REGULAR MEETING OF THE
OREGON STATE BOARD OF HIGHER EDUCATION

February 16, 1996

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ROLL CALL

The meeting of the State Board of Higher Education was called to order at 8:36 a.m. by President Les Swanson.

On roll call, the following answered present:

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

Mr. Rob Miller was absent due to a family emergency.

MINUTES APPROVED

The Board dispensed with the reading of the minutes of the January 19, 1996, meeting of the Board. Dr. Aschkenasy moved and Ms. Christopher seconded the motion to approve the minutes as submitted. The following voted in favor: Directors Aschkenasy, Bailey, Christopher, Imeson, McAllister, Puentes, Rhinard, Waddy, and Swanson. Those voting no: none. Mr. Willis was absent at the time the vote was taken.

PRESIDENT'S REPORT

President Swanson welcomed the Board to the CAPITAL Center -- an exciting partnership of K-12, two-year and four-year institutions, and industry. He noted that the Governor spoke at the opening ceremonies for the CAPITAL Center the previous day.

Mr. Swanson indicated that the retirement reception and dinner for Dr. and Mrs. John Byrne was well attended and recognized the long and exceptional career of the former president of OSU.

CHANCELLOR'S REPORT

Chancellor Cox commented on the uniqueness of the CAPITAL Center. "What has occurred here may be unique in this country. It is certainly unique on the west coast, and it occurred because a number of people decided not to let turf or ego prevent them from accomplishing this dream. We have a model for the future, and we are stronger together." Dr. Cox applauded the early and behind-the-
scenes efforts of George Pernsteiner, Joe Sicotte, Judy Ivey, Rose Fong, Margie Kessler, Roger Olsen, and Charmagne Ehrenhaus in making the CAPITAL Center a success.

OSSHE Long-Range Planning

Chancellor Cox indicated that, since the last Board meeting, he has met with the Oregon Business Council, the American Electronics Association, and various Chambers of Commerce. Those groups, as well as the executive branch of Oregon state government, have expressed general excitement about the work of the task forces.

IFS Report

Interinstitutional Faculty Senate (IFS) President Martha Sargent reported that the last two IFS meetings have focused heavily on the strategic planning process. While some faculty may believe it would be best to "leave well enough alone," Ms. Sargent stressed that actually most faculty "fear we won't look deep enough. There is some skepticism about whether this strategic planning process will, in fact, cause the Oregon State System of Higher Education to ask and debate hard questions. Is this just an exercise about form, or will there be real substance?"

"We hope this process is not about rearranging boxes on an organizational chart. We hope it is a chance to examine many important issues -- issues about undergraduate education, such as, what is the role of education for education's sake as opposed to education aimed at providing a technically trained workforce? How do we balance the need to produce an educated citizenry with the economic and social needs being raised by our fellow Oregonians?"

"Issues about technology -- what effects will technology have on delivery of education, not just distance education, but on our campuses and in our laboratories? How does this affect what we expect from faculty and students and how we evaluate and reward them? How will we find the money to pay for new technologies and upgrades of old technologies?"

"Issues about funding -- should the summer term be funded differently? How should tuition be structured to reflect the changing clientele we are serving? How can we offer competitive faculty salaries (finally solving an issue that has confronted this Board even before the budget cuts caused by Ballot Measure 5)?"
"Issues about structure -- how can we organize to operate more effectively as a System, allowing creativity and entrepreneurship while providing a structure to set priorities and increase communication? How do we balance campus independence with cooperation? How do we provide articulation between programs?

"Few of us believe that we can come to conclusion on all the issues facing higher education in the relatively short timeframe of this strategic planning process. But if some objectives and strategies are set and discussion begun on other issues, we feel the process will have been a success."

Ms. Sargent concluded her remarks by underlining faculty willingness to continue to participate in this process.

The Board of Higher Education, at the October 1995 meeting, authorized staff to engage the R. V. Kuhns and Associates firm to review the investment performance of the Common Fund. The findings of this review were presented to the Board. The following is a draft, for the Board's consideration, of the statement of investment objectives and policy guidelines that were included as a part of the scope of work under the performance review. The draft policy was developed jointly by R. V. Kuhns and Associates and OSSHE staff and will be considered as part of the consultant's report to the Board.

OREGON STATE SYSTEM OF HIGHER EDUCATION POOLED ENDOWMENT FUND

Investment Objectives and Policy Guidelines

I. INTRODUCTION

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

This statement documents the policy of the Board for investment managers with regard to the investment of the Fund's assets, the investment objectives, and the expectations and requirements with respect to manager's performance.
II. RESPONSIBILITY OF BOARD, INVESTMENT MANAGERS

The responsibility of the Board is to establish broad investment guidelines, select investment managers, and determine or approve asset allocation. The investment managers are responsible for optimizing the return on the assets within these guidelines.

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

III. THE FUND

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

IV. FUND MANAGEMENT

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

V. OBJECTIVES

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

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

VI. ASSET GUIDELINES, PERFORMANCE OBJECTIVES, AND DIVERSIFICATION

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

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

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

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

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

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

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

Large-Cap Equity Requirements:
1. Not more than ten percent of the companies invested in should have market capitalizations less than $1 billion.

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

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

Small-Cap Equity Requirements:
Investments in smaller companies, with market capitalization less than $1 billion shall be permitted (subject to the small-cap equity limitations of Section VIII). Portfolios should be comprised of at least 30 security issues. If such investments are segregated into a separate, smaller company portfolio, the performance of the
securities shall exceed the performance of the Russell 2000 Index by one percent or more after manager fees over a market cycle.

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

**D. Diversification**

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

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

**VII. SPENDING POLICY**

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

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

Allocation of assets by class:

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<th>Class</th>
<th>Normal Allocation</th>
<th>Ranges</th>
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<tr>
<td>Equity Category</td>
<td>70%</td>
<td>60%-80%</td>
</tr>
<tr>
<td>Fixed Income Category</td>
<td>25%</td>
<td>20%-40%</td>
</tr>
<tr>
<td>Cash</td>
<td>5%</td>
<td>0%-10%</td>
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The allocation of equity assets shall be as follows:

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

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

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

X. OTHER GUIDELINES AND REQUIREMENTS

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

XI. INVESTOR RESPONSIBILITY

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

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

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

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

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

XIII. CONCLUSION

Implementation of this Policy, including investment manager selection, shall be the responsibility of the Board.

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

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

Vice Chancellor Ihrig indicated that the Board's Executive Committee had met earlier in the morning to receive more detail about the investment counselor's report. He indicated that an investment recommendation would be brought to the Board for action in April.

In addition, Mr. Ihrig directed Board attention to a letter from the Common Fund (located in their handout materials) that indicated their initiation of a lawsuit against KPMG Peat Marwick as auditors and First Capital for breach of contract and professional negligence.

(No Board action required)

Our renewed alliance between the Oregon State System of Higher Education (OSSHE) and the Oregon Public Employees' Union (OPEU), the recognized bargaining agent, enhanced by cooperative efforts encouraged from a series of meetings, communications, and a special partnering training program, has motivated OPEU and OSSHE's commitment to develop a cooperative Vision Statement. Both the Board of Higher Education and the OPEU Board plan to adopt the agreed upon Vision Statement in good faith to provide and nurture a cooperative spirit and guide our future working relationships.

Vision Statement

In order to advance our new relationship, the Oregon State Board of Higher Education (OSBHE) and Oregon Public Employees' Union (OPEU) agree to:

- work cooperatively to support high quality university and college education for the citizens of Oregon;

- develop a partnership that strives to achieve common goals and cooperative problem-solving through mutual respect, trust, and open and respectful communications, based on recognition of the importance of a progressive management and an empowered workforce in achieving a high performance organization;
provide joint leadership toward establishing a cooperative work climate, including efforts that increase productivity and improve public perception of all OSSHE and its employees; and

cooperate in developing and implementing near- and long-term strategies for achieving fair compensation and benefits, including an adequate budget and appropriate legislative support for OSBHE.

This cooperative effort is intended to provide leadership and serve as a model for achieving more efficient and effective business practices for all public entities in Oregon.

Staff Recommendation to the Board

Staff recommended the Board adopt the agreed-upon Vision Statement.

Board Discussion and Action

Vice Chancellor Ihrig introduced John Hudson, OPEU spokesperson, and Jeff Seekatz, bargaining chairperson and employee of OSU. Mr. Seekatz reiterated that this vision document is anchored in the mutual goals and interests of OSSHE and OPEU. He encouraged the Board to affirm the value of the workforce, as well as assist institutions to recruit and retain highly skilled employees, by improving the compensation system and providing a cost-of-living increase. Mr. Hudson added that OPEU recognizes the need for transformation of the bargaining relationships and believes that it is in the overall interest of OPEU members to focus on what they and management have in common.

Mr. Bailey inquired about the date when the contractual relationship between OSSHE and OPEU changed. Mr. Ihrig replied that the change took place July 1, 1995. He indicated that bargaining teams have been designated and their work began in December.

Dr. Aschkenasy asked if approval of this statement represented approval of an across-the-board cost-of-living increase. Vice Chancellor Ihrig responded no, indicating there is nothing in the statement making specific compensation recommendations.
Ms. Waddy moved approval of the staff recommendation. The following voted in favor: Directors Aschkenasy, Bailey, Christopher, Imeson, McAllister, Puentes, Rhinard, Waddy, Willis, and Swanson. Those voting no: none.

**Staff Report to the Board**

The 1995 Legislature passed House Bill 3395, which authorizes the State System of Higher Education to offer a defined contribution retirement plan as an alternative to the Public Employees' Retirement System (PERS). Faculty and unclassified administrative staff are eligible to participate in the new optional retirement plan. New employees, when eligible, will choose between these two retirement plans, and current employees may choose to transfer from PERS to the new Optional Retirement Plan.

House Bill 3395 requires the selection of at least two annuity companies and at least two mutual funds, but not more than five companies total. With the help of a consultant, an interinstitutional advisory committee has selected two annuity companies: Teachers' Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC), and two mutual funds: Fidelity and Twentieth Century.

The new optional retirement plan will be a significant recruitment tool because faculty will be able to transfer in account balances from other retirement plans. In addition, the new plan will allow more flexibility and choice in managing retirement assets. Forty-three states have adopted similar optional retirement plans.

Staff is prepared to implement the new retirement plan effective April 1, 1996, and the Board is asked to authorize adoption of this optional retirement plan as provided by House Bill 3395.

**Staff Recommendation to the Board**

Staff recommended that the Board approve the optional retirement plan as provided by House Bill 3395 and as outlined above.
Board Discussion and Action

Vice Chancellor Ihrig reported to the Board that, although authorization was given to offer up to five different retirement options in addition to PERS, only four were recommended. The fifth option will be held open for approximately one year to determine if there are any gaps to be filled by another plan. When a fifth plan is selected, anyone will have the option of transferring funds to it.

Mr. Rhinard asked about the "safety" of these options. Mr. Ihrig responded that PERS will continue to be an option and that these other plans were selected because they are stable with a long, positive history. Mr. Swanson added that all the Board will be doing is increasing the number of choices.

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

Staff Report to the Board

The Board of Higher Education permits institutions, with concurrence of their faculty, to award honorary degrees. Each institution wishing to award honorary degrees must adopt criteria and procedures for selection that will assure that the award honors distinguished achievement and outstanding contributions to the institution, state, or society. Criteria and procedures for selection must be forwarded to the Chancellor for approval and, when approved, filed with the Secretary of the Board. Institutions are required to forward their recommendations for honorary degrees for the Board's approval 90 days before the date for awarding the degrees.

Two institutions, Oregon State University and Portland State University, request Board authorization to award degrees at their June 1996 commencement.

Oregon State University

Oregon State University proposes to award an honorary doctorate to Mark O. Hatfield. Mr. Hatfield is the longest serving U.S. senator from Oregon in the state's history, beginning his first term in 1966.
successful senate campaign that year followed two terms as the Governor of Oregon. He has never lost an election.

Senator Hatfield has been instrumental in the development of numerous major projects in the Pacific Northwest, including several with ties to Oregon State University. The results of his efforts as chair of the Senate Appropriations Committee can be seen in the reforestation of millions of acres of federal forest lands, Portland's light rail system, the new Bonneville Lock on the Columbia River, OSU's Hatfield Marine Science Center in Newport, and scores of other projects.

Known as an independent legislator who votes his conscience, Senator Hatfield has earned bipartisan respect. He consistently has voted against increases in military spending and U.S. military involvement abroad, preferring to focus on improving health, education, and social service programs.

A native Oregonian, Senator Hatfield is known as a staunch advocate of the environment. Oregon's protected federal wilderness area quadrupled to 2.1 million acres under legislation he has introduced in the last 30 years. He also helped establish the Oregon Dunes National Recreation Area and worked to provide protection for 42 Oregon rivers.

A strong supporter of education, Senator Hatfield actually launched his distinguished career in 1950 from Willamette University, where he taught political science and served as Dean of Students. He spent two terms in the Oregon House of Representatives and two years in the Oregon Senate, then became the youngest Secretary of State in Oregon history in 1956 at the age of 34. Two years later, he was elected Governor.

Senator Hatfield has been one of Oregon's most distinguished citizens and accomplished leaders for many years. In addition to his outstanding record as a legislator, Senator Hatfield is an author, an educator, and an historian. He has dedicated his life to improving the human condition through public service.
Staff Recommendation to the Board

Staff recommended the Board authorize Oregon State University to award an honorary doctorate to Mark O. Hatfield at the June 1996 commencement.

Board Discussion and Action

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

Portland State University

Mr. Charles E. Carlbom is president and chief executive officer of Western Family Foods, Inc. A native of Oregon, he obtained a Bachelor of Science degree in business administration from the University of Oregon. He has also attended the Advanced Management course at Stanford University, and numerous post-graduate courses over the years.

After college, and prior to beginning his business career, Mr. Carlbom spent five years in the United State Air Force. Mr. Carlbom holds the rank of Lieutenant Colonel in the United States Air Force, retired.

In 1962, Mr. Carlbom joined Willamette Industries where he became vice president. Throughout his 20 years with Willamette, he was associated with Western Kraft Corp. and accomplished a number of diverse assignments, including new business development, acquisitions, and research. In 1982, he joined Western Family Foods, Inc., as executive vice president, and he became president and chief executive officer in 1983. He is a Director of the Northwest Indemnity Company, West One Bank, Shurfine Foods, Inc., International Yogurt, and Western Family Foods, Inc.

Mr. Carlbom has been actively involved in Portland State University for the past dozen years. He has devoted considerable time to the School of Business Administration, serving on its Business Advisory Council and as the originator and lead industry participant in the School’s Food Industry Management Program. This program is a
model effort between the industry and the School of Business Administration and has benefitted greatly from the leadership and support of Mr. Carlbom.

Staff Recommendation to the Board

Staff recommended the Board authorize Portland State University to award an honorary doctorate to Charles E. Carlbom at the June 1996 commencement.

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

Background

It is Board policy to approve admission requirements for each academic year in February of the preceding calendar year. This schedule is necessary for institutional planning, program implementation, publications, and timely notice to prospective students.

Admission Policy Update

Beginning with the admission policy adopted by the Board for 1996-97, the State System initiated a transition from the traditional grade- and subject-based admission standards to a proficiency-based admission standards system known as PASS. A revised, updated schedule for this policy transition can be found in the supplementary materials.

Due to the recent legislatively mandated changes in Oregon K-12 educational reform through House Bill 2991, the transition schedule for implementing the OSSHE Proficiency-based Admission Standards System (PASS) needs to be revised. In the transition schedule presented one year ago to the Board in the 1996-97 admission policy document, full implementation of PASS was projected to occur with admission to the 1999-2000 academic year. Given the particular revisions required by legislation, the implementation date for PASS needs to be changed to begin with admission to the 2000-01 academic year. It is important that the schedule for implementing
PASS be coordinated with the schedule for implementing school reform.

Admission Policy Changes for 1997-98

First, beginning with the admission of students to fall term 1997, the State System will implement a foreign language admission requirement as provided for in policies approved by the Board in 1993, 1994, and 1995. This requirement will apply to all newly admitted undergraduate students, both new freshmen and new transfer students. The requirement may be met through coursework in high school or college or through approved assessment options. New students who graduated from high school prior to 1997 are exempted from meeting the requirement. Part II of this admission document provides guidelines for the initial implementation of the foreign language admission requirement.

Second, Eastern Oregon State College requests that the minimum high school grade point average (HSGPA) required for admission be raised from a cumulative, overall 2.50 to a 3.00 in the courses taken to meet the subject requirements. Students meeting this standard will be guaranteed admission. Students with below a 3.00 HSGPA in college preparatory coursework will be selectively admitted based on a review of additional documentation to include a 300- to 500-word essay on educational goals, two letters of recommendation regarding academic potential, test scores, and any other evidence of academic and community achievement students wish to submit in their portfolios. With Board approval, Eastern first initiated this procedure on a trial basis in conducting admission to the current 1995-96 academic year. EOSC now proposes to adopt the process as official admission policy in order to improve the quality of admissions, academic performance, and rates of retention and graduation.

Financial Impact Statement

In general, the continuation of current admission policy for the 1997-98 academic year is not expected to have a significant financial impact on System campuses. However, the cost of developing the proficiency-based admission standards system is significant. It is being borne by federal and private philanthropic grants, as well as allocations from the OSSHE Academic Affairs budget.
Staff Recommendation to the Board

Staff recommended (1) that the 1996-97 general admission policy be continued for the 1997-98 academic year, with revisions to include the foreign language requirement previously approved by the Board and for Eastern Oregon State College the changes in admission policy that are described; and (2) that staff continue to work with Oregon schools and the Oregon Department of Education on the transition from the traditional admission policy to the proficiency-based admission standards system (PASS).

Board Discussion and Action

Vice Chancellor Clark reviewed the substantive changes in the admission policy. Mr. Bailey asked if any concerns had been expressed by the K-12 sector about potential students who may not be able to comply with the PASS criteria. To respond, Dr. Clark introduced Dr. Christine Tell, assistant director of the PASS Project. Dr. Tell indicated that the concern is not that proficiency levels will be too high, but rather the concern is about how they will connect with the Certificate of Initial Master (CIM) or the Oregon Content Standards—in other words, that high schools will have to work with disconnected systems. To that end, PASS has been working with the Oregon Department of Education to examine proficiency standards as they align with developing benchmarks.

Regarding EOSC's changes in admission standards, Mr. Willis asked about the characteristics of students who would not be admitted under the revised requirements. Provost Bruce Shepard responded that Eastern attempts to identify students who are not ready to succeed at a four-year institution. Mr. Willis asked for more detail, such as the economic, social, and cultural backgrounds of those students who are denied admission. Dr. Shepard replied that the profile of nonadmitted students has not changed significantly. "This is a movement toward a PASS system. We are looking for the students who are demonstrating these proficiencies. We have moved away from admitting everyone to a focus on those who can benefit most from the investment. We now take on the responsibility for the success of those students we admit." EOSC Dean of Student Affairs, Richard Stenard, added that EOSC does admit some students who may be at risk for academic success, but those students have more structure during their first year (i.e., must take specific courses).
Willis indicated his interest in receiving information regarding specific details on student characteristics.

Ms. Puentes asked if fall was the first time EOSC had implemented the new requirement. Dr. Shepard responded affirmatively, adding that they will be watching how it affects retention and graduation rates.

Ms. Waddy asked who implements the selection process. Dr. Stenard responded that students who don't meet the automatic admission criteria are reviewed by a committee. Students can present their case and others can advocate for a specific candidate. Chancellor Cox asked what percentage fall into the automatic admission category. Dean Stenard replied that approximately 70 percent were in that category.

Dr. Aschkenasy observed that the policy basically addresses the retention issue, which he supports. He asked if the standards for transfer students have been changed. Dr. Shepard responded no, that this was the first step. "We have not analyzed what it would mean to change transfer admission standards."

Vice Chancellor Clark reminded the Board that, with the implementation of PASS, grade point averages will no longer be relevant.

Mr. Willis moved and Ms. Waddy seconded the motion to approve the staff recommendation. The following voted in favor: Directors Aschkenasy, Bailey, Christopher, Imeson, McAllister, Puentes, Rhinard, Waddy, Willis, and Swanson. Those voting no: none.
**ADMISSION REQUIREMENTS: 1997-98 ACADEMIC YEAR**

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<th>UO</th>
<th>OSU</th>
<th>PSU</th>
<th>SOSC</th>
<th>WOSC</th>
<th>EOSC</th>
<th>OIT</th>
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<tr>
<td><strong>FRESHMAN ADMISSION</strong> (Residents and Nonresidents)</td>
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<tr>
<td>SAT I/ACT Scores **</td>
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<td>Yes</td>
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**TRANSFER ADMISSION**

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<tr>
<td>All Applicants Must Meet Specified Course Requirements</td>
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<td>Yes***</td>
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* In courses taken to satisfy the subject requirements. Students with below the 3.00 HSGPA must submit a portfolio with specified, additional documentation.

** Minimum SAT I scores are not required but score results must be submitted and may be used for alternative or selective admission.

*** Courses Required —
- OSU and UO: One writing course beginning with WR 121; college algebra or above, or the equivalent of Math 105.
- All Institutions: Two years of same high school-level foreign language or one year of same college-level foreign language or acceptable performance on approved assessment options. American Sign Language (ASL) is acceptable in meeting foreign language requirement. Foreign language requirement applies only to transfer students graduating from high school in 1997 and thereafter.
Background

At the July 1995 meeting, the Board adopted the OSSHE Academic Degree Program Planning, Development, and Implementation Review process. This process provides campuses an opportunity to discuss preliminary program ideas with the Academic Council and the Board and receive direction on further program planning. Further, the process is designed to facilitate balancing the mission and strategic directions of the System and campuses in the context of the efficient use of resources.

Prior to the initiation of the State System's new review process (approved by the Board in July 1995 and implemented in January 1996), four full proposals for new academic programs had been reviewed by the Academic Council several times. Consequently, these academic proposals were already well along in the development process and are presented at this time for Board authorization to implement, not continue planning.

In moving to implement the Board's review process, the Academic Council has spent a considerable amount of time reviewing a number of preliminary proposals for undergraduate and graduate programs were deemed ready for discussion with the Board, Board's staff, and the leadership on campuses. For a few preliminary proposals, collaborations among institutions are being pursued in the interest of maximizing program quality, student access, and academic productivity prior to further discussion by the Academic Council and the Board. (This includes a preproposal submitted to the Academic Council by Oregon Institute of Technology for a new academic program at the baccalaureate level in physical therapy.)

To provide an opportunity for a robust discussion about the future directions for academic programs, the Board is asked to consider the preliminary proposals for new undergraduate programs at its February meeting and for new graduate programs at its April meeting.

Proposals for implementation of new programs include:

- Master of International Management (MIM), Portland State University and Oregon Joint Professional Schools of Business
Master of Science in Medical Informatics, Oregon Health Sciences University

Bachelor of Science in Emergency Medical Services, Oregon Health Sciences University

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

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

Introduction

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

Staff Analysis

1. Relationship to Mission

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

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

3. **Quality of Proposed Program**

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

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

4. Adequacy of Resources to Offer the Program

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

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

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

Program Review

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

Staff Recommendation to the Board

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

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

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

Ms. Puentes asked if the focus would be broadened to include other cultures. Mr. Oh said that such an expansion would be ideal in the future; however, currently the focus is on the Asian Pacific.

Mr. Bailey inquired about the potential for ongoing funding. Mr. Reinmuth replied that the grant was moved to permanent funding; Mr. Oh explained that the program will be "on its own" in four years. Vice Chancellor Ihrig commented that, in his experience, nothing in student funding is ever permanent.

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

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

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

Introduction

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

Staff Analysis

1. Relationship to Mission

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

2. Evidence of Need

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

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

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

3. **Quality of Proposed Program**

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

4. **Adequacy of Resources**

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

**Program Review**

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

**Staff Recommendation to the Board**

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

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

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

BACHELOR OF SCIENCE IN EMERGENCY MEDICAL SERVICES, OHSU

Introduction

Oregon Health Sciences University requests authorization to offer a program in Emergency Medical Services leading to a Bachelor of Science degree. This program will educate prehospital care providers, a specialized area of Emergency Medicine that covers the initial recognition, evaluation, care, and disposition of patients in response to acute illness and injury. The care of critically ill and injured patients has evolved into a team approach utilizing physicians, nurses, and allied health personnel. This team approach is best fostered at a medical center setting.

Staff Analysis

1. Relationship to Mission

The proposed allied health degree program is directly related to the mission and academic plan of Oregon Health Services University, that is, the education of physicians, nurses, and allied health personnel. The program will enable OHSU to assume a leadership role in the development of statewide emergency medical services educational program, including postgraduate education.
2. Evidence of Need

Health care systems in the United States are rapidly expanding and diversifying, creating many new career opportunities for individuals with a strong background in emergency medical services. Employment opportunities range from working as a field paramedic, a clinician in an emergency department, critical care unit, or operating room; as an EMS supervisor; or as an educator. The objectives of the program include identifying and meeting outreach needs in rural and underserved areas and improving prehospital emergency care in Oregon and the northwest United States. One of the goals is to upgrade the overall educational level of the certified paramedic.

Enrollment will be limited to 20 students for the Sophomore year, and 12 each for the junior and senior year. Greater enrollment at this time would pose too great a burden on clinical and internship sites and staff.

3. Quality of Proposed Program

The proposed EMS degree program is closely related to other undergraduate programs at OHSU. It is housed in the Department of Emergency Medicine. The course of study will be expanded from the existing program to encompass the advancing technology in prehospital emergency medicine. Students will complete prerequisites common to all undergraduate programs at OHSU that meet State System requirements for a Bachelor of Science degree. The third and fourth years of the program will concentrate coursework in administration, biostatistics, epidemiology, medical ethics and law, injury prevention, public education and research. Students may declare a minor area of emphasis in Fire Administration, Business Administration, Education, or Clinical Practice. The current 12-month certificate program is accredited by the Committee on Allied Health and Education and Accreditation, a division of the American Medical Association (AMA). The program at OHSU will permit students to enter from a community college at either the sophomore or junior year. OHSU has an agreement with Chemeketa Community College to facilitate transfer and program completion for either the Associate
Degree or Baccalaureate. The proposed EMS baccalaureate program at OHSU is the only one in the state. Currently, the Paramedic Education Program is the only medical school affiliated program on the west coast.

4. Adequacy of Resources to Offer the Program

The proposed program will use existing faculty at OHSU. It is anticipated that 1.0 FTE faculty member at the assistant professor level will be required for program administration (associate director), which is to be funded by student tuition.

Program Review

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

Staff Recommendation to the Board

Although the docket materials originally indicated staff recommendation in support of this program, Vice Chancellor Clark said that Board discussion and action on this item would be postponed for reasons of labor negotiations and additional consultation with interested parties.

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

Introduction

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

Staff Analysis

1. Relationship to Mission

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

2. Evidence of Need

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

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

3. Quality of Proposed Program

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

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

**Program Review**

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

**Staff Recommendation to the Board**

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

**Board Discussion and Action**

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

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

The Academic Council reviewed preliminary proposals for new academic programs. There are seven preliminary proposals for new academic programs leading to bachelor's degrees. Some require new funds, but most do not. No programs are collaborative or joint offerings, but some are structured to facilitate the success of the transfer student. They all share the common focus of attempting to strengthen offerings at the undergraduate level, to recruit qualified students, and to provide greater access to students. These preliminary proposals are explained in greater detail in the supplementary section of the Board's docket. (Copies of the supplementary section are available upon request.)

Oregon Institute of Technology

Bachelor's Degree in Vascular Technology. The proposed program refocuses a program option developed in 1991 in the Medical Imaging Department with an enrollment of 100 students to a major in the Natural Science Department. The purpose of the program is to train vascular technologists at the baccalaureate level.

Bachelor's Degree in Sonography. The proposed program will train sonographers at the baccalaureate level for the health care industry. Seattle University offers the only bachelor's degree program in this field in the Pacific Northwest. Enrollment in the professional year (sophomore and higher) will be limited to 25 students. A 12-month hospital externship is a required part of the proposed program.

Bachelor's Degree in Physical Rehabilitative Sciences. Two allied health programs related to physical rehabilitation are proposed -- Occupational Therapy and Health Science. A third, Physical Therapy, continues under discussion as a potentially collaborative program among several OSSHE campuses. Occupational Therapy would enroll 20 students in a program leading to the Certificate of Occupational Therapy Assistant. The proposed Health Science program would provide didactic education and clinical training for entry into several medical or allied health career fields for 100 students. The curriculum would emphasize public health, epidemiology, medical administration, and aspects of health technology. Although most coursework already exists for these programs,
expansion of laboratory facilities and new faculty are needed. The proposed program requires new funds, but can be self-sufficient in two years. Clinical facilities and opportunities would be available at the Merle West Medical Center in Klamath Falls.

Oregon State University

**Bachelor's Degree in Biological Engineering.** The objective of the proposed program is to provide an Accreditation Board of engineering and Technology (ABET) accredited curriculum in biological engineering. This program addresses the national need for persons who can analyze and solve engineering problems within the complex realm of biological systems. Tremendous expansion in biotechnology in the Pacific Northwest is expected in the next five years in biomedical, food, biopharmaceutical, agricultural, and bioenvironmental industries.

University of Oregon

**Bachelor's Degree in Biochemistry.** The primary objective of the proposed program is to provide a major in Biochemistry in addition to the biochemistry track within the Chemistry Department. Approximately one-half of the current Chemistry majors at the University of Oregon choose the Biochemistry track. The programs projects 25 graduates per year. The program will produce scientists for industrial, environmental, and academic positions. No new funds or reallocation of existing funds is needed to provide this program.

**Bachelor's Degree in Creative Writing.** The proposed major in creative writing is designed to provide increased coherence in the study of the writing of poetry, fiction, and nonfiction. The program would utilize UO creative writing faculty and staff more efficiently and visibly at the undergraduate level. No new funds are needed to support the proposed program.

**Bachelor's in Mathematics and Computer Science.** The proposed program combines mathematics and computer science in a four-year degree for students who have strong interests in both field. The program is designed to develop
team players in Oregon's information-based economic future. The course work would provide a solid foundation for professional work or for advanced study. No additional faculty or staff would be required.

**Board Discussion**

Vice Chancellor Clark emphasized that the purpose of presenting these undergraduate preproposals to the Board was to gain a clear understanding of any concerns and suggestions for direction rather than formal authorization. The Board discussed each program in the order in which they appeared in the docket, with each institution president and provost describing the program and responding to Board questions.

- **Oregon Institute of Technology**

  Chancellor Cox noted that, while the first two degrees (vascular technology and sonography) are consistent with the applied technology mission of OIT, he questioned if the physical rehabilitative sciences degree strayed from that focus to direct patient care. Provost Dow responded that all of OIT's allied health programs are directly related to patient care (e.g., dental hygiene, medical imaging).

  Dr. Cox's second concern was that the accreditation for physical rehabilitative sciences required master's level work. Provost Martha Anne Dow responded that, while there still are baccalaureate programs in the nation, there is a trend toward fewer of that type. She agreed that a "master's discussion is imperative." She indicated that there are some licensed physical therapy assistant programs in Oregon (e.g., at Mt. Hood and Portland Community Colleges). Dr. Dow stressed that the significant piece of the preproposal was the opportunity to serve rural Oregon's health needs. Both the hospital at Klamath Falls and the Area Health Education Centers (AHECs) have expressed their support.

  Mr. Swanson asked how this program would fit into OIT's master plan. President Wolf responded that it's an important part in that it helps address rural health care needs.
Mr. Swanson asked if the Board was really being presented with a preproposal for a master's degree, since that is the level of education required in the profession. Dr. Clark responded emphatically "no." Dr. Clark elaborated. "We don't want you to feel over the barrel in this new process. That's absolutely not the way the process is supposed to work. What you're doing is indicating that either you have no objections to planning moving forward, or that you do have objections. You are not approving a proposal in the sense of the earlier program proposals you saw this morning.

"Now having said that, our hope is that this is not taken lightly because, if the Board is interested and expresses that, campuses will proceed to plan in good faith. So they need to know where you are on these things. But you do not have master's-level proposals before you at this time."

Ms. Christopher asked about the job opportunities for the three OIT preproposal programs. Provost Dow responded that they were good. President Wolf added that the three programs are "mission centered but market driven."

Chancellor Cox asked OIT to carefully consider how it could justify the new investment, given the fact that dollars are scarce and resources finite. "How does this new investment compare in terms of return on investment versus investing in existing programs?"

Oregon State University

Ms. McAllister asked how many students would be served in this program. Provost Arnold indicated that the goal would be 25 to 30 students per year.

Mr. Swanson asked about other baccalaureate degrees in bioresource engineering. Dr. Arnold responded that there is only a graduate degree in bioresource engineering, not an undergraduate degree. Mr. Swanson asked if, nationally, interest in this area is growing. Vice Chancellor Owen responded affirmatively.
Chancellor Cox referred to the department’s ability to generate more in external grants and contracts than its General Fund appropriation, and asked if that ability remains constant. Dr. Arnold responded that there were no guarantees; however, it’s a function of faculty leadership in the department.

University of Oregon

Following Provost Moseley’s overview of the program pre-proposals, the Board did not have any questions or comments.

General discussion about the process of presenting pre-proposals

Mr. Bailey asked about funding issues. “In other words, when a campus or institution submits a proposal for a new program or new degree, how much emphasis do we put on the fact that we haven’t got a lot of extra funds lying around?” He stated his concern that Board support of preproposals would be misinterpreted by campuses to mean the Board may also provide funding. Vice Chancellor Clark noted that most of the programs presented were repackaging of existing programs. The MIM was a major exception because there was a specific allocation for that program. “I have a good deal of concern,” said Dr. Clark, “about program proposals where significant new resource investments are required and we don’t see where the investment will come from, because those [program] authorizations may stay on the books.” Chancellor Cox added that this supports the theme of collaboration and interdisciplinary efforts.

Mr. Bailey continued that the Board would need to be selective about special initiatives that require new resource allocation. He noted that marketing those as providing something unique or important for Oregon may be imperative during legislative sessions.

(No Board action required)
Meeting #650            February 16, 1996
SPECIAL CAMPUS SECURITY OFFICER AUTHORIZATION

At OSSHE's request, the 1995 Legislature amended ORS 352.385, which authorizes special campus security officers for OSSHE institutions. Among other things, the amendments increase the number of officers the Board may authorize from 20 to 50. After conferring with institutional officials, staff recommends the following:

- EOSC: 2
- OIT: 4
- OSU: 6
- PSU: 13
- SOSC: 4
- UO: 12
- WOSC: 9
- TOTAL: 50

Eastern Oregon State College does not intend to commission officers at this time and has agreed that, subject to the Board's approval as part of this authorization, Oregon Institute of Technology and the University of Oregon may each use one of the commissions for an officer until such time as EOSC wishes to commission officers for its campus.

Staff Recommendation to the Board

Staff recommend the Board adopt the proposed allocation.

Board Discussion and Action

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

Vice Chancellor Griffin did not have a report for the Board.

CORPORATE & PUBLIC AFFAIRS

SECOND QUARTER REPORT ON INVESTMENTS

Staff Report to the Board

The second quarter investment report of the Pooled Endowment Fund of the Oregon State System of Higher Education for the period
October 1, 1995, through December 31, 1995, is presented in two parts: first, a summary report from the Common Fund that describes the performance results of the various funds used by the State System, followed by tables showing the market value and investment performance of the State System Pooled Endowment Fund through December 31, 1995.

COMMON FUND SUMMARY

Equity Fund ($23.7 million market value) The Equity Fund's total returns for the quarter and year ending December 31, 1995, were 4.0 percent and 29.3 percent, respectively. Although good in absolute terms, these amounts trailed the benchmark Standard & Poor's 500 Index (S&P 500) returns of 6.0 percent and 37.4 percent. Throughout 1995 the larger capitalized S&P 500 stocks outperformed the widely diversified and smaller capitalization company portfolio of the Equity Fund. In particular, the global/international and hedging strategies that comprise about 31 percent of the Equity Fund portfolio at December 31, 1995, were a drag on relative performance by returning annual amounts of 12.9 percent and 18.0 percent, respectively.

As was seen in 1993 when the Equity Fund outperformed the S&P 500 by a substantial amount, a significant amount of "tracking error" is evident in the short term when comparing the broadly diversified Equity Fund with the large capitalization, domestic S&P 500 Index. The Common Fund believes the Equity Fund is designed to provide superior returns over long periods of time while providing risk reduction through significant equity diversification of strategy and manager allocations.

Current policy weightings for the Equity Fund are as follows:

- 22% Core Equity
- 17% Growth Equity
- 17% Equity-Income
- 18% Global/International Equity
- 15% Hedge
- 8% Absolute Return
- 3% Special/Private

Bond Fund ($13.3 million market value) The Bond Fund returned 4.5 percent and 19.5 percent, respectively, for the calendar quarter and
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February 16, 1996

year ending December 31, 1995. These returns compare favorably to the Lehman Aggregate Index of 4.3 percent and 18.5 percent for the same periods of time.

The rebound of the U.S. dollar detracted slightly from the Bond Fund's overall returns because of its partial unhedged allocation to foreign fixed income markets. The Bond Fund has a 25 percent allocation to the less hedged Global Bond Fund.

Real Estate (market value $2,408,000 as of 9/30/95) The portfolio has continued to enjoy the benefits of the strengthening national economy. With increasing demand and only limited new construction, many markets are starting to see a supply reduction and some increasing rents. According to the NCREIF Property Index, the strongest individual real estate sectors in the third quarter were warehouse, office, and apartments. The Endowment Realty Investors I (ERII) portfolio is allocated as follows:

40% Apartments  
32% Retail  
14% Industrial  
14% Office

While ERI I has a 32 percent allocation to retail, the majority of its retail investments are in well anchored dominant shopping centers. Office property vacancy rates have moved down to a 14 percent vacancy rate compared to 24 percent at ERI I's inception. Rents continue to improve in the office sector as concessions shrink, mid-term rent steps increase, and starting rents increase. Industrial vacancy rates have dropped to 8 percent from 11.1 percent just 18 months earlier. Demand for industrial property continues to be very strong and also continues to outstrip new supply by a wide margin. In the residential arena, high occupancy rates in apartments and continued rent growth are driving many institutional investors to aggressively pursue apartment investments, hence driving prices up. ERI I management intends to monitor these indicators carefully for potential overheated markets over the next year.

Income for the quarter ending September 30, 1995, was 1.8 percent. Total returns for any year are calculated using third-party property appraisals done as of December 31. Therefore, the September 30,
1995, total return since inception of 5.0 percent is calculated using appraisals as of December 31, 1994.

**Endowment Energy Partners I (market value $660,000 as of 9/30/95)**

Since inception on October 31, 1989, Endowment Energy Partners I (EEP I) has invested in over $200 million in loans, equity investments, and production payment receivables, including reinvestment of principal and royalty payments. Since inception, the internal rate of return as of September 30, 1995, is 14.3 percent. The return calculation includes distributions already made to participants, plus the discounted present value of EEP I's estimated future cash flows from loans and royalties, and the discounted market value of EEP I's interests in marketable and near-marketable securities.

The third quarter and nine-month results of EEP I have been negatively impacted by soft commodity prices and in particular low natural gas prices, which were only partially offset by production gains achieved in some cases from new drilling. As in the past, the portfolio will continue to be managed in a manner that will allow it to benefit from a potential recovery in prices.

Gulf Resources, in which EEP I owns an equity interest, agreed to repurchase all of EEP I's remaining overriding royalties in its properties for $1.1 million. The purchase, which closed October 1995, represented an approximate ten percent premium of EEP I's book value.

**Endowment Partners I (market value $471,000 as of 9/30/95)**

As of September 30, 1995, $43.2 million of $48.4 million member-committed capital has been invested with seven managers in 77 different companies. Since inception of the program, the managers have distributed $22.8 million, or $4.3 million more since the report dated June 30, 1995.

The internal rate of return to participants since the program's inception in October 1988 is 11.0 percent.

**Endowment Venture Partners I (market value $639,000 as of 9/30/95)**

Launched in 1990, Endowment Venture Partners I capital of $89 million is fully committed to 14 top-tier managers, including Kleiner Perkins Caufield & Byers, Oak Investment Partners, and Highland Capital Partners.
As of September 30, 1995, 84 percent, or $76.6 million, has been drawn down and invested in 434 companies diversified as follows by industry:

- 49% Information Sciences
- 39% Life Sciences
- 6% Consumer
- 6% Other

Although still a little early in the 10- to 12-year program cycle, Endowment Venture Partners I has generated a net internal rate of return since inception of 17.8 percent as of September 30, 1995.

**OSSHE INVESTMENT PERFORMANCE**

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

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

<table>
<thead>
<tr>
<th></th>
<th>Market 7-01-95</th>
<th>Market 12-31-95</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL ENDOWMENT</strong></td>
<td>$39,129,890</td>
<td>$42,920,969</td>
</tr>
<tr>
<td><strong>EQUITY INVESTMENTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common Fund, Equity Fund</td>
<td>21,329,386</td>
<td>23,667,496</td>
</tr>
<tr>
<td><strong>FIXED INVESTMENTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common Fund, The Bond Fund</td>
<td>12,920,320</td>
<td>13,272,501</td>
</tr>
<tr>
<td><strong>OTHER INVESTMENTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate Investment Trust</td>
<td>2,407,768</td>
<td>2,407,768</td>
</tr>
<tr>
<td>Endowment Energy Partners</td>
<td>666,838</td>
<td>660,466</td>
</tr>
<tr>
<td>Endowment Partners Fund</td>
<td>460,774</td>
<td>471,079</td>
</tr>
<tr>
<td>Endowment Venture Partners</td>
<td>563,298</td>
<td>638,623</td>
</tr>
<tr>
<td>Cash</td>
<td>781,506</td>
<td>1,803,036</td>
</tr>
<tr>
<td><strong>Total Other</strong></td>
<td>4,880,184</td>
<td>5,980,972</td>
</tr>
</tbody>
</table>

Note: Oregon Health Sciences University became a separate entity on July 1, 1995 and is no longer included in the Oregon State System of Higher Education Pooled Endowment Fund.
OREGON STATE SYSTEM OF HIGHER EDUCATION
1995-96 Second Quarter Investment Report
Pooled Endowment Fund Investment Performance
Periods Ending 12-31-95
(Based on Total Return)

<table>
<thead>
<tr>
<th></th>
<th>CURRENT QTR</th>
<th>FISCAL YTD</th>
<th>1 YEAR</th>
<th>3 YEARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL ENDOWMENT</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OSSHE</td>
<td>3.9%</td>
<td>9.4%</td>
<td>23.6%</td>
<td>11.6%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EQUITY (STOCK) INVESTMENTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OSSHE-EQUITY FUND</td>
<td>3.9%</td>
<td>12.1%</td>
<td>28.6%</td>
<td>13.4%</td>
</tr>
<tr>
<td>S &amp; P 500 STOCK INDEX</td>
<td>6.0%</td>
<td>14.4%</td>
<td>37.4%</td>
<td>15.3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FIXED (BOND) INVESTMENTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OSSHE–BONDS</td>
<td>4.5%</td>
<td>6.4%</td>
<td>19.3%</td>
<td>10.4%</td>
</tr>
<tr>
<td>LEHMAN AGGREGATE INDEX</td>
<td>4.3%</td>
<td>6.3%</td>
<td>18.5%</td>
<td>8.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTHER INVESTMENTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>REAL ESTATE INVESTMENT TRUST</td>
<td>1.7%</td>
<td>3.3%</td>
<td>9.4%</td>
<td>4.5%</td>
</tr>
<tr>
<td>ENDOWMENT ENERGY PARTNERS</td>
<td>8.1%</td>
<td>13.3%</td>
<td>29.2%</td>
<td>24.5%</td>
</tr>
<tr>
<td>ENDOWMENT PARTNERS FUND</td>
<td>-4.1%</td>
<td>7.2%</td>
<td>8.8%</td>
<td>10.8%</td>
</tr>
<tr>
<td>ENDOWMENT VENTURE PARTNERS</td>
<td>10.4%</td>
<td>14.2%</td>
<td>42.6%</td>
<td>17.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OSSHE–STOCKS/BONDS COMBINED</td>
<td>4.1%</td>
<td>9.8%</td>
<td>25.0%</td>
<td>12.2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WEIGHTED TARGET INDEX</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>60% S &amp; P 500 STOCK INDEX</td>
<td>5.3%</td>
<td>11.2%</td>
<td>30.0%</td>
<td>12.5%</td>
</tr>
<tr>
<td>40% LEHMAN AGGREGATE INDEX</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: All amounts are net of investment charges.
The Internal Audit Division's (IAD) Semi-Annual Audit Report, included in the supplemental materials, summarizes internal audit activity for the six-month period July 1995 through December 1995. A brief description is provided for each project conducted during this six-month period, as well as a status report on the 1995-96 Internal Audit Plan. This report is submitted to the members of the Board, Chancellor, and to the State of Oregon Department of Administrative Services.

Board Discussion

Mr. Bailey remarked that he was very impressed by the specificity of the report, noting that it was easy to understand even for someone not involved in the process.

Vice Chancellor Ihrig directed Board attention to a handout in the Board folders highlighting the financial report without OHSU.

(No Board action required)

Oregon Administrative Rules (OAR) 580-50-041 and 580-50-042 require an annual report to the Board on the prior calendar year's participation of contractors and subcontractors in capital improvement projects by emerging small business enterprises (ESBs) and minority or women business enterprises (M/WBEs). OAR 580-50-041 states that successful bidders for public improvement projects approved by the Board shall make good faith efforts to "meet the project's goals for subcontracting with or obtaining materials to be used in performing the contract from emerging small businesses." OAR 580-50-042 deals with similar requirements for businesses owned by minorities and women. All such businesses must be certified by the State of Oregon's Office of Minority, Women and Emerging Small Businesses. Successful bidders for capital improvement projects must make "good faith efforts" to hire ESBs and M/WBEs as subcontractors or themselves be certified by the State of Oregon as ESBs, MBEs, or WBEs. Evidence of "good faith efforts" may include taking such actions as attending pre-bid meetings to inform emerging small businesses of contracting or subcontracting opportunities, identifying economically
feasible units of the project that can be subcontracted to these enterprises, or advertising in selected publications.

1995 ESB and M/WBE Contract Participation Levels

During 1995, contracts were awarded for 20 capital improvement projects with a total value of $15,222,612. Successful bidders on these contracts projected that about $1,533,392 of that amount (10.1 percent) would be for work performed by ESBs and M/WBEs. Of this total, the projected MWBE participation rate was 5.3 percent; the rate for ESBs was 4.8 percent.

Prime contracts awarded to emerging small businesses in 1995 accounted for 4 of the 20 competitively bid projects. These four prime contracts, all at Oregon Health Sciences University, totaled more than $557,000 and made up 3.6 percent of the capital improvement projects awarded.

Historical Profile of ESB and M/WBE Participation Levels

The percentage of MWBE and ESB participation projected or achieved each year since the rules were adopted in late 1990 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Value Capital Projects</th>
<th>Total # Proj.</th>
<th>Project Avg. Value</th>
<th>Amount of Participation</th>
<th>% Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>$15,226,612</td>
<td>20</td>
<td>$761,330</td>
<td>$1,533,392</td>
<td>10.1%</td>
</tr>
<tr>
<td>1994</td>
<td>31,367,051</td>
<td>36</td>
<td>871,307</td>
<td>6,825,232</td>
<td>21.8%</td>
</tr>
<tr>
<td>1993</td>
<td>11,890,000</td>
<td>28</td>
<td>424,643</td>
<td>3,863,000</td>
<td>32.5%</td>
</tr>
<tr>
<td>1992</td>
<td>7,742,242</td>
<td>25</td>
<td>309,690</td>
<td>692,084</td>
<td>8.9%</td>
</tr>
<tr>
<td>1991</td>
<td>54,633,164</td>
<td>41</td>
<td>1,332,516</td>
<td>1,747,827</td>
<td>3.2%</td>
</tr>
<tr>
<td>1990</td>
<td>120,000,000</td>
<td>NA</td>
<td>NA</td>
<td>1,680,000</td>
<td>1.4%</td>
</tr>
</tbody>
</table>

Interpretation of 1995 Participation Levels

- Previous years included projects awarded by OHSU, whereas the 1995 data include only those projects awarded prior to legislative approval of OHSU's public corporation status. For example, in 1994, OHSU participation represented 20 out of 35 projects (57 percent) awarded by OSSHE versus 7 of 20 projects (35 percent) awarded in 1995. In 1994, OHSU participation represented 90 percent of the M/WBE participa-
tion, or $2,779,830 out of the total $3,097,556, and 78 percent of the ESB participation, or $2,892,555 of $3,727,676.

As a metropolitan university, OHSU's contracting activity is substantially higher than the other colleges and universities. Typically, OHSU has been responsible for more capital improvement projects and has been able to draw upon the diverse pool of firms available in the metropolitan area.

The two largest projects awarded by OSSHE in 1995 at the University of Oregon and Oregon State University's Hatfield Marine Science Center in Newport did not receive the participation rates desired by the respective campuses. The general contractor on the UO's $6.3 million Amazon Housing Design/Build project commented that their company had made good faith efforts through substantial advertising and an initial contact with certified firms but had received no response or bids by ESBs or M/WBEs on the project. The prime contractor awarded a $5.4 million contract at OSU's Hatfield Marine Science Center received a few bids from certified firms, but most were too high to be used in that contractor's bid. Of the certified subcontractors' bids used on the Newport project, $22,522 or 0.42 percent of the value went to M/WBEs, while $6,825 or 0.13 percent went to ESBs. It appeared that both universities were hampered by an inadequate pool of certified firms in their contracting areas. In a new $3.5 million project in process on the OSU campus, the general contractor notified OSU facilities staff that his company had sent out requests for sub-bids to 40 certified and qualified firms and received no response from any of the firms notified.

The reduction in contract participation by ESBs and M/WBEs may also be related to the increased activity in the construction industry. Several 1995 projects were rebid due to high costs of construction. In several cases, the project scope had to be reduced to fit the project within the available budget. Both contractors and subcontractors are enjoying the increased demand for their work and current prices within the industry.

Several firms previously certified as M/WBE or ESB have achieved a higher level of success and are no longer eligible
for certification by the State of Oregon’s Office of Minority, Women and Emerging Small Business. The requirements from that office allow certification of an ESB for not more than seven years and annual gross receipts for the three previous years not exceeding $1 million for construction firms and $300,000 for non-construction firms. The requirements for M/WBE certification include the requirement that the business be at least 51 percent owned by one or more ethnic minorities or women with annual gross receipts for the three previous years not exceeding $16.6 million.

In 1994, eight ESB certified firms won OSSHE contracts as prime contractors, with a total contract value of $1,840,010. In 1995, only one of those companies repeated as a prime contractor and had lost their ESB certification, winning a contract as a M/WBE contractor for $144,200. In 1995, two firms with 100 percent certification were awarded prime contracts with an ESB value of $557,351.

Looking to the future, OSU is in the process of designing the Kerr Library Expansion and Remodel with direct construction costs in excess of $30 million. It is anticipated that this project will consist of several components lending themselves to high-value subcontracting opportunities and thereby making subcontracting more attractive to certified ESB and M/WBE firms.

Under the provisions of the Higher Education Administrative Efficiency Act, OSSHE moved in 1995 to train all seven campuses on contracting activities. The delegation of contracting responsibilities was made to each campus upon completion of training in all phases on facilities contracting and contract insurance requirements. The colleges and universities will continue to report each project to the Chancellor’s Office using a single contract award form. The Chancellor’s Office Administration Division will continue to report Emerging Small Business and Minority/Women Business contracting annually to the Board.

(No Board action required)
President Swanson indicated that it might be necessary for the Executive Committee of the Board to meet in March. Mr. Swanson made the following recommendation:

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

Dr. Aschkenasy moved the Board approve the recommendation. The following voted in favor: Directors Aschkenasy, Bailey, Christopher, Imeson, McAllister, Puentes, Rhinard, Waddy, Willis, and Swanson. Those voting no: none.

The meeting of the Board adjourned at 11:25 p.m.