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OREGON STATE BOARD OF HIGHER EDUCATION
MINUTES OF REGULAR MEETING
ROOMS 327/328/329, SMITH MEMORIAL CENTER
PORTLAND STATE UNIVERSITY

ROLL CALL

The meeting of the State Board of Higher Education was called to
order at 8:40 a.m. by President Les Swanson.

On roll call, the following answered present:

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

Ms. April Waddy was absent due to illness.

MINUTES
APPROVED

The Board dispensed with the reading of the minutes of the February
16, 1996, meeting of the Board. Ms. Christopher moved to approve
the minutes as submitted. The following voted in favor: Directors
Aschkenasy, Bailey, Christopher, Imeson, McAllister, Miller, Puentes,
Rhinard, Willis, and Swanson. Those voting no: none.

PRESIDENT'S
REPORT

President Swanson thanked all those who participated in the long-
range planning task forces.

Nominating
Committee

Mr. Swanson appointed Mr. Bailey, Ms. McAllister, and Mr. Rhinard
to serve on the Nominating Committee. Mr. Bailey will serve as chair.
The Committee was instructed to return to the Board in June with their
recommendations.

Women's
Basketball,
WOSC

President Swanson commended Western Oregon State College's
women's national championship basketball team for their back-to-
back wins in the NAIA Division II. He noted that this is a first for the
state of Oregon. WOSC President Youngblood introduced Head
Coach Russell "Rusty" Rogers, who has been named NAIA Division
II Coach of the Year for 1994-95 and 1995-96. She also introduced
members of the team and highlighted some of their athletic and
academic achievements. President Swanson gave the team certifi-
cates honoring their standing in NAIA Division II.
CHANCELLOR'S REPORT

Chancellor Cox informed the Board that he and Community College Commissioner Roger Bassett have been meeting regularly so that the Board's long-range planning process will be synchronous with the executive branch's discussion of the education continuum. Dr. Cox expressed his appreciation to task force members and staff who have worked so diligently on the planning effort.

President Frohmayer

Dr. Cox noted University of Oregon President Frohnmayer's absence and indicated that he had returned to Minnesota because of the health of his daughter, Kirsten.

IFS Report

Interinstitutional Faculty Senate President Martha Sargent addressed the Board on the subject of change that is occurring and that needs to occur. She also indicated that faculty members who participated on the task forces felt that the process had been worthwhile.

ACQUISITION OF U S WEST BUILDING, PSU

SUMMARY

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

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

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

Staff Report to the Board

Gerding/Edlen Development Company of Portland holds an option to purchase a 195,000-square-foot facility from the U S WEST Corpora-
tion. The building, located one block from the PSU campus at SW Harrison and SW 4th in downtown Portland, also includes a 389-space underground parking garage and a large area of landscaped open space. The facility has been used for offices and computer operations and has exceptional electrical and mechanical systems and an extremely large raised floor computer and laboratory environment.

PSU proposes that the Board enter into a joint ownership agreement with Gerding/Edlen Development Company under which the Board initially would acquire ownership of the parking and of about 117,000 square feet of space for laboratories, classrooms, offices, meeting areas, and a communications and data processing center. These spaces would comprise the lower level and part of the first floor of the facility. After all vacant space in the building has been leased, the Board would have the option of acquiring title to the remaining space.

The initial transaction (stage one), involving the land beneath the building (about 117,000 square feet of space and an area for about 389 parking spaces), would cost a total of $14,370,000. This includes $12,150,000 for acquisition, $1,220,000 for tenant improvements to be furnished by the developer, and $1,000,000 for future improvements if additional gifts and grants can be secured by the University. The future improvements will help equip the laboratories to be used by the School of Engineering and Applied Science.

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

Portland State University's engineering activities are currently spread throughout multiple campus locations, limiting the faculty's effectiveness in responding to industry as well as providing integrated instructional laboratories for students. The Urban Center, Phase II facility will provide over time for the consolidation and modernization of facilities for the engineering programs. The initial use of the new academic space would support activities directly related to the high-technology field and would, in the first phase, be occupied by the Electrical Engineering Department. The Department would be relocated to the new space, and three new laboratories would be established in support of a developing initiative in wireless communications. This initiative would have both educational and research components. Within the Portland metropolitan area alone, there are
over 40 companies, most of which are small- and medium-sized enterprises, with some financial interest in the form of licenses for wireless communications. Currently, there are no programs on the West Coast providing academic training to potential employees in this growing field; nor are there facilities dedicated to the research needs of the industry, particularly as the industry moves toward the implementation of digital technology. In support of this initiative, Portland State University has become one of the first members of a national consortium in wireless communications, funded by the National Science Foundation. The additional space that the U S WEST building provides would allow PSU to develop this unique program and would also assist in the continuing development of related programs in Computer Science, using the space made available in existing buildings.

The cost for the 117,000 square feet of office/laboratory space in the initial stage will be approximately $78 per square foot, including acquisition and tenant improvements. The cost of the 389 parking spaces will be approximately $13,900 per space. The 78,000 square feet in the second stage option will be acquired at a cost just under $85 per square foot. Such prices are extremely favorable for space in the University District, even more so since the facility was renovated in 1993.

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

Rent paid by the City and U S WEST, combined with parking revenue, will pay the necessary debt service on bonds and provide most of the funds for building operations. A cash donation of $500,000 (already pledged) is available for the project. The following
Meeting #651

April 19, 1996

The table summarizes the planned financing arrangement for the initial transaction.

<table>
<thead>
<tr>
<th>Amount</th>
<th>Fund Source</th>
<th>Repayment Source</th>
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<tbody>
<tr>
<td>$ 500,000</td>
<td>Gifts</td>
<td>Not Required</td>
</tr>
<tr>
<td>500,000</td>
<td>Article XI-F(1) Bonds unless Article XI-G Bonds become available</td>
<td>Rental or General Fund</td>
</tr>
<tr>
<td>1,000,000</td>
<td>Gifts/Grants</td>
<td>Not Required</td>
</tr>
<tr>
<td>5,415,000</td>
<td>Article XI-F(1) Bonds</td>
<td>Parking</td>
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<tr>
<td>680,000</td>
<td>Article XI-F(1) Bonds</td>
<td>PSU Auxiliaries</td>
</tr>
<tr>
<td>3,735,000</td>
<td>Article XI-F(1) Bonds</td>
<td>Rental--City</td>
</tr>
<tr>
<td>2,395,000</td>
<td>Article XI-F(1) Bonds</td>
<td>Rental--Private</td>
</tr>
<tr>
<td>145,000</td>
<td>PSU Operating Budget</td>
<td>Not Required</td>
</tr>
<tr>
<td>$14,370,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Although some of the tenancy is private (most notably the U S WEST holdover), OSSHE's bond counsel has determined that the percentage of private use in relation to total bond issuance is within Internal Revenue Service guidelines for a tax-exempt issuance of all the bonds. About $2.9 million of previously issued Article XI-F(1) bonds would supplement bonds to be sold this spring.

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

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

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

Agreements with the developers are being prepared and will be subject to approval by the Attorney General. They will include options for the Board to purchase the remainder of the building at various points.
If the necessary approvals are granted by the Emergency Board, PSU will request that the Chancellor enter into the agreements necessary to purchase the property. Completion of the transaction also will be contingent upon the conclusion of satisfactory lease terms with U S WEST and the City of Portland and appropriate approvals of use by the City of Portland.

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

Staff Recommendation to the Board

[Staff recommended that*] [t]he Board ratify the March 14, 1996, action of the Board Executive Committee, which authorized staff to request approval from the Emergency Board for this project as described in the docket for that material. (A copy of the full items, Executive Committee discussion, and action is on file in the Board’s Office.)

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

[*Note: Bracketed language was added to the minutes to clarify the staff recommendation as originally provided in April docket.]

Board Discussion and Action

Vice Chancellor Ihrig directed Board attention to a replacement docket item in their packets. “We added more explanation regarding the use of facilities and cost per square foot, which was not in the original docket. Also in your packets is the floor plan of that facility so you can get an idea of the location relative to PSU and the scope of what’s going into various levels of the building if we take acquisition.”
Mr. Ihrig underscored the importance of being aware and taking advantage of opportunities for adding physical capacity in order to meet growing student enrollment. Not only is that growth expected because of the increase in the number of high school graduates, but also because of OSSHE’s increasing responsiveness to professional development and nontraditional student needs. “We do not have the luxury of state money for capital construction, and we don’t see it in the future. Because we see the need for OSSHE services growing, we’d like to be planning for that now. This is a creative approach.” Mr. Ihrig also indicated that the prices are very favorable, and include acquisition and improvement.

Vice Chancellor Ihrig noted that the building was renovated three years ago and is in excellent shape. It meets the highest standards of earthquake resistance.

Ms. Christopher asked about liability if one of the developer’s tenants damages the OSSHE portion of the building. Mr. Ihrig responded that staff is working with the developer to craft an agreement whereby the developer would be responsible for any such damage by their tenants.

Dr. Aschkenasy pointed out that if the building didn’t exist, OSSHE probably couldn’t get approval to build. “It’s an opportunity, if you’re right about student projections.”

Mr. Rhinard expressed concern about safety issues with students using the U.S. WEST building since it is on the periphery of campus. President Ramaley indicated that issues of this nature were included in the planning.

Mr. Miller moved and Mr. Bailey seconded the motion to approve the staff recommendation. The following voted in favor: Directors Aschkenasy, Bailey, Christopher, McAllister, Miller, Puentes, Rhinard, Willis, and Swanson. Those voting no: none. Mr. Imeson abstained because his company has been involved in discussions about occupancy in the building.

Summary

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

Staff Report to the Board

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

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

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

University officials, faced with the twin challenges of increased numbers of students and outmoded classroom facilities, are proposing an overall strategy both to expand and modernize core academic space on the campus. The University is proposing to combine the two existing projects (Gilbert Hall Addition and Phase I -- Law School Addition and Alterations) and reconfigure the project to increase by 3,000 teaching stations the amount of modern academic space available to the University. The project, when completed, would relocate the Law School to land available at the eastern edge of the campus periphery, freeing up the current Law building's central campus space for general educational uses.
The result is that the University believes that its needs can best be served by (1) moving ahead with the Gilbert Hall Addition this year, using a combination of $1.8 million of gifts raised by the Lundquist College of Business and $5.7 million of Article XI-F(1) bonds to be repaid from a variety of sources available to the University (summer session revenue, rentals, indirect cost recovery, and other sources); (2) constructing a new building for the School of Law in the east campus area at a cost of $24.5 million (rather than constructing an addition to the present Law School and renovating the old building for continued Law School use); and (3) renovating the existing School of Law building for use by the College of Arts and Sciences for general instructional needs ($4 million). The total project cost is $36 million, including $16.9 million already approved by the Board and the legislature.

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

The final stage is the renovation of the existing Law School building for classroom and office use by the College of Arts and Sciences and other departments. The existing 82,000-square-foot Law Center will be renovated to contain 1,850 instruction stations supporting state-of-the-art instructional technology. This stage would use $1 million of Article XI-G bonds and $3 million of gifts. The entire project, therefore, requires $19.9 million of gifts, $10.4 million of Article XI-G bonds (repaid from the state General Fund), and $5.7 million of Article XI-F(1) bonds (repaid from various sources available to the University).
Plans are for the new Gilbert Hall Addition to be open in the fall of 1998 and the new School of Law facility in 1999. The renovation of the existing School of Law building is slated to be finished in the year 2000.

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

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

**Funding Summary (in thousands)**

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

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

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

**Staff Recommendation to the Board**

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

Board Discussion and Action

Vice Chancellor Ihrig reviewed the staff recommendation, indicating that the School of Law would be renovated for the purpose of undergraduate instruction. "We think this is an excellent, creative solution to provide additional student spaces on the campus. Most of the new money comes from fundraising, beyond the current projects already approved." Responding to a Board member request for more detail about the fundraising, Mr. Ihrig explained that the money from fundraising must be "in hand" on all capital projects before proceeding -- either actually received or made in the form of an irrevocable pledge.

Mr. Bailey asked if a larger School of Law facility would be for a larger enrollment, noting that four to six years ago, the Law School enrollment was reduced. UO Provost Moseley responded that one of the major factors in the earlier enrollment reduction was the size of the law library. He indicated that this project would result in a slightly larger facility and moderately larger class.

Dr. Aschkenasy asked about the fundraising campaign. Dr. Moseley stated that it appears the whole campaign can move forward to a higher goal. "We are very successful at this point in time. This project will trigger some extra gifts that otherwise we might not have received."

Ms. Christopher raised the issue of examining summer session and continuing education self-support funding. She asked if it would impact this proposal if General Fund dollars were to be used for summer session and continuing education. Vice Chancellor Ihrig responded that anything coming out of the planning process will impact the future. However, he stated that the revenue stream would not change.

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

Staff Report to the Board

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

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

Staff Recommendation to the Board

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

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

OREGON STATE SYSTEM OF HIGHER EDUCATION POOLED ENDOWMENT FUND

Investment Objectives and Policy Guidelines

I. INTRODUCTION

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

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

II. RESPONSIBILITY OF BOARD, INVESTMENT MANAGERS

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

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

III. THE FUND

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

IV. FUND MANAGEMENT

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

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

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

VI. ASSET GUIDELINES, PERFORMANCE OBJECTIVES, AND DIVERSIFICATION

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

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

1. Investment-grade bonds are those bonds rated in the four highest grades assigned by Moody's Investors Service, Inc. (Aaa, Aa, A, or Baa) or Standard & Poor's Corporation (AAA, AA, A, or BBB).
2. U.S. Treasury Securities shall consist of bills, notes, and bonds.


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

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

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

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

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

Performance of equity securities shall exceed the S&P 500 Index by one percent or more after manager fees and should exceed the median in a universe of other equity portfolios over a market cycle.
Small-Cap Equity Requirements: Investments in smaller companies with market capitalization less than one billion dollars shall be permitted (subject to the small-cap equity limitations of Section VIII). Portfolios should be comprised of at least 30 security issues. If such investments are segregated into a separate, smaller company portfolio, the performance of the securities shall exceed the performance of the Russell 2000 Index by one percent or more after manager fees over a market cycle.

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

D. Diversification

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

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

VII. SPENDING POLICY

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

VIII. ALLOCATION OF ASSETS

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

Allocation of assets by class:

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

The allocation of equity assets shall be as follows:

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

IX. OTHER INVESTMENTS

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

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

X. OTHER GUIDELINES AND REQUIREMENTS

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

XI. INVESTOR RESPONSIBILITY

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

XII. INVESTMENT MANAGERS

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

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

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

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

XIII. CONCLUSION

Implementation of this Policy, including investment manager selection, shall be the responsibility of the Board, subject to the necessary approvals of the OIC.
Investment performance will be reviewed quarterly against the appropriate benchmark and stated objectives.

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

**Board Discussion and Action**

Vice Chancellor Ihrig indicated that the policy had been changed slightly from the one presented at the February Board meeting; the role of the OIC has been clarified. Mr. Ihrig also noted that staff recommended the Board appoint a committee to search for new equity investment managers, subject to concurrence of the OIC. He recommended a committee of three staff (Controller Steve Katz, Vice Chancellor Weldon Ihrig, and a representative from the OIC) and one or two Board members. He suggested staff members review the credentials of possible investment managers and submit those names to the Board members on that committee.

Mr. Swanson asked if the bond funds would remain with the Common Fund. Mr. Ihrig answered affirmatively.

Mr. Willis asked who monitors the performance of the money managers. Mr. Ihrig indicated that Controller Steve Katz is directly responsible. "Mr. Katz keeps me advised as to the performance review. He also uses R. V. Kuhns and Associates, who will provide us with a quarterly report on managers' performance. Mr. Katz will make sure he concurs with that analysis. Thus there are two reviews: one external and one internal."

Mr. Swanson and Mr. Willis volunteered to serve on the committee.

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

**Summary**

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

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

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

Staff Recommendation to the Board

Staff recommended the Board adopt the following reimbursement resolution.

RESOLUTION

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

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

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

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

NOW THEREFORE, the Board resolves as follows:

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

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

Board Discussion and Action

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

Staff Report to the Board

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

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

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

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

**Staff Recommendation to the Board**

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

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

**Board Discussion and Action**

Vice Chancellor Ihrig summarized the optional retirement plan. He recommended the trustee be Controller Steve Katz.

Dr. Aschkenasy asked what the consequences would be if the Board did not make a decision at this meeting. Mr. Ihrig responded that it would delay the implementation of the decision of approximately 40 employees who wished to take advantage of this option. Dr. Aschkenasy, referring to the two hand-outs regarding this item, registered his concern about voting on an item about which he was not thoroughly familiar. Vice Chancellor Ihrig acknowledged that concern.

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

At the September 1995 meeting, the Board authorized the Vice Chancellor for Finance and Administration to proceed with renovations to the president's residence at Oregon State University. Staff reported at the November 1995 Board meeting that the funds being provided for the work totaled $160,000.

Bids were sought on the work required, but none were initially received, so the Vice Chancellor authorized the University to negotiate with two contractors. The current estimated range of costs to perform the work required, based upon the contractors' estimates along with fees and architectural services, is $210,000 to $324,000. Since these renovation costs alone approach or exceed the potential sale value of the current residence, staff considered the option of purchasing another residence and selling the current residence.
A 3,400-square-foot residence on two acres of land has been located at 3700 SW Brooklane in the southwest area of Corvallis. The home is brick and wood construction built in 1989 and is basically ready for occupancy. The cost of the property is $410,000. If the Board authorizes this action, purchasing a replacement home would be more cost-effective than renovating the current residence. It is expected that the amount authorized for renovation of the Hayes Street residence, when added to the sale value, will cover or exceed the purchase price of the replacement residence. The price for the replacement residence has been negotiated subject to an independent inspection and approval of the Board.

**Staff Recommendation to the Board**

Staff requested that the Board authorize the Vice Chancellor for Finance and Administration to proceed with the purchase of the residence at 3700 SW Brooklane for $410,000, subject to acceptable inspection reports, and to proceed with sale of the current president's residence at 3520 NW Hayes Ave., Corvallis.

**Board Discussion and Action**

Ms. Puentes asked why no bids were received initially for repair of the current residence. Vice Chancellor Ihrig responded that, although he did not have a definitive answer, he assumed that there is so much work for contractors in that area right now that no one wanted to go through the bid process.

Mr. Bailey asked if there was sufficient time allowed for inspection reports. Mr. Ihrig replied that they are in progress now, and that the Board action is subject to those reports.

Mr. Bailey asked who would approve the sale of the previous residence and the amount. Mr. Ihrig responded that it was his decision and the results would be reported to the Board. Mr. Bailey further inquired about the results if there is not the expected sale price, for example. Mr. Ihrig replied, "If there is a deficit, I would bring that back to you."

Ms. Christopher moved and Mr. Miller seconded the motion to approve the staff recommendation. The following voted in favor:
Meetings #651

April 19, 1996

Directors Aschkenasy, Bailey, Christopher, Imeson, McAllister, Miller, Puentes, Rhinard, Willis, and Swanson. Those voting no: none.

OPEU MEMBERS

Mr. Swanson acknowledged the presence of members of the Oregon Public Employees' Union (OPEU) at the Board meeting, and he invited a spokesperson to briefly address the Board. Mr. Jeff Seekatz, bargaining chairperson and employee of OSU, requested Board assistance in obtaining a settlement. “We have been negotiating since last October. Today we are declaring impasse on our negotiations. We want a contract settlement that is fair and equitable.” Mr. Seekatz provided the Board with a petition signed by students, faculty, and management service employees. Mr. Swanson accepted the petition and thanked the employees for their attendance at the meeting.

OSSHE ACADEMIC DEGREE PROGRAM PLANNING

Staff Report to the Board

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

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

Oregon Institute of Technology

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

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

Oregon State University

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

University of Oregon

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

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

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

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

**Board Discussion (April 19, 1996)**

Ms. Christopher asked whether or not the request from OIT for a baccalaureate in physical rehabilitative sciences was going to be discussed at this meeting or at a future time. Vice Chancellor Clark responded, “We are in the early stages of planning for a collaborative physical therapy proposal. This is a potential area for job growth but there are issues related to estimated costs of such proposals that have not been adequately resolved.”

Dr. Aschkenasy remarked that more time might need to be spent on issues such as how many students want these programs, the job market for such occupations, and the costs to the institutions for offering them.

Vice Chancellor Clark indicated that the Board would be reviewing preproposals for graduate programs at the May Board meeting. There are several specific graduate proposals and some areas where the provosts have been engaged in collaborative planning.

(No Board action required)

**Proposals for Program Implementation**

Proposals for implementation of new programs include:

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

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

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

(Note: The Bachelor of Science in Emergency Medical Services, OHSU, was withdrawn from Board consideration.)
MASTER OF INTERNATIONAL MANAGEMENT (MIM), PSU AND OREGON JOINT PROFESSIONAL SCHOOLS OF BUSINESS

Introduction

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

Staff Analysis

1. Relationship to Mission

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

2. Evidence of Need

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

3. Quality of Proposed Program

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

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

4. Adequacy of Resources to Offer the Program

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

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

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

Program Review

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

Staff Recommendation to the Board

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

Board Discussion and Action (February 16, 1996)

Chancellor Cox asked about the projected numbers of part-time versus full-time students in the program. Mr. John Oh, director of PSU's master’s of international management program, said that there probably will be an even mix -- about 30 each year for both full-time and part-time students. Mr. Jim Reinmuth, executive director of OJPSB, added that it is important to remember there will be both Oregon and Asian students to ensure intercultural learning.
Ms. McAllister asked if the two-month course is an introduction to the year-long course. Mr. Oh responded that it is an intensive eight-week program for those students who have never taken business fundamentals.

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

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

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

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

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

Board Discussion and Action (April 19, 1996)

Ms. Christopher moved and Ms. Puentes seconded the motion to approve the staff recommendation. The following voted in favor: Directors Aschkenasy, Bailey, Christopher, Imeson, McAllister, Miller, Puentes, Rhinard, Willis, and Swanson. Those voting no: none.
MASTER OF SCIENCE IN MEDICAL INFORMATICS, OHSU

Introduction

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

Staff Analysis

1. Relationship to Mission

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

2. Evidence of Need

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

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

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

3. **Quality of Proposed Program**

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

4. **Adequacy of Resources**

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

**Program Review**

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

**Staff Recommendation to the Board**

Staff recommend the Board authorize Oregon Health Science University to establish a program leading to a Master of Science degree in Medical Informatics effective fall term, 1996, with a follow-up review of the program to be conducted by the State System Office of Academic Affairs in the 2001-02 academic year.
Board Discussion and Action (February 16, 1996)

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

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

Board Discussion and Action (April 19, 1996)

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

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 (February 16, 1996)**

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

Ms. McAllister moved and Mr. Rhinard seconded the motion to approve the staff recommendation. The following voted in favor: Directors Aschkenasy, Bailey, Christopher, Imeson, McAllister, Puentes, Rhinard, Waddy, Willis, and Swanson. Those voting no: none. The program will appear on the next Board meeting consent agenda.
RESOLUTION
FOR THE SALE
OF ARTICLE
XI-G & ARTI-
CLE XI-F(1)
BONDS

Board Discussion and Action (April 19, 1996)

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

Summary

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

Staff Report to the Board

The 1995 Legislative Assembly authorized the Board of Higher Education to issue general obligation bonds to finance projects for capital construction and facilities repair and renovation. The maximum amount authorized for 1995-1997 is $95,380,000 for bonds to be issued under authority of Article XI-F(1) of the Oregon Constitution, which are to be repaid from dedicated revenue sources associated with these projects or from student building fees. An additional $32,950,000 of bonds may be issued under Article XI-G. Debt service on these bonds is paid from the General Fund.

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

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

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

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

The colleges and universities are requesting that $26,960,000 of Article XI-F(1) bonds authorized for issuance in fall of 1995 be adjusted to a new total of $44,580,000 for spring 1996. The purposes for which the bonds would be sold include the development of student family housing at the UO ($6,120,000), to be repaid from housing revenue; the design and construction of a new residence hall and renovation of the current residence facility at EOSC ($4,015,000), to be repaid from housing revenue; building fee-supported renovation work at three student unions (WOSC, OSU, and the UO) totaling $5,255,000; the renovation of the West Hall Dining Center at OSU ($4,410,000), supported by housing charges; the renovation of student housing facilities at PSU ($2,245,000), to be repaid from housing charges, and the Urban Center Phase II at PSU ($13,475,000), to be repaid from a variety of sources including parking fees, general auxiliary, and rental income from the City of Portland and U S WEST; the West Hall Renovation Project at OSU ($8,450,000), to be repaid from housing charges; and a supplemental sale for the OSU Food Innovation Center ($810,000), to be repaid from rental income.
Of the total Article XI-F(1) bonds, bond counsel will designate the $2,245,000 for Portland State University's Housing Renovation project as 501(c)(3) bonds because a private non-profit entity will manage the housing units for the University. In addition, bond counsel may designate a portion of the Urban Center Phase II project bonds ($2,445,000) as taxable because of space utilization by a private entity, U S WEST.

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

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

**Staff Recommendation to the Board**

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

**RESOLUTION**

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

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

WHEREAS, ORS Chapters 351, 288, and 286 provide further direction as to how bonds are sold and proceeds administered; and
WHEREAS, Senate Bill 5535, Chapter 410, Oregon Laws 1995, establishes Oregon Constitution limitations on the amount of bonds that may be sold pursuant to Articles XI-G and XI-F(1) for the 1995-1997 biennium; and

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

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

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

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

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

<table>
<thead>
<tr>
<th>University of Oregon</th>
<th>Bonds Authorized</th>
<th>Revised Bond Authorization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Family Housing (Amazon Housing, Phase II)</td>
<td>$9,705,000</td>
<td>$6,120,000</td>
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<tr>
<td>EMU Safety Improvements</td>
<td>255,000</td>
<td>255,000</td>
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<tr>
<td>EMU/Child care</td>
<td>305,000</td>
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<tr>
<td>Vivian Olum Child Care Center</td>
<td>130,000</td>
<td>0</td>
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<tr>
<td>Amazon Housing Child Care</td>
<td>495,000</td>
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<table>
<thead>
<tr>
<th>Oregon State University</th>
<th></th>
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<tbody>
<tr>
<td>Memorial Union Renovation, Ph II</td>
<td>$2,705,000</td>
<td>$2,705,000</td>
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<tr>
<td>West Hall Dining Renovation</td>
<td>4,410,000</td>
<td>4,410,000</td>
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<tr>
<td>Food Innovation Center</td>
<td>0</td>
<td>610,000</td>
</tr>
<tr>
<td>West Hall Renovations</td>
<td>0</td>
<td>8,450,000</td>
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<table>
<thead>
<tr>
<th>Portland State University</th>
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<tbody>
<tr>
<td>Housing Renovation</td>
<td>$2,245,000</td>
<td>$2,245,000</td>
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<tr>
<td>Urban Center Phase II</td>
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<td>13,475,000</td>
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<tr>
<th>Western Oregon State College</th>
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<tbody>
<tr>
<td>Forensics Laboratory</td>
<td>$400,000</td>
<td>$0</td>
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<tr>
<td>Werner College Center Renovation</td>
<td>2,295,000</td>
<td>2,295,000</td>
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<table>
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<tr>
<th>Eastern Oregon State College</th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Residence Hall Construction/Renovation</td>
<td>$4,015,000</td>
<td>$4,015,000</td>
</tr>
</tbody>
</table>

**Total Article XI-F(1) Projects** | $26,960,000 | $44,580,000

Section 3. Article XI-G Projects. Bonds are authorized to be sold to provide funds for projects as may be authorized by the Oregon legislature and as may be revised by the Vice Chancellor for Finance and Administration as authorized by Oregon law.
### Article XI-G Projects

**University of Oregon Law Center**

<table>
<thead>
<tr>
<th>Project</th>
<th>Authorized Amount</th>
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</thead>
<tbody>
<tr>
<td>Bonds Authorized</td>
<td>July 21, 1995</td>
<td>$510,000</td>
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<tr>
<td>Revised Bond Authorization</td>
<td>March 14, 1996</td>
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<tr>
<th>System</th>
<th>Authorized Amount</th>
<th>Total Amount</th>
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<tbody>
<tr>
<td>Capital Repair/Deferred</td>
<td>$200,000</td>
<td>$11,985,000</td>
</tr>
<tr>
<td>Maintenance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Total Article XI-G Projects   | $200,000          | $11,985,000  |

| Total All Bond Projects       | $27,160,000       | $56,565,000  |

#### Section 4. Maintenance of Tax-Exempt Status

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

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

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

#### Section 5. Sale of Bonds

The State Treasurer, with the concurrence of the Vice Chancellor for Finance and Administration, shall sell the Bonds as the State Treasurer deems advantageous.
Meeting #651

April 19, 1996

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

Executive Committee Discussion and Action (March 14, 1996)

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

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

Board Discussion and Action (April 19, 1996)

Ms. Christopher moved and Ms. Puentes seconded the motion to ratify the action of the Executive Committee. The following voted in favor: Directors Aschkenasy, Bailey, Christopher, Imeson, McAllister, Miller, Puentes, Rhinard, Willis, and Swanson. Those voting no: none.

Staff Report to the Board

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

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

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

Resolution

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

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

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

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

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

Officers and Board Members

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Les Swanson, Jr.</td>
<td>President</td>
</tr>
<tr>
<td>Herb Aschkenasy</td>
<td>Vice President</td>
</tr>
<tr>
<td>Robert Bailey</td>
<td>Board Member</td>
</tr>
<tr>
<td>Diane Christopher</td>
<td>Board Member</td>
</tr>
<tr>
<td>Tom Imeson</td>
<td>Board Member</td>
</tr>
<tr>
<td>Gail McAllister</td>
<td>Board Member</td>
</tr>
<tr>
<td>Walter R. Miller</td>
<td>Board Member</td>
</tr>
<tr>
<td>Esther Puentes</td>
<td>Board Member</td>
</tr>
<tr>
<td>Mark Rhinard</td>
<td>Board Member</td>
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<tr>
<td>April Waddy</td>
<td>Board Member</td>
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<tr>
<td>Jim Willis</td>
<td>Board Member</td>
</tr>
<tr>
<td>Joseph Cox</td>
<td>Chancellor</td>
</tr>
<tr>
<td>Virginia L. Thompson</td>
<td>Secretary</td>
</tr>
</tbody>
</table>

Board Discussion and Action

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

In an effort to gain a better understanding of the post-high school activities of Oregon high school graduates, a telephone survey was undertaken in February 1996 of the Oregon high school graduating class of 1995. This survey is an update of a similar study of the class of 1993, reported in the OSSHE publication, *Where Have All the Graduates Gone?*

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

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

### Percent of High School Graduates Enrolled Fall Term Following Graduation

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oregon—1995</td>
<td>54.8</td>
<td>65.7</td>
<td>60.1</td>
</tr>
<tr>
<td>Oregon—1993</td>
<td>57.6</td>
<td>67.0</td>
<td>62.5</td>
</tr>
<tr>
<td>U.S.—1994</td>
<td>60.6</td>
<td>63.2</td>
<td>61.9</td>
</tr>
</tbody>
</table>

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

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

- 19 percent attended an Oregon State System institution in fall 1995
- 21 percent attended an Oregon community college
- 4 percent attended an Oregon independent college
- 13 percent attended an out-of-state four-year institution
- 3 percent attended an out-of-state two-year institution
- 40 percent did not attend college in fall 1995
As in the earlier study, the major reasons for choosing or not choosing a college are related to *prices and cost to students* and to *academic reputation*:

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

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

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

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

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

This study was conducted by the OSSHE Office of Institutional Research Services, with assistance from Alliance Interviewing Services and MarketLink of Eugene. (The full report was available at the Board meeting and may be obtained from the State System Office of Academic Affairs.)
Board Discussion

Mr. Willis asked how many community college students transfer to OSSHE institutions. Ms. Susan Weeks, director of Institutional Research Services, explained that of those high school graduates surveyed who chose a community college, over half indicated that it would be very important to transfer to an OSSHE institution later. Mr. Willis asked for more information regarding what community college students are doing now as opposed to the intentions of high school graduates. Vice Chancellor Clark responded that Ms. Weeks' staff had recently been developing additional data that would include students from other states and countries as well as new residents. Dr. Clark noted that there is substantial transfer activity from four-year colleges as well as community colleges.

Mr. Miller asked if we know the extent to which students who leave Oregon to go to college later return to Oregon, either for further educational or employment opportunities. Ms. Weeks directed Board attention to some of the related open-ended comments contained in the appendix of the report; however, she indicated that they are very anecdotal. Dr. Cox suggested that the Department of Motor Vehicles might be able to provide some relevant, simple statistical data.

(No Board action required)

LEGISLATIVE REPORT

Mr. Grattan Kerans, director of Government Relations, reviewed the legislative concepts document provided to the Board at the meeting. (A copy is on file in the Board's office.) He also mentioned that Senator Hartung has indicated that the Senate Education Committee will be introducing legislation regarding higher education.

COMMITTEES

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

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

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

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

(No Board action required)

President Swanson reminded the Board of the upcoming meeting of the Joint Boards of Education in May. "We'll be coming to the Joint Boards meeting with a report regarding the Certificate of Advanced Mastery and Proficiency-based Admission Standards System. We will also have a concept paper regarding the CAPITAL Center and possible budget considerations."

Mr. Swanson remarked favorably about the communication among the sector CEOs as well as his with Board of Education Chair Susan Massey.

Mr. Bailey reported that the OHSU Board met the previous week. The following issues were discussed and/or acted upon. 1) New codes were adopted that should allow contracting work to be performed more efficiently and expediently. 2) The Board is examining early retirement issues. 3) The OHSU Board is discussing whether there should be a separate School of Allied Health Education. Currently
SUMMARY OF FACILITIES CONTRACTING ACTIVITIES

Staff Report to the Board

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

Professional Consultant Agreements

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

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

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

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

Award of Construction Contracts

**Miscellaneous Roofing Projects, EOSC**
On March 8, 1996, McDonald & Wetle, Inc. was awarded a contract for this project in the amount of $168,515. Financing will be provided from state funds.
Pedestrian Walkway Replacement Project, EOSC
On March 22, 1996, Edmondson & Frye, Inc. was awarded a contract for this project in the amount of $138,487. Financing will be provided from capital repair funds.

Batcheller Hall Parapet Reinforcement Project, OSU
On March 13, 1996, McKenzie Commercial Contractors, Inc. was awarded a contract for this project in the amount of $134,500. Financing will be provided from capital repair funds.

Forest Research Lab Chemical Storage Building Project, OSU
On January 22, 1996, Inherent Quality Management was awarded a contract for this project in the amount of $49,973. Financing will be provided from a forest research grant.

Pharmacy Building Reroof/Cornice Restoration Project, OSU
On March 12, 1996, Snyder Roofing & Sheet Metal, Inc. was awarded a contract for this project in the amount of $275,656. Financing will be provided from capital repair funds.

Science Building 2, Oregon Health Lab Remodel Project, PSU
On November 20, 1995, Todd Hess Building Company was awarded a contract for this project in the amount of $36,700. Financing will be provided from an interagency agreement for public health lab funds.

Erb Memorial Union Reservation Office Remodel Project, UO
On January 16, 1996, 2G Construction, Inc. was awarded a contract for this project in the amount of $53,700. Financing will be provided from auxiliary funds.

Howe Field Softball Dugouts Project, UO
On December 22, 1995, McKenzie Commercial Contractors, Inc. was awarded a contract for this project in the amount of $146,810. Financing will be provided from auxiliary funds.

McArthur Court Roof Repair Truss Preorder Project, UO
On February 8, 1996, McKenzie Commercial Contractors, Inc. was awarded a contract for this project in the amount of $339,674. Financing will be provided from capital repair funds.
Vivian Olum Child Development Center Project, UO
On March 19, 1996, John Hyland Construction was awarded a contract for this project in the amount of $547,901. Financing will be provided from gifts and building fee funds.

Acceptance of Projects

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

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

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

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

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

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

(No Board action required)

Mr. Rhinard thanked Presidents Risser and Wolf for their reports to the Board.

ITEMS FROM BOARD MEMBERS
Ms. Christopher indicated that she had been visiting OSSHE campuses and thanked the leadership and staff at those institutions for making her visits informative and productive.

President Swanson announced an Executive Session of the Board immediately following lunch. He read the following statement:

"The Board of Higher Education is meeting in Executive Session this afternoon. This session, from which the public is excluded, is held pursuant to ORS 192.660(1)(d), for the purpose of deliberations with its labor negotiator(s). Pursuant to ORS 192.660(3), representatives of the news media are excluded from this Executive Session. Pursuant to ORS 192.660(4), no final action will be taken or final decision made at this Executive Session."

The formal meeting of the Board adjourned at 10:40 a.m. to a Work Session on long-range planning.

Chancellor Cox commended everyone who participated in Phase I of the long-range planning effort. Referring to the forthcoming reports of the four task forces, Dr. Cox underlined that "...this does not mean that what we're doing is flawed. Rather, we hope to identify specific areas that need attention." The Chancellor reviewed the planning process and the four broad areas defined by the task forces, noting that two were very traditional (undergraduate education and graduate education and research) and two were new areas of consideration (professional development/lifelong education and community and economic development).

Each task force chair reviewed their set of conclusions, supported by material in the report, *Creating Tomorrow: Implementing the 2010 Vision.* (Copies of the report are available from the Office of Corporate and Public Affairs.)

Finally, the Board, presidents, IFS president, and executive director of the Oregon Student Lobby participated in an affinity process under the direction of John Bernard. Some broad themes emerged from that work: responsiveness and delivery, student access, new demands for more education and research, new competition, governance/coordination, resources, internal systems and obstacles, diversity, outreach, and assessment of quality/needs. In addition, it was noted that some
issues (e.g., technology) cut across multiple areas and those must be identified as well.

The next step in the planning process will be to convene several caucuses to further refine them and to develop objectives.

ADJOURNMENT The Board Work Session adjourned at 3:25 p.m.

Virginia L. Thompson
Secretary of the Board

Les Swanson, Jr.
President of the Board