenzer, Associate Vice Chancellor, Fiscal Policies; Richard
Perry, Associate Vice Chancellor, Administrative and Information
Systems Division; Jerry Casby and Jim Mattis, Department of
Justice; Holly Zanville and Ray Hoops, Associate Vice Chancel-
ors, Academic Affairs; Melinda Grier, Compliance Officer; Kay
Juran, Assistant Vice Chancellor, Public Affairs; Barbara Barrie,
Personnel Officer; Virginia Boushey, Assistant to Executive Vice
Chancellor; J. Richard Pizzo, Gary Christensen, and James Payne,
Assistant Vice Chancellors, Academic Affairs; Ron Anderson, As-
sistant Vice Chancellor, Personnel Administration; Steven Katz,
Controller; Jim Sellers, Director of Communications; Karen
McCumsey, Secretary to the Chancellor; Jim Lockwood, Assistant to
Vice Chancellor; Kimberly Carnegie, Public Affairs Assistant; Pat
Wignes, Assistant Board Secretary.

Oregon State University—President John Byrne; Graham Spanier,
Vice President for Academic Affairs and Provost; Ed Coate, Vice
President, Finance and Administration; Bob Barr, Dean, School of
Education—OSU/WOSC; Thurston Doler, President, OSU Faculty
Senate; Bruce Shepard, Assistant Professor; Perry Brown, Interim
Director, Oregon Tourism Institute; Susan Stafford, Faculty Asso-
ciate to Provost; Pete Fullerton, Associate Vice President.
University of Oregon—President Paul Olum; Dan Williams, Vice President for Administration; Larry Large, Vice President, University Relations; Martin Jackson, Graduate Teaching Fellow.

Oregon Health Sciences University—Interim President David Witter; Bob Koler, Interim Vice President, Academic Affairs; Ralph Tuomi, Assistant Vice President, Facilities Management; Jim Walker, Vice President, Administration; Wilma Peterson, Assistant Vice President, Academic Affairs.

Portland State University—President Natale Sicuro; Frank Martino, Provost; Roger Edgington, Vice President, Finance and Administration; Rod Diman, Vice Provost; Nohad Toulan, Dean, Urban and Public Affairs; Nancy Tang, President, Interinstitutional Faculty Senate; Jerry Schmitz, Director, Physical Plant; John M. Wanjala, Director, Campus Safety and Security; Nancy Matschek, Chair, University Planning Council; Robert Wise, Director of Planning.

Eastern Oregon State College—President David Gilbert; Jens Robinson, Dean, School of Education; Gerald E. Young, Dean, School of Arts and Sciences; Richard Stenard, Dean of Student Affairs.

Oregon Institute of Technology—President Larry Blake; Chris Eismann, Dean of Academic Affairs; John Smith, Dean of Administration.

Southern Oregon State College—President Joseph Cox; Ernest Ettlich, Dean of Academic Affairs; Ronald Bolstad, Dean of Administration; Bob McCoy, President, Association of Oregon Faculties.

Western Oregon State College—President Richard Meyers; Bill Cowart, Provost; Bill Neifert, Dean of Administration; Vic Baldwin, Director, and Michael Stewart, Business Manager, Teaching Research; Judy Niesslein, Director, Public Information.

Others—Minot Nettleton and Elizabeth Helpman, representatives of The Common Fund; Charles Carter, Vice President, U. S. Bank; Tom McClellan, Budget Analyst, Executive Department; Susan Morse, Executive Director, Oregon Student Lobby; Scott Clements and Mike Lewis, representatives of Seattle Northwest Securities; Steve Smith, Deputy State Treasurer; Harvey Rogers, Portland Attorney; Elizabeth Johnson, Commissioner, TSFC; Connie Romanski, Educational Research and Consulting; T. K. Olson, Director, Office of Educational Policy and Planning; Lee Penny, Legislative Staff, Executive Department; Fred Stickel, Publisher, THE OREGONIAN; Joan Buck, Government Relations, Oregon Food Processors Association; Roger Yost, Portland Architect.
The Board dispensed with the reading of the minutes of the last regular meeting held on March 18, 1988, and the special meeting held on April 4, 1988, and approved them as previously distributed. The following voted in favor: Directors Adams, Alttucker, Brooks, Chao, Dodson, Hensley, Hermens, Nelson, Richardson, Schnitzer, and Petersen. Those voting no: None.

Mr. Petersen indicated the Board would consider first the PSU Plan for the 90s. He invited President Sicuro to introduce the presentation. A copy of the plan is on file in the Board's Office.

President Sicuro said he would be assisted by civic leaders and Portland State faculty in describing the plan and its development.

Ms. Nancy Matschek, Chairman of the University Planning Council and Professor and Head of the Department of Dance at Portland State, explained the process followed in developing the plan. She stated the only restrictions placed on the planning group were that the plan be completed by the April Board meeting and that participation in its development be broad-based. She said the Faculty Senate and the Faculty Advisory Council had appointed a University Planning Council. The Planning Council had proportionately equal representation from each segment of the institution, both academic and non-academic units. The process began with development in each individual department of a general plan and vision for the 1990s and specific goals and objectives for the first two years of that time period. The departmental plans then went to college or school deans for integration into a document representing the larger unit. All of the material was forwarded to the University Planning Council. From this material and from interviews with deans, administrators and key community leaders, major themes began to emerge and are reflected in the executive summary of the plan. The departmental goals and objectives were reviewed for coordination and integration with the direction for the institution as a whole and in terms of fiscal realities.

Ms. Matschek indicated the draft of the plan was then submitted to a subcommittee of the institution's external advisory body. The subcommittee, chaired by Mr. Fred Stickel, was comprised of key corporate and civic leaders. The committee members undertook an extensive review and suggested revisions based on their views of the state's needs and opportunities. In some instances, they proposed a tighter focus. In others, a broader agenda was suggested. Their responses were extremely valuable and encouraging.

Ms. Matschek said the full University Advisory Board had adopted unanimously a resolution in support of the plan as the central, long-range needs for the positive development of Portland State University, the Portland area, and the State of Oregon. The
Faculty Senate adopted a similar resolution in support of the goals and visions of the plan. She said the executive summary outlines the major themes and provides the vision for a ten-year period. The specific goals and objectives are for a two-year period and will require monitoring and flexibility.

Mr. Fred Stickel, president and publisher of The Oregonian, said the major theme of the plan was contained in the executive summary and had the support of the University Advisory Board. The plan reflects the committee's concerns with one exception. Portland is the only large metropolitan region in the nation without a major doctoral-granting university. In order to compete in the future, Portland and the State of Oregon will need such a major institution in the very heart of Oregon's economic base. He then read the major themes contained in the executive summary of the full report.

Mr. Stickel said he believed the plan was centrally important, not only to the development of the university, but to the orderly growth and development of both metropolitan Portland and the State of Oregon. He indicated he was pleased and proud to have played a part in its development.

Mr. Stickel then read a letter from Mr. Earl Wantland, Chairman of the Portland State University Advisory Board. Mr. Wantland described the development of the plan and its approval by the Advisory Board, as reported above. The letter concluded by stating the Advisory Board "urges the State Board of Higher Education, as well as the state's political leadership to join the University community in considering the 'Plan for the 90s' as the central long-range means for the positive development of Portland State University, the Portland area, and the State of Oregon."

Mr. Roger Yost, a Portland architect and member of the Advisory Board and subcommittee, stated the business community considered Portland State University to be an essential partner in the economic development of the region. He said his purpose in coming was to encourage the Board to support that economy by supporting the plan for Portland State University. The plan was coordinated with the business community and shares its vision of the future as partners in an expanding global economy which requires specialization. He cited business opportunities, particularly in Pacific Rim countries between the expanding Asian markets and the United States.

Mr. Yost noted that the plan calls for active recruitment of international students, and these foreign students will become Oregon's future business partners.

Mr. Yost then read a letter from Marsha B. Congdon, Oregon Vice President and Chief Executive Officer for Pacific Northwest Bell, emphasizing the need for a strong university in Oregon's major metropolitan center. She stated economic development is closely
linked to the ready availability of institutions of higher education to business and to the community-at-large. A strengthened Portland State University would provide a unique opportunity to promote learning and provide a rich environment in which to build Oregon's "economy of the mind."

President Sicuro said he was not seeking approval of the plan at the present meeting because many facets would need to be prepared in detail and submitted in the normal manner. The intent was to seek the Board's participation, along with that of colleagues in the public and private institutions of higher education and the entire constituency of the state, in the effort to build Portland State University toward the goals and objectives outlined in the plan.

Mr. Petersen then read the following statement:

The Board commends President Sicuro, his staff, faculty, and students and his advisory groups for presenting a strategic plan of significant scope and vision. We know that much hard work is represented here.

The explanations and insights you have given us today will aid immeasurably in understanding your goals and aspirations and in making our decisions on both the institutional and system levels in the months and years to come.

The Board receives the report and will ask the staff to review those aspects of the plan that require future Board approval.

Vice Chancellor Pierce will work with President Sicuro to arrange for an orderly review of those aspects of the plan that fall within the purview of the Committee on Instruction. Specific requests for new programs will be reviewed and presented to the Committee and the Board in accordance with the existing program approval process.

Vice Chancellor Lemmon is asked to review the financial and physical plant topics in the plan and advise the Committee on Finance, Administration, and Physical Plant. Mr. Lemmon should give priority to review of the revised Campus Plan and bring that to the Board with staff recommendations as soon as possible, preferably at the May meeting of the Board.

Again, we wish to thank President Sicuro, and particularly those members of the community-at-large who have given so freely of their time, effort, and advice.

Mr. Petersen said that concluded his prepared statement, but he had additional comments following the Board's visit to Portland State the previous day. The Board saw many positive and productive activities occurring at Portland State, but there are also a
lot of negatives floating around. Mr. Petersen said he had discussed with the Board, and a statement was made the previous day to the deans and vice presidents, that the Board had not been and would not be distracted by the negative forces at Portland State. The Board sees in the Plan for the 90s very positive things. It sees vision, and it sees the future. The Board will not be distracted by the efforts of people who want to look to the past and drag Portland State University with an anchor. The Board expresses its full support for President Sicuro. He said a vocal minority has attempted to continue to draw attention to those negative things. While the Board respects the right of individuals to express their opinions, it is distressed but will not be disturbed or distracted by the negative.

Mr. Petersen then read the following paragraph from a letter from a member of the Portland business community and said he believed it stated the position very well: "To the few critics, especially those on the PSU Faculty Senate, we in business support these tough goals for the 90s and the new century. We support strong leaders, such as President Sicuro and Dean Vergil Miller, and we are putting our money and energies where our mouth is. We ask those critics to take the positive approach and create harmony instead of the negative approach, which retards growth and success. We in business need quality education. Let's all pull together to achieve its common good for our community."

Mr. Petersen said this spoke very well for the feelings expressed by the people during the presentation, and he commended the advice to everyone in Portland, both in the community and the university. He then opened discussion for questions from Board members.

Mrs. Schnitzer declared a possible conflict of interest in the Portland State University campus plan because of a possible purchase of property which she and her husband own.

Mrs. Schnitzer referred to a statement in the mission and vision statement on page two of the document which indicated the Board had approved Portland State University to become a Category I research university. She said she did not believe that was an accurate statement and it should be corrected before the document was received.

President Sicuro said it was correct that the Board had approved the advancement of Portland State University toward the doctoral one granting category, not the research category. He indicated the correction would be made. Eventually, the institution would aspire to that goal because it is the goal to which a major university should aspire.
Mr. Alltucker expressed his concern that the format did not make it easy to integrate the Portland State plan with the State System's Strategic Plan. He also suggested a definition of terms be included in a glossary. Third, there should be a tabulation of the assumptions of changes in the economic, social, and political atmosphere in which this activity would operate. These are editorial problems of making the plan match the systemwide plan.

Mr. Alltucker said there were six different ways to get money to the various campuses. He pointed out that the financing in the plan proposed by Portland State University did not come from the state's General Fund. He said the University was to be commended for recognizing that it was unlikely to receive substantial increased state funding.

The Board approved a motion to receive the report and direct the staff to review those aspects of the plan that require future Board approval. The following voted in favor: Directors Adams, Alltucker, Brooks, Chao, Dodson, Hensley, Herrmens, Nelson, Richardson, Schnitzer, and Petersen. Those voting no: None.

Mr. Petersen and the Chancellor requested the presidents to open the Chancellor's report with the presentations by the presidents.

President Meyers was assisted in his presentation by a group of drama students from Western Oregon State College who enacted a scene of domestic violence similar to situations they created recently during five weekly police training exercises in conjunction with the Oregon Police Academy. The Academy is located on Western's campus.

Although the training was simulated each week, it provided law enforcement officials with potentially dangerous situations and the practical experience to know what to do in a real situation.

Dr. Meyers said the Police Academy had become an integral part of the campus and was an excellent model for other public agencies who would like to join Western's new Public Service Park. The Academy, and this exercise, are prime examples of how higher education and government can work cooperatively for the good of the citizens of Oregon. It is also an example of Western's Center for Excellence, which is public service, at work.

President Meyers indicated the new addition of the Oregon Police Academy would open officially the following Monday. It would be the first in a number of facilities planned in the Public Service Park. He then introduced the students who participated in the dramatization.
President Byrne said in recent conversations with faculty members they had suggested to him that he discuss the budget in his presentation to the Board. He indicated it was important for the Board to be aware of the current situation with respect to the budget and to understand some of the management techniques being used to cope with budgetary problems.

President Byrne stated his comments were based on an assumption and an assessment. The assumption was that the proportion of state dollars for higher education relative to the overall state budget would not increase significantly in the foreseeable future and might even decrease. The assessment was the State System, and Oregon State University in particular, had stretched those available dollars to the maximum. The institution has viewed past budgetary situations as short-term problems, and this view has caused long-term problems.

Dr. Byrne said three years ago a new administration was created at Oregon State with a policy of delegating responsibility and accountability downward. In the process, all of the fiscal management practices were reviewed and monitoring procedures established for all of the budgets in an effort to get them all on the same basis, including intercollegiate athletics. A long-range strategic plan was developed and used in the approach to budgeting and the allocation of resources.

In the reallocation process, each of the management units were asked to reduce their budgets from 1-6%. These funds were then reallocated according to the following previously-established priorities: (1) To honor commitments already made, (2) to look at base budgets for units which had never had a base budget but had come to central reserves, (3) to put more money into the library, (4) to add funds for campus-wide computing, and (5) to increase educational opportunities for those students who are often considered high-risk students. Those involved hoped it would not be necessary to make further readjustments in the middle of the biennium. Unfortunately, this was not the case. Dr. Byrne cited a number of factors which resulted in a need for approximately $2.2 million. The institution had no control over factors causing approximately half of this amount. As a result, the academic programs have been forced to make a 2% reduction for the second year of the biennium. This reduction will impact the students. The present reallocation is significant, and it is recognized that further reductions will require programmatic changes.

President Byrne said a faculty committee was created earlier this year to address the process for making program reductions. The committee did an outstanding job of preparing a series of criteria for making further significant administrative decisions on the reduction or elimination of programs. He enumerated the criteria and emphasized the importance of preparing for possible budget reductions.
President Gilbert said Dr. Jens Robinson, Dean of the School of Education at Eastern Oregon State College, would describe one aspect of Eastern's Center of Excellence, teacher education.

Dr. Robinson said his comments would focus on two facets of the bilingual education program at Eastern. The first is an undergraduate teacher education program. The second is a cooperative program with the University of Oregon which allows joint delivery of a master's in education administration with a bilingual emphasis. The undergraduate program is composed of about 30 teachers per year, all of whom are 100% bilingual Spanish, with about half Anglo and half Hispanic. The goal of this program is to prepare teachers to serve those schools in Oregon where there are high populations of Hispanic students who have limited English proficiency. The educational administration program has about 15 students enrolled at the present time who are practicing educators. They will complete the program next summer and be prepared to serve communities which need a school administration sensitive to bilingual and multi-cultural needs.

Dr. Robinson said Eastern Oregon State College had been involved with bilingual education since 1968. It is presently the only college or university in Oregon with this kind of program. The graduates are in high demand. It is an important program and fills a critical and growing need.

President Sicuro indicated his earlier presentation on the PSU Plan for the 90s constituted his report for this meeting.

Continuation of Improvement in Freshman GPA

The Chancellor reported that for the second year there was a rising grade-point average for freshmen enrolling at the seven State System institutions. He said this was a favorable reflection on the stronger admission standards established in 1985. The evidence is very conclusive that students not only are better prepared as they enter the freshman year but are doing a better job in terms of the grade-point average they achieve.

The Chancellor said the State System was in the fifth year of preparing and submitting back to the high schools the academic records and performances of their students. This practice has improved tremendously the relationship and articulation of the State System with the high school programs. He also thanked the public schools for their cooperation and support in the joint effort to anticipate and meet the needs of incoming students.
Staff Report to the Board

Mr. Lemman said the Board had heard a presentation at a previous meeting by State Treasurer Tony Meeker regarding the opportunity to use advance refunding bonds to institute a program of baccalaureate bonds, which would be zero-coupon bonds. The work has been completed on the plan, and a resolution has been prepared and distributed for subsequent consideration and action during a telephone conference call scheduled for April 19, 1988. He then asked Mr. Harvey Rogers of the law firm of Lindsay, Hart, Neil, and Weigler to explain the differences between this bond resolution and the ordinary bond resolution presented to the Board.

Mr. Rogers said the resolution was an advance refunding bond resolution for a specialized kind of refinancing of existing bonds to achieve debt service savings. Prior to the last Legislative Session, Oregon law required the Board to sell bonds at a competitive sale. In a competitive sale, notice is published and everyone submits bids at a particular time, the Board selects the lowest interest rate from the bids received, and proceeds with the financing. The last Legislative Session authorized the Board to do negotiated sales for advance refunding bonds.

In a negotiated sale, the underwriters are selected ahead of time and a procedure determined. When the bonds are to be priced, a rate is set in consultation with the State Treasurer and the agency, and the bonds are issued. Negotiated sales are particularly valuable at a time of volatile interest rates because they allow considerable opportunity to time the pricing of the bonds to obtain a more favorable interest rate.

Mr. Rogers explained that, in addition to authorizing a negotiated sale, the resolution does not require that anyone on the Board’s staff or in the State Treasurer’s Office come back to the Board for approval for the interest rate. This permits timing the issuance of the sale of bonds precisely to the market circumstances. The resolution delegates to the Office of the State Treasurer the authority to issue the bonds in consultation with the Executive Vice Chancellor.

In addition, the advance refunding is being done to achieve debt service savings, but the resolution does not specify any particular level of savings to be obtained.

Discussion and Recommendation by the Committee

Mr. Chao suggested that, since the resolution had just been received, the Committee should review it and channel any questions through Mr. Lemman prior to the conference call on Tuesday.
Board Discussion and Action

Mr. Rogers briefly reviewed the information presented above for the full Board. Board action was deferred until the conference call scheduled for 11:00 a.m. on Tuesday, April 19, 1988, and that action is reported at the conclusion of these minutes.

Presentation by Graduate Teaching Fellows

Mr. Petersen indicated he had received a request from the graduate teaching fellows to make a presentation to the Board.

Mr. Martin Jackson, a graduate teaching fellow in the mathematics department at the University of Oregon and a member of the Graduate Teaching Fellows Federation, said there was a major issue now facing graduate teaching fellows in Oregon and nationally with respect to the tax on tuition waivers. The tax exemption on tuition waivers provided by Section 127 of the IRS Code expired on December 31, 1987, and action on federal bills to reinstate the exemption has not materialized. Oregon's Attorney General has issued an opinion stating that tuition waivers should be considered as income, and thus liable to tax withholding. Withholding began with the March paycheck. Mr. Jackson said the typical first-year graduate teaching fellow will have a decrease in net pay of $140 for both March and April, representing a 27% cut for two months in a row. Further, the individual may no longer qualify for necessary social service benefits because gross income has increased by $633 a month. The current withholding on tuition waivers represents an effective annual pay cut of 9% for the typical graduate teaching fellow. Mr. Jackson said people simply could not live, learn, and teach under these conditions. He urged the Board, as public officials, to take up the action and responsibility that has been missing so far.

Mr. Jackson indicated the simplest solution to the problem would be passage of the appropriate federal legislation. He reviewed the status of that legislation and indicated support was being sought from the Board for House Resolution 4332. He asked that Board members communicate immediately with key individuals urging its passage. In addition, he asked the Board to think creatively about its option in the event of failure at the federal level. He said net pay must be restored to its previous level soon in order to avoid mass exodus from the graduate schools and the permanent damage to Oregon's System of Higher Education.

Miss Brooks read a proposed resolution which she had discussed with Mr. Petersen and Mr. Lemman. She indicated it was in compliance with Mr. Lemman's memorandum to the Board. She moved that the resolution be adopted by the Board, and the motion was seconded by Mr. Hermens.
Mr. Lemman said he had no wish to diminish the problem because it was substantial, nor did he have any objection or concern about the Board's supporting the resolution proposed by Miss Brooks. He indicated he did wish to point out some instances where the staff would have a slightly different interpretation of the facts. The withholding described at the University of Oregon is based upon a catchup feature to take the withholding for the tuition waiver in winter quarter in one month and for spring quarter in another month. It is not the ongoing level of withholding. The graduate teaching fellows have been informed that they can change their withholding status based upon their tax liability. It would not be necessary to suffer the loss of $140 because individuals only are required to have 90% of their tax liability withheld. The tax liability on the waiver of $1,900 is $285 to most people because they are in the 15% bracket. A single student could earn up to $18,000 and still be at the 15% level. For heads of households and married students, that amount ranges to $24,000 and $29,750 respectively. The marginal tax on this is $285 for the great majority of people, and they would only have to have $285 withheld over the 12-month period. That would be about $24 a month for students on a 12-months' basis and $32 for those on a 9-months' basis.

Mr. Lemman said a letter had been written to the Division of Adult and Family Services of the State of Oregon. The agency agreed not to consider the value of the tuition waiver in the gross income for purposes of food stamps. However, it will have to be considered in income for aid to dependent children, and this will obviously be a problem. He also mentioned that the University of Oregon had established a short-term, no-interest loan fund in an attempt to ameliorate the situation facing the graduate teaching fellows.

The staff also considered the restructuring of the tuition waiver and calling it a scholarship. It was the opinion of counsel this could not be done. Any suggestions from the graduate teaching fellows for changing the characterization of the student tuition waivers so that they would qualify under existing law for tax exemption would be welcome.

It was agreed that Mr. Lemman and representatives of the graduate teaching fellows from all institutions would develop information and alternatives for consideration by the Finance Committee.

The Board briefly discussed the legislation specified for support in the resolution originally proposed. Minor modifications were made in the language, and the Board adopted the following resolution:

WHEREAS, a tax on employees' educational assistance undermines the foundation of educational quality;
WHEREAS, the tuition tax has severely cut into the low income of students and employees receiving educational benefits;

WHEREAS, the increase in reported income has forced many graduate students to lose federal assistance;

BE IT RESOLVED THAT, the Oregon State Board of Higher Education will actively support current and pending legislation which would permanently restore tax-exempt status for graduate educational assistance by reinstating IRS Code Section 127.

BE IT FURTHER RESOLVED THAT, on behalf of the Oregon State Board of Higher Education, the President of the Oregon State Board of Higher Education shall write letters of support for this legislation to: Governor Neil Goldschmidt; members of the Oregon Congressional delegation, particularly Senators Bob Packwood and Mark Hatfield; Senator Lloyd Bentsen, Chair of the Senate Finance Committee; Representative Dan Rostenkowski, Chair of the House Ways and Means Committee; and Representative Thomas Foley, House Minority Leader.

Directors Adams, Alltucker, Brooks, Chao, Dodson, Hermens, Nelson, Richardson, and Petersen voted in favor of the motion. Those voting no: None. Directors Hensley and Schnitzer were absent from the meeting at this time.

Mr. Petersen requested Miss Brooks to assist him in drafting a suitable letter to those identified in the resolution.

The Chancellor expressed his appreciation to those bringing this problem to the Board's attention. He said it was essential to get a permanent resolution to this problem because the same thing happened two years ago. It was a great hardship. On the previous occasion, last-minute relief was obtained by reinstatement, largely through the efforts of Senators Hatfield and Packwood.

Staff Report to the Committee
At the regular meeting of the Board on October 10, 1986, the residency rules were amended to conform with the opinion of the Oregon Court of Appeals in the case of Baillie vs. State Board of Higher Education. The amendments approved at that time responded to the directives of the Court by removing reference to emancipation as a sole criterion in denying residency classification for instruction fee purposes and specifying in more detail the factors considered in determining bona fide fixed and permanent physical presence in Oregon.
In applying the rules since last amended, sources of error in interpretation have surfaced related to the previous changes and other external factors. The amendments now proposed consist of word and editorial changes which will assure that the rules reflect the intent of the Board in allowing only bona fide residents of Oregon the privilege of paying instruction fees at the resident rate.

The amendments have been prepared with the assistance of the Department of Justice and have been reviewed by the institutions. The proposed amendments were presented for a public hearing on March 2, 1988, at 10:00 a.m. No one appeared to testify.

**Staff Recommendation to the Committee**

The Board's staff recommended that the Board adopt the following amendments to OAR 580-10-030, Determination of Residence; 580-10-035, Residence Classification of Uniformed Federal Military Service; 580-10-040, Residence Classification of Aliens; 580-10-041, Changes in Residence Classification; and 580-10-045, Review of Residence Classification Decisions.

**Determination of Residence**

580-10-030 (1) For purposes of admission and instruction fee assessment, Department institutions shall classify all students (except students attending a summer session) as Oregon resident or nonresident.

(2) For this purpose[s of this Division of the Administrative Rules], an Oregon [residence means] resident is a person with a bona fide fixed and permanent physical presence established and maintained in Oregon. Determination of residence includes finding it to be the place where the student intends to remain and to which the person expects to return when leaving Oregon without intending to establish a new domicile elsewhere and shall be based on consideration of all relevant objective factors, including but not limited to: abandonment of prior out-of-state residence; history, duration and nature of noneducational activities in Oregon; sources of financial support, including location of source of support and amounts of support; location of family; ownership of real property; presence of household goods; filing of Oregon income tax return; and place of vehicle and voter registration. Residence is not established by mere attendance at an institution of higher education and physical presence in the state while attending such an institution.
(3) A [student] person who resides continuously in Oregon for at least six consecutive months immediately prior to the time of initial registration and who also qualifies as an Oregon resident under [the other requirements of] section (2) of this rule, shall be considered a resident [for purposes of the instruction fee] unless the [student] person attended a public or [independent] private institution of higher education [in Oregon] during any part of the six-month period.

(4) A [student] person who resides continuously in Oregon for twelve consecutive months immediately prior to the term for which residence status is requested and who also qualifies as an Oregon resident under the other requirements of section (2) of this rule shall be considered a resident [for purposes of the instruction fee] even if the [student] person attended an institution of higher education [in Oregon] during the twelve-month period.

(5) The objective factors described in section (2) of this rule will also be used to determine whether a resident who has moved from the state has established a non-Oregon residence.

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

Residence Classification of [Uniformed-Federal Military-Service] Armed Forces Personnel

580-10-035 (1) A person in uniformed federal military service on a full-time basis is qualified for resident classification for fee purposes if that person is assigned to duty in Oregon, performs duties within the geographical limits of Oregon, and is residing within Oregon. Claiming Oregon as the person's residence of record for tax or other purposes is not the equivalent of residence this state. For purposes of this rule, armed services means officers and enlisted personnel of the United States Army, Navy, Air Force, Marine Corps and Coast Guard.

(2) Notwithstanding OAR 580-10-030, members of the armed services who reside in this state while assigned to duty at any base, station, shore establishment or other facility in this state or while serving as members of the crew of a ship which has an Oregon port of shore establishment as its home port or permanent station shall be considered residents for purposes of the instruction fee.
[§2] (2) An Oregon resident entering [uniformed-federal military service] the armed services retains Oregon residence classification until it is voluntarily relinquished.

[§3] (4) An Oregon resident who has been in [uniformed federal-military-service] the armed services and assigned on duty outside of Oregon [is required to] must return to Oregon within sixty days after completing [uniformed-federal-military] service to retain classification as an Oregon resident.

[§4] (5) A person who continues to reside in Oregon after separation from [uniformed-federal-military-service] the armed services may count the time spent in the state while in [uniformed-federal-military-service] the armed services to support a claim for classification as an Oregon resident.

(6) The dependent child of a person who is a resident under section (2) of this rule shall be considered an Oregon resident. The spouse of a person who is a resident under section (2) of this rule may be considered an Oregon resident if the residency standards of OAR 580-10-030 are otherwise met.

Residence Classification of Aliens

580-10-040 (1) An alien holding an immigrant visa or an A, E, G, I, or K visa, or otherwise admitted for permanent residence in the United States, [shall be regarded as a citizen for the purpose of determining residence effective with the date of receipt of the immigrant visa.] is eligible to be considered an Oregon resident if OAR-10-030(2) is otherwise satisfied. The date of receipt of the immigrant visa or the date of approval of an alien's application for lawful permanent residence, whichever is earlier, shall be used for determining residence under rules 580-10-030.

(2) [Notwithstanding rules] Under 580-10-030 [and 580-10-041], an alien possessing a nonimmigrant or temporary, i.e., B, C, D, F, H, J, L, or M visa cannot be classified as a resident.

Changes in Residence Classification

580-10-041 (1) A[n-entering-freshman] person who enrolls in a Department institution within one year after graduating from an Oregon high school shall be considered a resident [student] provided the [student] person attended the Oregon high school one school year immediately prior to graduation from the high school.
(2) If an Oregon resident student transfers to an institution outside of Oregon and later seeks to re-enroll in a Department institution, the residence classification of that student shall be re-examined and determined on the same basis as for any other [student] person.

[(3)] (3) A [student] person whose nonresident legal custodian establishes a permanent Oregon residence during a [school] term when the person is enrolled at a Department institution [shall be entitled to] may register as a resident [student] at the beginning of the next term.

[(4)] (4) Once established, classification as a resident continues so long as the student remains in continuous academic-year enrollment in the classifying institution.

[(5)] (5) A [student] person who seeks classification as a resident under these rules may be required to complete and submit a notarized Residence Information Affidavit. If the affidavit is required, it must be submitted by the last day to register for the term in which resident status is sought.

(6) Nonresident legal custodian means a parent or other person with guardian responsibilities for another person as determined by Oregon or other applicable laws.

Review of Residence Classification Decisions by IRC: Meritorious Hardship

580-10-045 (1) A permanent interinstitutional review committee (IRC) is established consisting of the officers determining student residence classification at Department institutions and two students appointed by the Chancellor, with a member of the Chancellor’s staff, selected by the Chancellor as chairperson.

(2) Residence cases of unusual complexity, especially where there may be conflict of rules, may be referred to [this committee] the IRC for decision.

(3) Any [student] person who is dissatisfied with the local campus residence classification may appeal to the [committee] IRC for decision. In exceptionally meritorious hardship cases, [this committee] the IRC may allow exceptions to the residence rules. In evaluating the applications for meritorious hardship exceptions, the [committee] IRC shall consider the [student’s] person’s financial resources and obligations, the degree of the [student’s] person’s need to continue in an educational program without interruption, the [student’s] person’s past academic performance, the [student’s] person’s potential contribution to
the institutional community, and any other factors which tend to
make literal application of the residence classification rules
unjust or inequitable under the facts of the particular case.
Exceptions shall be limited in number based on the preceding
year's fall term nonresident-fee-paying enrollment by insti-
tution. [and] Exceptions shall not exceed 5% of such enrollment
at the University of Oregon and Oregon State University, 7.5% at
Portland State University, and 10% of such enrollment or one (1)
person, whichever is greater at each of the remaining institu-
tions. The decision of the IRC shall be final as to the appli-
cation for a meritorious hardship exception.

Administrative Review Committee (ARC) Review

[580-10-045(2)] 580-10-046 A permanent administrative
review committee (ARC) is established consisting of the Vice
Chancellor for Academic Affairs or the Vice Chancellor's
designate, who shall serve as chairperson, [the] an Assistant
Attorney General assigned to the Department, one student, and a
non-voting member from the Chancellor's staff, selected by the
Chancellor. A [student] person whose residence classification
has been reviewed by the [interinstitutional committee referred
to in section (3) of this rule] IRC and who is dissatisfied with
the decision of that committee, may appeal to the [administrative
review committee] ARC. However, a person may not appeal to the
ARC for review of an application for a meritorious hardship
exception. The decision of the [administrative review committee]
ARC shall be final.

Residents Under WICHE

[580-10-046(3)] 580-10-047 A certification officer
designated by the Board shall determine the residence classifi-
cation of any person seeking certification as an Oregon resi-
dent, pursuant to the terms of the WICHE Compact. Any person
dissatisfied with the decision of the certification officer may
appeal to the [administrative review committee] ARC. The deci-
sion of the [administrative review committee] ARC shall be final.

Discussion and Recommendation by the Committee

Dr. Pierce and Assistant Attorney General James Mattis reviewed
the Baillie decision leading to preparation of the proposed
amendments. Mr. Mattis indicated the proposed addition includes
a basic definition of domicile which represents a codification of
what has in fact been the policy, even though it has not been
stated explicitly in the rule. The objective criteria remain the
same. There was no substantive change in the six- and 12-months'
duration elements of the policy, although there were some changes
in language proposed in subsections (3) and (4). The amendments in 580-10-030 were made to bring the Board’s rule into conformance with 1987 legislation. Subsection (6) of that rule would codify interpretations rendered by both Board committees that the dependent child of a person who is a resident by reason of being in the armed service shall be considered an Oregon resident. The spouse may or may not be a resident, as determined on the basis of the other requirements stated earlier in the rule.

Mr. Mattis said the changes to 580-10-040 were not substantive. The changes to 580-10-041 were largely editorial with the exception of a new subsection (6). It attempts to give a very shorthand version for a nonresident legal custodian. In response to a question from Mr. Richardson, Mr. Mattis said he thought the words "transfer to" in the first sentence of 580-10-041 would be interpreted to mean "enroll in." Mr. Mattis indicated most of the remaining changes were editorial in nature.

The Committee recommended that the Board approve the staff recommendation as presented.

Board Discussion and Action

Mr. Alltucker presented the Committee report and recommendation.

The Board approved the Committee recommendation and adopted the amendments to OAR Division 10, with the following voting in favor: Directors Adams, Alltucker, Brooks, Chao, Dodson, Hermens, Richardson, and Petersen. Those voting no: None. Directors Hensley, Nelson, and Schnitzer were absent from the meeting at this time.

Staff Report to the Committee

At the January meeting of the Board, the Committee on Instruction received the proposed By-Laws for the Oregon Tourism Institute. Gil Latz, a member of the Institute’s Executive Board, reviewed the By-Laws with the Committee. The Committee requested Board members be given an opportunity to review the By-Laws before taking final action.

Staff Recommendation to the Committee

The Board’s staff recommended that the Board approve the By-Laws for the Executive Board of the Oregon Tourism Institute as presented below:
Meeting #563

BY-LAWS FOR THE EXECUTIVE BOARD
OF THE OREGON TOURISM INSTITUTE

(Revised as of February 22, 1988)

Article I - Name

The body to which these by-laws apply shall be known as the "Executive Board of the Oregon Tourism Institute."

Article II - Purpose

The purpose of the Executive Board shall be to assist in developing policies for the Oregon Tourism Institute; to provide guidance to staff of the Oregon Tourism Institute; and to facilitate cooperation, communication, and coordination between the Oregon Tourism Institute and public institutions, businesses, public agencies, and the tourism industry.

Article III - Policy and Policy Planning

A. In fulfilling its purpose as a policy-making body, the Executive Board shall recommend policy to the Vice Chancellor for Academic Affairs through the Director of the Oregon Tourism Institute. Such recommendations will become policy when approved by the Vice Chancellor. The Vice Chancellor will respond to all recommendations made by the Executive Board.

B. Recommendations to the Executive Board for policy may come from Board members, Oregon Tourism Institute staff, advisors, and other groups. However, motions for the Executive Board to adopt policy may be made only by voting members of the Board.

C. Responsibility for carrying out policy shall be vested in the Director of the Oregon Tourism Institute, under the direction of the Vice Chancellor for Academic Affairs. The Director is an appointee of the Vice Chancellor.

Article IV - Members and Officers — Appointments, Elections and Roles

A. There shall be nine (9) members on the Executive Board; one from each institution, one from government and one from the general public.
B. Executive Board members shall be appointed by the Chancellor of the State System of Higher Education on recommendation of the presidents of the State System institutions for institutional representatives, and the Oregon Tourism Institute Director for the state government and general public representatives.

C. Executive Board members shall serve staggered three-year terms. Initial appointments will be one-, two- and three-year terms decided by lot. Reappointment will be possible. Vacancies shall be filled in the following manner:

1. Nomination by institution President in the case of institution representatives.

Nomination by Oregon Tourism Institute Director in the case of state government and general public representatives.

2. Appointment by the Chancellor of the State System of Higher Education.

D. Officers of the Executive Board shall be a chairperson and vice chairperson. The chairperson and vice chairperson must be appointed members of the Executive Board.

E. The chairperson and vice chairperson positions shall be elected by members of the Executive Board. Each elected officer shall serve a one-year term.

F. Any Executive Board member who misses three consecutive regularly scheduled board meetings without reasonable cause, determined by the Chair of the Executive Board, shall be considered to have resigned from the Board. A replacement for the unexpired term of the resigned member shall follow the procedure outlined under C., above. An alternate identified by the home institution can substitute for a Board member who is unable to attend a meeting. This person may participate in Board discussions. The alternate is granted voting privileges by a proxy authorized by the Board member.

G. Official spokespersons for the Executive Board shall be the chairperson and vice chairperson. Other Board members may be designated by the chairperson to speak on the chairperson’s behalf, and/or on a specific topic or issue of interest to the Board.
Article V - Operational Procedures

A. The Executive Board shall determine the number of meetings per year, and location and time. In any case, there shall be no less than two (2) and no more than four (4) meetings of the Executive Board per year, except in the case that special or emergency meetings are necessary.

B. Special or emergency meetings of the Executive Board may be called by the chairperson or the vice chairperson. Any Board member or the Director of the Oregon Tourism Institute may request the chairperson to call a special meeting.

C. Agenda items may be recommended by any member of the Executive Board or by any Oregon Tourism Institute staff member. Other persons may suggest agenda items through any of the above individuals. Agenda items may be added at the opening of the Executive Board meetings with the concurrence of a majority of the Board.

D. Agenda for regular meetings of the Executive Board shall be prepared by the Director of the Oregon Tourism Institute and reviewed with the chairperson. Proposed agenda shall be mailed to each Board member at least one week prior to regularly scheduled Executive Board meetings by the Director of the Oregon Tourism Institute.

E. Five out of nine members shall constitute a quorum. Given a quorum, a majority affirmative vote of members voting shall constitute acceptance of the action being voted upon.

F. The Chairperson may, at his/her discretion, appoint subcommittees, or any other groups as needed to serve the interests and needs of the Board and the program of the Oregon Tourism Institute.

G. For purposes of clarity regarding the decision-making process, the following shall hold: The Executive Board will recommend policies for Oregon Tourism Institute action. Such recommendations are subject to the concurrence of the Vice Chancellor for Academic Affairs. Given the Vice Chancellor's concurrence, responsibility for carrying out such approved policies shall fall to the Director of the Oregon Tourism Institute and the Oregon Tourism Institute staff.

H. Minutes of each meeting of the Executive Board shall be kept. Each member of the Board shall be provided a copy of the minutes of each meeting within three weeks after the meeting. An annual summary of Oregon Tourism Institute activities and accomplishments shall also be provided to each Board member at the end of the operating year.
I. Roberts Rules of Order (Revised) shall govern the official actions of Executive Board meetings.

Article VI - Advisory Board

An Advisory Board of tourism industry representatives from all geographic regions of the state will be nominated by the Executive Board and appointed by the Chancellor. The number of Advisory Board members will be set by the Executive Board. Primary functions of the Advisory Board are as follows:

1. To serve as the communication link between and among the various sectors of the tourism industry and the Executive Board.

2. To communicate the research and service needs of the tourism industry to the Institute’s administrative staff and Executive Board.

3. To review and make recommendations regarding Institute budget.

4. To assist in planning process by making recommendations regarding short- and long-term goals for Executive Board consideration.

The Executive Board will call meetings and recommend the agenda for the Advisory Board. Meetings will be held at least twice per year.

Article VII - Evaluation

The Executive Board shall annually evaluate Oregon Tourism Institute programs, activities, and outcomes. An evaluation plan shall be developed by the Executive Board outlining procedures, involvement of Board members, and reporting of evaluation findings and recommendations.

Article VIII - Amendments to By-Laws

These by-laws may be amended by majority vote at any regular meeting of the Executive Board provided a draft copy of proposed amendments is made available to Executive Board members at least two weeks in advance of a meeting. Amendments will be in effect when approved by the Vice Chancellor for Academic Affairs.

Discussion and Recommendation by the Committee

Dr. Pierce and Mr. Perry Brown, Interim Director of the Institute, presented the by-laws and briefly described the purpose of the Institute.
Mr. Herrmens inquired why Article VIII contained a provision giving the Vice Chancellor for Academic Affairs essentially a veto power over the Executive Board. Mr. Brown said the Institute, through the director, reported to the Vice Chancellor as a representative of the Chancellor's Office and the Board. It provides a check on the Executive Board in its formulation of policy.

Dr. Pierce added that the provision served as a formal checkout from a representative of the Board to any change that took place in the by-laws. The Institute was established as a System-level institute which reported through the Office of Academic Affairs. In response to further questions, Dr. Pierce indicated that since the director was an appointee of the Vice Chancellor for Academic Affairs, under Article III of the by-laws, the Vice Chancellor would also have authority to remove the director. Mr. Brown concurred.

Mr. Hensley then questioned why the central veto power over the by-laws was necessary when the Vice Chancellor had a check over the Tourism Institute by the appointment of the Director.

Dr. Pierce said Article VIII simply provides for the Vice Chancellor for Academic Affairs to review the by-laws to make sure they are consistent with the intent of the Board in creating this organization. He said he would not want to dismiss the director because a proposed amendment was inconsistent with the Board's intent.

Mr. Richardson inquired about any changes made from the by-laws originally presented to the Board. Mr. Brown said essentially they were the same. They were modified to make it clearer that the director was an appointee of the Vice Chancellor. The basis for dismissing a board member for missing meetings without reasonable cause was clarified, together with the fact it was the prerogative of the executive board to do so. Advisory board membership was modified to include geographical dispersion across the state. All were requests as a result of previous discussion with the Committee. He described briefly how the executive board and the advisory board would interact. He reviewed the activities in connection with the Institute over the past few months.

The Committee recommended that the Board approve the staff recommendation as presented.

**Board Discussion and Action**

Mr. Richardson presented the staff report and recommendation.

The Board approved the Committee recommendation, with the following voting in favor: Directors Adams, Alltucker, Brooks, Chao, Dodson, Herrmens, Richardson, and Petersen. Those voting no: None. Directors Hensley, Nelson, and Schnitzer were absent from the meeting at this time.
Staff Report to the Committee of the Whole

Background

On September 13, 1982, the Board of Higher Education created the Oregon State University/Western Oregon State College (OSU/WOSC) School of Education. The merger has been in place five years and has had some successes as well as some problems. Because the five-year anniversary is a logical point for a review of the program, Chancellor William Davis appointed a committee composed of Dr. James Doi, Dean of the College of Education at the University of Washington; Dr. Boyd Applegarth, Superintendent of the Beaverton Public Schools; Dr. Richard Schmuck, Professor and Associate Dean of the Division of Educational Policy and Management at the University of Oregon; and Dr. Susan Roper, Director of the School of Education and Psychology at Southern Oregon State College, to review the merger and advise him on its future. The committee was staffed by Ray Hoops and budgets were reviewed by Davis Quenzer. A copy of the full report, entitled "Report on the Review of the Oregon State University/Western Oregon State College School of Education," is on file in the Board's Office.

The committee reviewed self-study documents, budget data, and statements by accreditation review agencies. A three day site visit took place on November 9-11, 1987. The site visit provided an opportunity for broad input from students, faculty, administration, and personnel from cooperating agencies. The committee identified a number of positive accomplishments of the merger and discussed problems confronting the merger as well as areas in which the initial promise had not been met. On the basis of its extensive review, the committee recommended the merger not be continued. Rather, the committee recommended that the merger be replaced with a cooperative agreement designed to maintain the gains achieved by the merger. The committee felt that, because of the problems still remaining, it was in the best interest of both Oregon State University and Western Oregon State College that the merger not be continued.

Staff Analysis and Recommendation

The Board's staff believes that the committee's description of the difficulties still facing the OSU/WOSC School of Education is accurate. Nevertheless, after reviewing the committee's report with the presidents of the Oregon State University and Western Oregon State College, the staff recommended the continuation of the merged OSU/WOSC School of Education. There are a number of academic, financial, and political reasons for the recommendation to continue. These, and a more detailed plan, for the merged school were discussed. Ultimately, the staff and the two presidents concluded that the merger was a good idea when it was approved in 1982, continues to be an important opportunity for the citizens of Oregon, and deserves another opportunity to succeed.
Revised Staff Recommendation

It was the recommendation of the staff and the presidents of Oregon State University and Western Oregon State College that the merged School of Education be continued and strengthened by taking the following steps:

1. Programs in elementary and secondary education should be completely merged by the fall of 1990.

2. Extended teacher education programs should be developed and presented to the Board of Higher Education as merged programs.

3. Teaching Research should become a part of Western Oregon State College. A plan should be presented to the Chancellor for utilizing the considerable academic and research resources of Teaching Research to strengthen the merged School of Education. Teaching Research should be moved (both organizationally and administratively) from Centralized Activities to Western Oregon State College by the fall term 1989. The administrative arrangements for the move should be worked out in a memorandum of agreement among Teaching Research, Western Oregon State College, and Oregon State University before the move. It is the intent of this move that Teaching Research’s programs should benefit all programs at Western Oregon State College, Oregon State University, as well as the other units of the State System.

4. The Dean of the OSU/WOSC School of Education should establish a greater presence on the Western Oregon State College campus.

5. The presidents of Oregon State University and Western Oregon State should make annual reports to the Board’s Committee on Instruction on the progress being made to implement the above recommendations and on the steps being taken to overcome the problems identified in the committee’s report.

6. The programs and management of the OSU/WOSC School of education and the relationship of Teaching Research to the two institutions and to the merged School of Education should be reviewed by the Board every two years.

Discussion and Recommendation by the Committee of the Whole

Dr. Pierce reviewed the staff report to the Committee. Dr. Ray Hoops reviewed the report of the study committee. He noted that a key concern of the study committee was that no program within the merged school had actually been merged. There was a merger of the administrative structure and a merger of the budget, but no programmatic merger. There is one completely merged program in counseling and guidance, but that was done prior to the merger of the two schools.
Mr. Hensley asked Dr. Hoops to explain the reasons for recommending a two-year period for review. Dr. Hoops said the review committee had been critical of past practice in that the central office did not appear to have given proper attention to the problems and frictions of the merged schools. The recommendation for a review every two years represents a commitment to do a very meticulous job of dealing with those issues.

Mr. Hensley expressed concern about the negative approach, especially from the faculty level that the program is not working and about the administrative problems. Five of the listed problems appear to fall under management responsibility, and three are faculty problems. He said he was not sure the proposal would resolve the salary disparity between the two campuses or the differences in tenure and promotion practices at the two institutions. Dr. Pierce suggested it would be appropriate for the presidents of the two institutions to comment because they have assured the staff these kinds of issues can be managed at the institutional level.

President Byrne stated he supported the recommendations of the staff. However, the questions raised by Mr. Hensley are significant and have been a concern at the institutions. The overall effort is worthy of continuation. The merger is responsive to the perception of the citizenry with regard to duplication of effort. He then commented on the recommendations.

President Byrne said he believed the programs in elementary and secondary education could be merged. Faculty members have been working together on this. The recommendation provides a target date for completing the merger of those programs. A joint school of education should address all elements of teacher preparation and maintenance of their credentials, talents and skills. This is addressed in the second recommendation for extended teacher education programs. He said he saw no problem with either of these first two recommendations.

President Byrne said the Teaching Research Division represented a very strong component in the preparation of teachers and nothing should be done which would jeopardize the flexibility and opportunities to continue teaching research activities. He said he believed it was more appropriate for the Teaching Research Division to report to some academic unit rather than directly to the Chancellor’s Office. He indicated there were good arguments for the decision by Dr. Baldwin to associate Teaching Research with Western Oregon State College and this was acceptable to Oregon State University. He stated he believed, however, the choice was a mistake and Dr. Baldwin would find philosophically, in terms of managing research efforts, he would be better off to be associated with Oregon State University.
President Byrne said he would like to see the development of a memorandum of understanding to make sure that all who are being prepared to be teachers would get full advantage of the Teaching Research Division.

President Byrne said whatever success the merged school has had was due to Dean Barr. He said he understood the desire of the faculty members at Western Oregon State College to see more of their dean. It is important that he have an opportunity to spend more time at Western.

President Byrne characterized the merged school as a noble experiment which required very, very special effort. It has not been completed successfully as yet. It is still in the developmental and experimental stage, but it is setting a model that can be followed for a number of different activities throughout the state, region, and nation.

In commenting on the two-year review, President Byrne referred again to the problems Dr. Baldwin would have in attempting to match activities of a research Category I university with a four-year liberal arts college. There are differences in management philosophy, in the way the institutions set teaching requirements for faculty, and in the measurement and evaluation of faculty. The proposals not in the material involve improvement of the joint schools management to take into consideration these differences rather than letting them become an obstacle.

President Byrne said he concurred with the recommendations. They contain safeguards that enable the institutions to review them and make necessary adjustments. He said he was convinced the merged schools could be a success and a model for other activities. President Meyers said he would agree with many of Dr. Byrne's comments. He said the merged school was a very integral part of the turnaround which has been made over the past few years at Western Oregon State College and the very positive attitude that prevails. There was substantial frustration among some faculty and administration over the operation of the merged school and a feeling that changes should be made, but there was uncertainty over whether those changes should be made by eliminating or by strengthening the merger. He indicated Western was now able to support the merger completely with the changes that were before the Committee. Support for the merger with the changes was expressed in recent meetings of the entire faculty and also the Faculty Senate.

Dr. Meyers concurred with Dr. Byrne that there were remarkable differences between the institutions which must be resolved, but he said there were more similarities than differences. He indicated he was pleased with Dr. Baldwin's decision to align the Teaching Research Division with Western Oregon State College because the division had been an integral part of the institution for a number of years.
He stated there was a great deal of support for Dean Barr, although the faculty would like to see him more, as proposed in the recommendations.

The merger is in the best interests of the state and tells taxpayers that there are ways to cooperate so that higher education is able to save money and still provide a quality product.

With respect to Mr. Hensley's questions, President Meyers stated those issues were determined by the institution. In a further brief discussion of some of the concerns raised in the review, it was stated many of these now would either be avoided or addressed with implementation of the management structure.

Mr. Alltucker said three issues were discussed at the time the two schools were merged. They were the basis for the Board's decision to make the merger. The first was to eliminate unnecessary duplication. The second was to build on the strengths of the two programs to produce something greater than the sum of the two added arithmetically. The third was to provide a model pilot program which it was hoped would be copied in the elimination of duplication of other programs throughout the State System. He said a fourth point was the need for a new program to be reviewed regularly. He said he thought that was where the Board had erred and it should take that responsibility. Originally, the Board had intended to review the merged school annually, but this has not been done and probably has contributed to the problems. He asked if the presidents still believed the first three purposes were valid points.

Presidents Byrne and Meyers agreed that they were valid. President Byrne commented that the word duplication is used a little too easily because there are some things which should be duplicated.

Mr. Alltucker expressed some concern about the coordination of the Teaching Research Division with all of the institutions, not just Oregon State University and Western Oregon State College. President Meyers indicated he had no desire to hamper the leadership provided by the Teaching Research Division for many years in dealing with other institutions on a contractual basis. He said Teaching Research should have a great deal of flexibility and at the same time have more of an administrative home base on the campus.

Mr. Alltucker asked about the extent of communication between the researchers on the various campuses involved in research on the delivery of the educational process.
Dr. Baldwin said he would expect the interaction was not very great between researchers, nor was it necessarily enhanced by the Teaching Research Division as an arm of the Chancellor's Office. There is a certain amount of interaction, but serving as a clearinghouse for research issues was not an activity that occurred. A sharing of information occurs on a collegial or peer basis, but not as a result of a formal set of procedures. The interaction could be strengthened.

Mrs. Schmitz and Mrs. Nelson both referred to the criticisms by faculty in the review committee report, and Mrs. Nelson suggested the possibility of review by the Committee on Instruction within a year. President Byrne pointed out that there would be regular reports from the presidents in addition to the two-year report. The latter report would be in significant depth.

Dean Barr commended the presidents of the two institutions in addressing the issues and the report. He said they have made a commitment to make the merger work. As a result, he said he expected faculty morale issues to be resolved with a more positive attitude. He stated he was very optimistic and delighted. The merger has tremendous potential, and he cited some of the things already achieved. He said the merged programs would be developed and presented to the Board within the next few weeks and added that the merger would work as long as the two presidents were committed to it.

Mr. Dodson said he was encouraged that the students believed the advantages outweighed the disadvantages. Despite all the problems, the institutions apparently have produced a product the students enjoy. He commended everyone for their efforts.

The Committee recommended that the Board approve the revised staff recommendations as presented.

Board Discussion and Action

The Board approved the Committee recommendation, with the following voting in favor: Directors Adams, Altucker, Brooks, Chao, Dodson, Hensley, Richardson, and Petersen. Those voting no: None. Directors Hensley, Nelson, and Schmitz were absent from the meeting at this time.

Authorize Acceptance of SELP Loans, EOSC & UO

Staff Report to the Committee

Eastern Oregon State College and the University of Oregon have developed and filed applications to the Small Scale Energy Loan Program (SELP) for bond funding to carry out energy conservation measures, the savings from which will generate the debt service payments. Loans through SELP have a typical term of ten years or less.
The Eastern Oregon State College application is for a loan in the amount of $1,528,200. These funds would be augmented by an estimated $65,000 budgeted within the pending Classroom/Laboratory building project. There are 11 items of improvement cited in the application, including: insulation of distribution piping within utility tunnels; night setback controllers; variable air volume conversions; replacement of interior lighting with energy-efficient fixtures, such as luminaires; steam trap replacement; point-of-use hot water generation to permit summer shutdown of central steam; and replacement and upgrade of a chiller with an electrically-driven machine with higher efficiency; and similar fundamental improvements.

We are advised that the SEIP committee within the Oregon Department of Energy is expected to approve the Eastern Oregon State College application in the next few weeks.

The University of Oregon's application for a loan of $1,191,500 has been approved by the SEIP committee. The work planned under this loan includes replacement and upgrade of the campus steam trap system; installation of a water chiller utilizing waste heat from electricity co-generation; and optimization of the central chilled water distribution system by installation of additional pumps, meters, and controls.

Expenditures of the proceeds of either loan require approval of the State Emergency Board. That approval would be requested at the May meeting of the Emergency Board.

Staff Recommendation to the Committee

It was recommended that the Committee and the Board authorize the acceptance of Small Scale Energy Loans for Eastern Oregon State College in the amount of $1,528,200; and for the University of Oregon in the amount of $1,191,500; and to seek authorization of the State Emergency Board to receive and expend the proceeds of these loans, with the repayment to come from utility savings accruing from the improvements.

Discussion and Recommendation by the Committee

The Committee recommended that the Board approve the staff recommendation as presented.

Board Discussion and Action

Miss Brooks presented the report and recommendation from the Committee.

The Board approved the Committee recommendation, with the following voting in favor: Directors Adams, Alltucker, Brooks, Chao, Dodson, Hermens, Richardson, and Petersen. Those voting no: None. Directors Hensley, Nelson, and Schnitzer were absent from the meeting at this time.
Approval of Schematic Design of Dormitory Addition, WOSC

Staff Report to the Committee

Western Oregon State College, with the assistance of WEGroup, P.C., Architects, has completed schematic design studies for the 300-bed dormitory addition authorized by the 1987 Legislative Assembly within Chapter 595, Oregon Laws 1987.

The addition, which will be placed east of Landers Hall, the present residence hall complex, will extend nearly to Monmouth Avenue. The structure will contain approximately 70,500 gross square feet, with a direct construction estimate of $4,769,000 and a total budget authorization of $6,120,000. The schematic design contains 148 student rooms, with a typical occupancy of 2 persons, and nine resident assistant rooms. Food service will be provided through the existing central residence hall food service which has adequate capacity for this additional occupancy.

The Controller's Division has advised that the addition of the costs of this project to the commingled dormitory sinking fund will have minimal impact on the room and board costs at the State System institutions. However, any additional investment in residence hall development in the near term would have substantial per student cost impacts.

It is anticipated the project will be ready for the bidding process in the fall of 1988, with construction to be completed in early September 1989.

A capital project presentation form accompanies this request.

Staff Recommendation to the Committee

It was recommended that the Committee and the Board accept the schematic design for the dormitory addition project at Western Oregon State College, as authorized by the 1987 Legislative Assembly, and authorize the staff to direct the institution and its professional consultants to proceed with design, preparation of the project manual, bidding, contract award and construction of the dormitory addition within an expenditure limitation of $6,120,000 of Article XI-F(1) bond proceeds, subject to authorization of the State Emergency Board to expend the funds.

Discussion and Recommendation by the Committee

In response to questions during the presentation, Mr. Neland said the project was a very straight-forward facility with nothing that should cause difficulties during construction. Parking is available to the north. He indicated the temporary housing purchased from Rajneesh Puram in Antelope would require modification to continue in multiple use. If it were used as single-family housing, the present housing would meet code requirements.
Mr. Neland commented on the financial impact on all dormitories as a result of this construction or possible future dormitory units. This is under study and will have an effect on the decisions with respect to the temporary housing.

The Committee recommended that the Board approve the staff recommendation as presented.

Board Discussion and Action

Mr. Adams presented the report and recommendation of the Committee.

The Board approved the Committee recommendation, with the following voting in favor: Directors Adams, Alltucker, Brooks, Chao, Dodson, Hermens, Nelson, Richardson, and Petersen. Those voting no: None. Directors Hensley and Schnitzer were absent from the meeting at this time.

Approval of Design; Authorize Expenditures for Psychiatric OP Clinic, UHN, OHSU

Staff Report to the Committee

One of the basic goals of the hospital and clinics rehabilitation is the relocation of selected activities from University Hospital South to Hospital North, when such activities do not require the more sophisticated spaces within Hospital South. One such program to be relocated was Psychiatry. The final element of that relocation is remodeling for the Psychiatric Outpatient clinic and related offices.

Architects Giffin Bolte Jurgens have assisted Oregon Health Sciences University staff in the development of designs to carry out this element of work within a budget of $525,000. These funds are included within the omnibus Hospital and Clinics Rehabilitation and Alterations project limitation of $13,010,000 contained with Chapter 595, Oregon Laws 1987. After other releases and adjustments approved earlier by the Board and the State Emergency Board, a balance of $10,944,000 remains in that limitation prior to authorization of this project.

Staff Recommendation to the Committee

It was recommended that the Committee and the Board accept the design of the remodel required to permit relocation of the Psychiatric Outpatient Clinic from University Hospital South to University Hospital North; authorize the staff to direct the institution to proceed to preparation of the project manual, bidding, contract award, and construction of this improvement within an expenditure authorization of $525,000, which is included in the Hospital and Clinics Rehabilitation and Alterations project authorized with Chapter 595, Oregon Laws 1987; and to authorize the staff to seek approval of the State Emergency Board to expend the authorization.
Discussion and Recommendation by the Committee

Mr. Neland indicated the project was consistent with the Master Plan approved earlier by the Board.

The Committee recommended that the Board approve the staff recommendation as presented.

Board Discussion and Action

Mr. Dodson presented the report and recommendation of the Committee.

The Board approved the Committee recommendation, with the following voting in favor: Directors Adams, Alltucker, Brooks, Chao, Dodson, Hermens, Nelson, Richardson, and Petersen. Those voting no: None. Directors Hensley and Schnitzer were absent from the meeting at this time.

Staff Report to the Committee

The accrual of resources for the construction of the Eye Center is now essentially complete, having accumulated to $20 million.

Design of the project is in its final stages, proceeding toward an August bidding period. The design, which was reviewed by the Committee and the Board in October 1986, has remained unchanged, but has anticipated the achievement of funding in excess of $20 million.

With the collection of gift funds having reached $12 million, which is augmented by $6.4 million of Article XI-F(1) bond proceeds and $1 million of federal construction grant funds through the National Eye Institute, it appears funding and design have coalesced. However, the present authorized expenditure limitation for this project is $18.2 million, and an increase of $2 million of additional gift funds is requested, both of this Board and of the State Emergency Board.

Staff Recommendation to the Committee

It was recommended that the Committee and the Board approve the request of the Oregon Health Sciences University to increase the expenditure limitation for the design and construction of the Eye Center from $18.2 million to $20.2 million of Other Funds from gifts; and that staff be authorized to seek the approval of the State Emergency Board for an increase in the expenditure limitation for the Eye Center from $18.2 million to $20.2 million and authorize the expenditure of that limitation as authorized within Chapter 640, Oregon Laws 1985.
Discussion and Recommendation by the Committee

The Committee recommended that the Board approve the staff recommendation as presented.

Board Discussion and Action

Mr. Dodson presented the report and recommendation of the Committee.

The Board approved the Committee recommendation, with the following voting in favor: Directors Adams, Alltucker, Brooks, Chao, Dodson, Hemmens, Nelson, Richardson, and Petersen. Those voting no: None. Directors Hensley and Schnitzer were absent from the meeting at this time.

Staff Report to the Committee

Proposed Amendments to OAR 580-22-025, Academic Staff Holidays

Chapter 518, Oregon Laws 1985 added Martin Luther King, Jr.'s, Birthday to the list of designated legal holidays in Oregon and established Presidents' Day for the purpose of commemorating Presidents Washington and Lincoln. This proposed rule change will bring the Board's Administrative Rule on Academic Staff Holidays into conformance with the legislative change.

In addition, the proposed amendments would authorize the established institutional practice of trading certain of the legal holidays for the day after Thanksgiving to allow employees a four-day weekend during that holiday.

The remaining amendments are intended to clarify the scope and intent of the rule.

Staff Recommendation to the Committee

The Board's staff recommended adoption, by roll call vote, of the following amendments to OAR 580-22-025, Academic Staff Holidays:

Academic Staff Holidays

580-22-025 (1) The following are institution[al] holidays: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day. The institutions will be closed on these days. However, units deemed by the institution to provide a necessary function may remain open at the discretion of the institution. [On these days all employees compensated on an annual or monthly basis are excused from regular institutional work, except where their duties are of such character that release is not practicable.] Other holidays designated by state law, such as Veteran's Day, [Lincoln's Birthday, and Washington's Birthday]
Presidents' Day and Martin Luther King, Jr.'s Birthday, are [will] not [be considered] institution[s] holidays unless the institution is closed by a discretionary act of the President. Institution presidents may designate the day after Thanksgiving as an institution holiday in lieu of one of the listed discretionary holidays.

(2) Any business transaction required or permitted to be performed on a holiday designated by state law may be performed on the next succeeding business day without penalty, even though the institution may be open on the holiday.

(3[2]) Holidays for academic staff shall be those days designated as institution[s] holidays (as described in section 1 of this rule), holidays designated by faculty collective bargaining agreements, and any additional day designated by the Governor.

(4) Holidays observed by management service and classified employees are established by the Executive Department or by collective bargaining agreements.

Discussion and Recommendation by the Committee

In presenting the staff report, Ms. Virginia Boushey indicated that Ms. Linda Stellar, Management Assistant in the Office of Academic Affairs at the University of Oregon, had presented comments from the University librarian during the public hearing. These comments were accepted and led to some changes in the wording that allows certain units in the institution to remain open on holidays at the option of the institution.

The Committee recommended that the Board approve the staff recommendation and adopt the proposed amendments on roll call vote.

Board Discussion and Action

Mr. Lemman presented the report and recommendation of the Committee.

The Board approved the staff recommendation and adopted the proposed amendments on roll call vote with the following voting in favor: Directors Adams, Alltucker, Brooks, Chao, Dodson, Hermens, Nelson, Richardson, and Petersen. Those voting no: None. Directors Hensley and Schnitzer were absent from the meeting at this time.
Meeting #563

SUMMARY OF FACILITIES DIVISION ACTIVITIES, OFFICE OF ADMINISTRATION

Architectural and Related Consulting Services, WOSC

Architecture & Allied Arts Addition & Alterations, UO

Carson Hall Elevator Consulting Services, UO

Walton/Decou Interior Renovations, UO

Staff Report to the Board

A summary of activities within the Office of Administration's Facilities Division is presented below:

Contracts for Professional Services

An Agreement was negotiated with WGROUP Architects and Planners, Portland, for architectural services not to exceed $15,000. Financing will be provided from state funds.

An Agreement was negotiated with Holmes Tree Preservation Company, Corvallis, for arborist consulting services not to exceed $300. Financing will be provided from state funds.

An Agreement was negotiated with Lercy Bates & Associates, Inc., Lynnwood, Washington, for engineering services not to exceed $4,000. Financing will be provided from housing reserve funds.

An Agreement was negotiated with Brockmeyer/McDonnell Architects, Eugene, for architectural services not to exceed $7,244. Financing will be provided from housing reserve funds.

Award of Construction Contracts

Tennis Courts Development, EDSC

On January 25, 1988, McCormack Construction was awarded a contract for the Tennis Courts Development in the amount of $162,177. On February 11, 1988, Spandome Corporation was awarded a contract for Tennis Courts Development—Enclosure in the amount of $150,000. Financing will be provided by Article XI-F(1) bond proceeds.

Administrative Services Building Expansion, OSU

On March 10, 1988, Pence/Kelly Construction, Inc., was awarded a contract for this project in the amount of $970,516. Financing will be provided from funds available to the institution.

Autzen Stadium Improvements, Skysuites/Press Box, UO

On March 16, 1988, Pence/Kelly Construction, Inc., was awarded a contract for the Basic Bid B portion of this project in the amount of $1,070,197. Financing will be provided from gift funds.

Energy Monitoring & Control System, UO

On March 4, 1988, Landis & Gyr, Powers, Inc., was awarded a contract for the Science Facilities Additions & Alterations (Energy Monitoring & Control System) Project in the amount of $578,259. Financing will be provided from federal funds.
Meeting #563

April 15, 1988

Crippled Children’s Division Remodel for Nursing Unit Project is complete and was accepted on February 11, 1988. The estimated total project cost remains at $83,684. Financing was provided from funds available to the institution.

Physical Plant Building, Handicapped Access Upgrade, OHSU

This project is complete and was accepted on January 11, 1988. The estimated total project cost remains at $35,520. Financing was provided from state funds.

UNN, Dept. of Gastroenterology Relocation, OHSU

This project is complete and was accepted on December 31, 1987. The estimated total project cost remains at $63,678. Financing was provided from funds available to the hospital.

Board Discussion and Action

The Board accepted the report as presented.

Report of Property Acquisitions, WOSC

Staff Report to the Board

In October, 1987, the Board authorized the purchase of several parcels of land and improvements generally laying east of Monmouth Avenue and south of Gentle Street.

Acquisition of two parcels is now complete. Property at 159/161 West Gentle Street, consisting of 0.147 acres and a duplex built in 1981 and containing approximately 800 square feet per unit was acquired for $55,500 from Walter and Gwenyth Jampsa.

Property at 771 N. Monmouth Avenue, consisting of 0.161 acres and a single family residence of 980 square feet, constructed in 1955, was acquired for $33,500 from Mabel I. Loftus.

Board Discussion and Action

The Board accepted the report as presented.

ITEMS FROM BOARD MEMBERS

Mr. Richardson reported the PSU Board/Institutional Relations Committee had met earlier in the month and continued its discussions on various issues impacting Portland State University. He said he was very pleased with the progress being made and the participation by committee members, faculty and students.

Mr. Richardson said the Chancellor’s Search Committee had met on April 4 and heard an interim status report from Mr. Duncan, the Search Coordinator. The ad hoc committee met and completed its initial review of the files.
Mr. Dodson thanked the Chancellor for joining him in the flight to Texas which resulted in the appointment of the new president for the Oregon Health Sciences University.

Mr. Petersen expressed his appreciation to Mr. Dodson and the Search Committee and indicated he would be sending letters to all those who helped in the search thanking them for their efforts.

At the request of Mr. Chao, Dr. Owen reported there should be some news shortly about the formation of the board of directors of the new advanced computing institute.

Mr. Hermens said the OSU Board/Institutional Relations Committee had met at Oregon State University the previous week. There was good faculty participation. Student numbers were slightly less than had been anticipated. He said there was a very good discussion about the concerns of both students and faculty. He stated the presence of Board members on campus restored a lot of faith in the Board by the faculty, and that was expressed at the meeting.

Mr. Adams reported the Finance Committee had considered capital construction items for the 1989-1991 biennium. The Committee concurred in the further development of the list. There was some discussion about the priorities.

Mr. Alltucker added to Mr. Hermens report on the visit to Oregon State University. He said students were concerned about fees and the semester conversion. The main issues with faculty were the semester conversion and the relationship between the Board and the Governor and the Legislature. There was general agreement that it was unlikely there would be substantial increase from the State General Fund to the level needed to accomplish the things which should be done in higher education during the next decade.

Mr. Alltucker said the Committee on Instruction had considered the response to the request from the Emergency Board for additional information on the semester conversion. The consensus was that staff from the Board’s Office would contact staff from the Emergency Board in an effort to respond to the request in a timely manner.

The Committee on Instruction considered the graduate education policy and whether the Board had reviewed that policy particularly in terms of avoiding overlap among the various campuses. The Committee agreed the Board should review its graduate education policy and complete that review by December 1988. The Board will continue to review new program requests from institutions.
that fall within the Board's current graduate education policy guidelines. The staff was also requested to prepare a proposal as to how the review of graduate education programs would take place and to present that proposal, schedule, and details at a later Board meeting. The review would be accomplished in-house, and any outside experts would be contacted as needed.

Mr. Alltucker said the consensus was that the staff would recommend review by the standing committees, with a report to the Board by December 1988.

Mr. Petersen reminded the institutions that he had requested reports be presented in April on the drug and alcohol abuse intervention. He asked that the reports be delivered to the Board Secretary so that they could be mailed to Board members within the next few days.

The next regular meeting of the Board will be held on May 20, 1988, on the campus of Eastern Oregon State College. The meeting will be preceded by a visitation on May 19. He reminded Board members to make travel arrangements early.

The Board meeting was adjourned at 11:50 a.m. on April 15, 1988, to be reconvened on April 19, 1988, at 11:00 a.m., by means of conference telephone connection.

The Board then met for luncheon in the Cascade Room of Portland State University. The Secretary distributed airline and motel information for making travel arrangements in connection with the May Board meeting in La Grande. Mr. Petersen reminded Board members to indicate their preferences for commencement exercises at the various institutions. No other business was transacted.

President Petersen called the adjourned session of the regular State Board of Higher Education meeting of April 15, 1988, to order at 11:00 a.m. on April 19, 1988. The meeting was conducted by conference telephone connection. The following Board members were present:

- Mr. Robert R. Adams
- Miss Kasey K. Brooks
- Mr. Gene Chao
- Mr. Richard F. Hensley
- Mr. Michael W. Hermens
- Mrs. Janet S. Nelson
- Mr. George E. Richardson, Jr.
- Mr. James C. Petersen

Absent: Directors Alltucker and Dodson were absent for business reasons. Director Schnitzer was out of the state.
Acceptance of Bid for $9,320,000 State of Oregon, State Board of Higher Education Building Bonds, Series 1988 A, Article XI-F(1)

Staff Recommendation to the Board

The Executive Vice Chancellor reported that at 9:00 a.m., Prevailing Pacific Time, on April 19, 1988, five sealed bids were received, pursuant to an advertisement authorized by the Board of Higher Education at its meeting on March 18, 1988, for the proposed sale of $9,320,000 State of Oregon, State Board of Higher Education Building Bonds, Series 1988 A. Present were Mr. Richard Roberts of Lindsay, Hart, Neil and Weigler, Bond Attorneys; and W. T. Leeman and Steve Katz. The bonds were to be sold at a price of not less than $98 for each $100 par value thereof. Bids received for the bonds were as follows:

<table>
<thead>
<tr>
<th>Name of Bidder</th>
<th>Total True Interest Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shearson Lehman Hutton, Inc.</td>
<td>7.42905</td>
</tr>
<tr>
<td>Kidder, Peabody</td>
<td>7.481219</td>
</tr>
<tr>
<td>1st Interstate Bank of Oregon</td>
<td>7.5705</td>
</tr>
<tr>
<td>First National Bank of Chicago</td>
<td>7.9739</td>
</tr>
<tr>
<td>Bear, Stearns &amp; Co., Inc.</td>
<td>7.5429</td>
</tr>
</tbody>
</table>

Following the reading of the bids, the Executive Vice Chancellor indicated the most favorable bid was that of Shearson Lehman Hutton, Inc., with a total interest cost of $12,032,187.39 and an effective true interest rate of 7.42905 percent per annum. He also stated that the bonds were to be in denominations of $5,000 or integral multiples thereof and be issued in fully registered form.

It was proposed that the recommended bid be accepted by adoption of the following resolution:

**RESOLUTION**

BE IT RESOLVED, that the NINE MILLION THREE HUNDRED TWENTY THOUSAND DOLLARS ($9,320,000) STATE OF OREGON, STATE BOARD OF HIGHER EDUCATION BUILDING BONDS, SERIES 1988 A, sold to Shearson Lehman Hutton, Inc., at $98.1796 per $100 of par value, on the 19th day of April 1988, be issued to bear date the first day of May 1988, to mature on the first day of May in each year in the amounts and at the interest rates as follows:
<table>
<thead>
<tr>
<th>Year</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Year</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>$110,000</td>
<td>4.75</td>
<td>2004</td>
<td>$410,000</td>
<td>7.25</td>
</tr>
<tr>
<td>1990</td>
<td>110,000</td>
<td>5.00</td>
<td>2005</td>
<td>425,000</td>
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<td>5.25</td>
<td>2006</td>
<td>470,000</td>
<td>7.30</td>
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<tr>
<td>1992</td>
<td>200,000</td>
<td>5.50</td>
<td>2007</td>
<td>505,000</td>
<td>7.30</td>
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<tr>
<td>1993</td>
<td>215,000</td>
<td>5.75</td>
<td>2008</td>
<td>545,000</td>
<td>7.30</td>
</tr>
<tr>
<td>1994</td>
<td>220,000</td>
<td>6.00</td>
<td>2009</td>
<td>230,000</td>
<td>7.50</td>
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<tr>
<td>1995</td>
<td>230,000</td>
<td>6.20</td>
<td>2010</td>
<td>245,000</td>
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</tr>
<tr>
<td>1996</td>
<td>245,000</td>
<td>6.40</td>
<td>2011</td>
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<tr>
<td>1997</td>
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<td>6.60</td>
<td>2012</td>
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<tr>
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<tr>
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<td>2014</td>
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</tr>
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<td>7.10</td>
<td>2016</td>
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<tr>
<td>2002</td>
<td>350,000</td>
<td>7.15</td>
<td>2017</td>
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<tr>
<td>2003</td>
<td>380,000</td>
<td>7.20</td>
<td>2018</td>
<td>445,000</td>
<td>7.50</td>
</tr>
</tbody>
</table>

Term bonds were specified for the year commencing 2006, resulting in a term bond due on 2008 at 7.30% and for the year commencing 2009, resulting in a term bond due on 2018 at 7.50%.

BE IT FURTHER RESOLVED, that the bonds be issued to mature serially on the dates provided in the resolution of the Board duly adopted at its meeting on March 18, 1988, and that the principal and interest, either at maturity or upon earlier redemption, be paid by check through the Fiscal agency of the State of Oregon, in the City and State of New York; and

BE IT FURTHER RESOLVED, that the bonds be the direct general obligations of the State of Oregon, and that they be in the form prepared by the State Treasurer and approved by the Attorney General of the State of Oregon in accordance with ORS 286.041; and

BE IT FURTHER RESOLVED, that the bonds be in denominations of $5,000 or integral multiples thereof and be issued in fully registered form as provided in the resolution adopted by the Board at the March 18, 1988, meeting; and

BE IT FURTHER RESOLVED, that the March 18, 1988, resolution of the Board, authorizing the issuance of said bonds, and all acts performed by the Board in adopting the said resolution, and by the Secretary of the Board and the Executive Vice Chancellor in connection with the issuance and sale of the said bonds, including the notice of bond sale and its publication in New York and Oregon on April 7, 1988, be and they hereby are fully approved, ratified, and confirmed.
Board Discussion and Action

On motion by Director Hensley and second by Director Hermens, the Board approved the staff recommendation as presented and adopted the above resolution on roll call vote. The following voted in favor: Directors Adams, Brooks, Chao, Hensley, Hermens, Nelson, Richardson, and Petersen. Those voting no: None.

Resolution re State Board of Higher Education General Obligation Advance Refunding Bonds

The Board then considered the resolution pertaining to the State Board of Higher Education General Obligation Advance Refunding Bonds and Exhibit A to the resolution, which appear on the following pages. The staff recommended that the resolution be adopted.

Board Discussion and Action

On motion by Director Chao and second by Director Adams, the Board approved the staff recommendation as presented and adopted the resolution on roll call vote. The following voted in favor: Directors Adams, Brooks, Chao, Hensley, Hermens, Nelson, Richardson, and Petersen. Those voting no: None.

ADJOURNMENT

The Board meeting was adjourned at 11:15 a.m. April 19, 1988.

James C. Petersen, President  Wilma L. Foster, Secretary
RESOLUTION

WHEREAS, THE STATE BOARD OF HIGHER EDUCATION OF THE STATE OF OREGON (the "Board") deems it necessary, pursuant to law, including Article XI-F(1) and Article XI-G of the Constitution of the State of Oregon, Chapter 640, Oregon Laws 1985, Chapter 866 and Chapter 595, Oregon Laws 1987, and applicable provisions of Oregon Revised Statutes Chapters 286, 288 and 351, to sell State Board of Higher Education general obligation advance refunding bonds to advance refund those series or portions of series of the Board's outstanding general obligation bonds which the State Treasurer, after consultation with the Executive Vice Chancellor, determines will achieve debt service savings; and

WHEREAS, the advance refunding bonds will have lower debt service requirements than the bonds being refunded, so that revenues accruing from the projects financed with the bonds being refunded will be sufficient to pay the advance refunding bonds;

WHEREAS, ORS 286.033 requires the Board to authorize advance refunding bonds by resolution, and ORS 286.031 provides that all bonds of the State of Oregon shall be issued by the State Treasurer; now, therefore,

BE IT RESOLVED BY THE STATE BOARD OF HIGHER EDUCATION OF THE STATE OF OREGON AS FOLLOWS:

Section 1. Issue. For the above purposes, the State of Oregon shall issue its State Board of Higher Education General Obligation Advance Refunding Bonds (the "Bonds"), in such series, and principal amounts as the State Treasurer, after consultation with the Executive Vice Chancellor of the Department of Higher Education, finds are required to advance refund those series, or portions of series, of outstanding general obligation bonds of the Board which will produce substantial debt service savings. The Bonds shall be dated, mature, be in such denominations, shall bear interest, be payable, be subject to redemption, and otherwise contain such terms as the State Treasurer determines, after consultation with the Executive Vice Chancellor. The maximum net effective interest rate for the Bonds shall not exceed ten percent per annum.

Section 2. Security. The full faith and credit of the State are pledged to the successive owners of each of the Bonds for the punctual payment of such obligations, when due. The State shall levy annually, as provided by law, a direct ad valorem tax upon all of the taxable property within the State in sufficient amount, after taking into consideration discounts taken and delinquencies that may occur in the payment of such taxes and all other monies reasonably available for the payment
of debt service on the Bonds, to pay the Bonds promptly as they mature. The State covenants with the owners of the Bonds to levy such a tax annually during each year that any of the Bonds, or bonds issued to refund them, are outstanding.

Section 3. Maintenance of Tax-Exempt Status. The State covenants for the benefit of the owners of the Bonds to comply with all provisions of the Internal Revenue Code of 1986 (the "Code") which are required for Bond interest to be excludible from gross income for federal income taxation purposes (except for taxes on corporations), unless the State obtains an opinion of nationally recognized Bond counsel that such compliance is not required in order for the interest paid on the Bonds to be so excludable. The State makes the following specific covenants with respect to the Code:

(a) The State 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 pay to the United States all "rebates" on "gross proceeds" of the Bonds which are required under Section 148 of the Code.

(b) Covenants of the State in its tax certificate for the Bonds shall be enforceable to the same extent as if contained herein.

Section 4. Sale of Bonds. The State Treasurer, after consultation with the Executive Vice Chancellor, shall sell the Bonds to such underwriters, and on such terms, as the State Treasurer deems advantageous.

Section 5. Redemption of Refunded Bonds. The Board hereby authorizes the irrevocable call and redemption of those outstanding general obligation bonds which the State Treasurer determines should be redeemed in order to accomplish the advance refundings contemplated by this resolution, contingent solely on the successful issuance of the Bonds.

Section 6. Escrow. The State Treasurer or Executive Vice Chancellor are hereby authorized to contract with an escrow agent to hold the proceeds of the Bonds until they are used to redeem refunded bonds, and to execute, on behalf of the Board, an escrow deposit agreement with the escrow agent, upon such terms as the State Treasurer or Executive Vice Chancellor finds desirable.

Section 7. Notice of Redemption. The following provisions shall apply to the Bonds unless the State Treasurer, after consultation with the Executive Vice Chancellor but prior to delivery of the Bonds to their underwriters, establishes different provisions.
(a) Unless the right to receive notice has been waived by the affected Bondowner, official notice of any redemption shall be given by the State's paying agent and registrar (the "Registrar") on behalf of the State by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Registrar.

(b) In the case where the Depository Trust Company ("DTC") is acting as securities depository for the Bonds and less than all Bonds of a maturity are to be redeemed, the Registrar shall notify DTC not more than 45 days prior to the date fixed for redemption of the maturity to be redeemed. DTC shall determine by lot the principal of the maturity of Bonds to be redeemed of each DTC participant's interest in such maturity to be redeemed.

(c) All official notices of redemption shall be dated and shall state:

(i) the redemption date,

(ii) the redemption price,

(iii) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(iv) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and

(v) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal corporate trust office of the Registrar.

Prior to any redemption date, the State shall deposit with the Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

(d) Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the State shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear
interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal. All Bonds which have been redeemed shall be cancelled and destroyed by the Registrar and shall not be reissued.

(e) In addition to the foregoing notice, further notice shall be given by the Registrar as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

(i) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed.

(ii) Each such further notice shall be published one time in The Bond Buyer of New York, New York or, if such publication is impractical or unlikely to reach a substantial number of the holders of the Bonds, in some other financial newspaper or journal which regularly carries notices of redemption of other obligations similar to the Bonds, such publication to be made at least 30 days prior to the date fixed for redemption.

(iii) Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Section 8. Form of Registered Bonds. The State may issue the Bonds as one or more typewritten, temporary Bonds which shall be exchangeable for definitive Bonds when definitive Bonds are available. The Bonds shall be in substantially the form attached hereto as Exhibit A, with such changes as may be approved by the office of the Attorney General of the State of Oregon.

Section 9. Authentication, Registration and Transfer. The following provisions shall apply to the Bonds unless the State Treasurer, after consultation with the Executive Vice
Chancellor but prior to delivery of the Bonds to their underwriters, establishes different provisions.

(a) No Bond shall be entitled to any right or benefit under this resolution (the "Resolution") unless it shall have been authenticated by an authorized officer of the fiscal agency of the State of Oregon in the City and State of New York (the "Registrar") or the State Treasurer or Deputy State Treasurer. The Registrar or the State Treasurer or Deputy State Treasurer shall authenticate all Bonds to be delivered at closing of this Bond issue, and shall additionally authenticate all Bonds properly surrendered for exchange or transfer pursuant to this Resolution. A successor Registrar may be appointed for the Bonds by the State Treasurer. The Registrar shall provide notice to Bondowners of any change in the Registrar not later than the Bond payment date following the change in Registrar.

(b) The ownership of all Bonds shall be entered in the Bond Register maintained by the Registrar, and the State and the Registrar may treat the person listed as owner in the Bond Register as the owner of the Bond for all purposes.

(c) The Registrar shall mail each interest payment on the interest payment date (or the next business day if the interest payment date is not a business day) to the name and address of the Bondowner as they appear on the Bond Register as of the fifteenth day of the month preceding an interest payment date (the "Record Date"). If payment is so mailed, neither the State nor the Registrar shall have any further liability to any party for such payment.

(d) Bonds may be exchanged for an equal principal amount of Bonds of the same maturity which are in different denominations, and Bonds may be transferred to other owners if the Bondowner submits the following to the Registrar or the State Treasurer:

(i) written instructions for exchange or transfer satisfactory to the Registrar or the State Treasurer, signed by the Bondowner or his attorney in fact and guaranteed or witnessed in a manner satisfactory to the Registrar or the State Treasurer; and

(ii) the Bonds to be exchanged or transferred.

(e) The Registrar or State Treasurer shall not be required to exchange or transfer any Bonds submitted to it during any period beginning with a Record Date and ending on the next following payment date; however, such Bonds shall be exchanged or transferred promptly following that payment date.
(f) The Registrar or State Treasurer shall note the date of authentication on each Bond. The date of authentication shall be the date on which the Bondowner's name is listed on the Bond register.

(g) For purposes of this section, Bonds shall be considered submitted to the Registrar on the date the Registrar or the State Treasurer actually receives the materials described in subsection (d) of this section.

(h) The State may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Bondowners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

Section 10. Other Action. The State Treasurer, the Executive Vice Chancellor or the Controller of the Department of Higher Education are hereby authorized, on behalf of the Board, to take any other action which may be required to issue, sell and deliver the Bonds in accordance with this resolution.
EXHIBIT A

No. R-_________ $___________

UNITED STATES OF AMERICA
STATE OF OREGON
STATE BOARD OF HIGHER EDUCATION
GENERAL OBLIGATION ADVANCE REFUNDING BOND
____ SERIES

MATURITY DATE
INTEREST RATE PER ANNUM
REGISTERED HOLDER
PRINCIPAL SUM

DATED DATE
CUSIP
DOLLARS

THE STATE OF OREGON (the "State"), for value received, acknowledges itself indebted and hereby promises to pay to the registered holder named above, or registered assigns, the principal amount on the above maturity date together with interest thereon from the date hereof at the rate per annum indicated above. Interest is payable semiannually on the first day of ____ and the first day of ____ in each year until maturity or prior redemption, commencing ___, 198___. Interest upon this bond is payable through the fiscal agency of the State of Oregon in the City and State of New York (the "Registrar") by check or draft; checks or drafts will be mailed on the interest payment date (or the next business day if the interest payment date is not a business day) to the name and address of the registered owner as they appear on the bond register as of the fifteenth day of the month prior to the interest payment date. Bond principal is payable upon presentation and surrender of this bond to the Registrar.

ADDITIONAL PROVISIONS OF THIS BOND APPEAR ON THE REVERSE SIDE; THESE PROVISIONS HAVE THE SAME EFFECT AS IF THEY WERE PRINTED HEREIN.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to happen, and to be performed precedent to and in the issuance of this bond have existed, have happened, and have been performed in due time, form, and manner as required by the Constitution and Statutes of the State of Oregon; that the issue of which this bond is a part, and all other obligations of such State, are within every debt limitation and other limit prescribed by such Constitution and Statutes; and that the State shall provide for the levying annually of a direct ad valorem tax upon all the property within the State so taxable for its purposes, in an amount sufficient with other available funds, to pay the interest on and the principal of the bonds of such issue as such obligations become due and payable.
IN WITNESS WHEREOF, the State of Oregon has caused this bond to be signed by facsimile signatures of its Governor and its Secretary of State, and its State Treasurer, and sealed with a printed facsimile seal of the State, as of this first day of ___, 1988.

____________________________
Governor

____________________________
Secretary of State

____________________________
State Treasurer

(SEAL)

THIS BOND SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE REGISTRAR IN THE SPACE INDICATED BELOW.

DATED:

CERTIFICATE OF AUTHENTICATION

This is one of the State of Oregon's State Board of Higher Education General Obligation Advance Refunding Bonds, ___ Series, issued pursuant to the Resolution described herein.

THE CHASE MANHATTAN BANK, N.A., as Registrar

By: __________________________________________
   Authorized Officer

Note to Printer: The following language should be used for OR bonds:

IN WITNESS WHEREOF, the State of Oregon has caused this bond to be signed by facsimile signatures of its Governor and its Secretary of State, and authenticated and executed by the manual
signature of its State Treasurer or Deputy, and sealed with a
printed facsimile seal of the State, as of this first day of __, 1988.

(facsimile)
Governor

(facsimile)
Secretary of State

(SEAL)

THIS BOND SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE OREGON STATE TREASURY IN THE SPACE INDICATED BELOW.

DATED:

CERTIFICATE OF AUTHENTICATION AND EXECUTION

This is one of the State of Oregon's State Board of Higher Education General Obligation Advance Refunding Bonds, ___ Series, issued pursuant to the Resolution described herein.

OREGON STATE TREASURY

By:

State Treasurer or Deputy

Note to Printer: The following language should be printed on the reverse of the bond:

This bond is one of a series of $____ aggregate principal amount of State Board of Higher Education General Obligation Advance Refunding Bonds, ___ Series, of the State, and is issued in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon.

[Insert redemption language established in connection with the sale of the bonds]
Notice of any call or redemption, unless waived by the holders of the bonds, shall be mailed not less than thirty days and not more than sixty days prior to such call to the registered owners of the bonds, and otherwise given as required by law and the authorizing bond resolution (the "Resolution"); however, any failure to give notice shall not invalidate the redemption of the bonds. All bonds called for redemption shall cease to bear interest from the date designated in the notice.

Bonds optionally redeemed by the State may be credited against the mandatory redemption by lot as determined by the Registrar.

The bonds are issuable in the form of registered bonds without coupons in the denominations of $5,000 or any integral multiple thereof. Bonds may be exchanged for bonds of the same aggregate principal amount, but different authorized denominations.

Any transfer of this bond must be registered, as provided in the Resolution, upon the Bond Register kept for that purpose by the Registrar. The Registrar and the State Treasurer may treat the person in whose name this bond is registered as its absolute owner for all purposes, as provided in the Resolution.

The bondowner may exchange or transfer any bond only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Registrar or the State Treasurer and duly executed by the registered owner or his duly authorized attorney, at the principal corporate trust office of the Registrar or the office of the State Treasurer in the manner and subject to the conditions set forth in the Resolution.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto ________________________________

Please insert social security or other identifying number of assignee

the within bond and does hereby irrevocably constitute and appoint ________________________________ as attorney to transfer this bond on the books kept for registration thereof with the full power of substitution in the premises.

Dated: __________________________
NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

The following abbreviations, when used in the inscription on the face of the within bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM -- tenants in common
TEN ENT -- as tenants by the entireties
JT TEN -- as joint tenants with right of survivorship and not as tenants in common
OREGON CUSTODIANS use the following
CUST UL OREG MIN
as custodian for (name of minor)
OR UNIF TRANS MIN ACT
under the Oregon Uniform Transfer to Minors Act

Additional abbreviations may also be used though not in the list above.