REGULAR MEETING OF THE
OREGON STATE BOARD OF HIGHER EDUCATION

October 18, 1996

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OREGON STATE BOARD OF HIGHER EDUCATION
MINUTES OF REGULAR MEETING
ROOM 201, HOKE COLLEGE CENTER
EASTERN OREGON STATE COLLEGE

ROLL CALL
The meeting of the State Board of Higher Education was called to order at 10 a.m. by President Herb Aschkenasy.

On roll call, the following answered present:

Mr. Tom Imeson
Ms. Gail McAllister
Ms. Esther Puentes
Ms. April Waddy

Dr. Jim Whittaker
Mr. Jim Willis
Ms. Phyllis Wustenberg
Dr. Herb Aschkenasy

Ms. Diane Christopher was absent due to a scheduling conflict, Mr. Mark Rhinard had a business conflict, and Mr. Swanson was out of the country.

MINUTES APPROVED
The Board dispensed with the reading of the minutes of the September 20, 1996, meeting of the Board. Ms. McAllister moved and Dr. Whittaker seconded the motion to approve the minutes as submitted. The following voted in favor: Imeson, McAllister, Puentes, Waddy, Whittaker, Willis, Wustenberg, and Aschkenasy. Those voting no: none.

PRESIDENT’S REPORT
Thank EOSC

Dr. Aschkenasy commended faculty and staff of Eastern Oregon State College and the citizens of La Grande for their enthusiasm about the community and the institution. He expressed appreciation for the campus visit and the dedication represented.

Introduction, J. Wykoff

President Aschkenasy introduced new Board member John Wykoff. He is a student from PSU and will be replacing Mark Rhinard starting in January 1997.

Solution Teams
President Aschkenasy indicated that this meeting marked the beginning of Board efforts to address a variety of strategic issues pertaining to OSSHE. Four Solution Teams will provide initial reports to the Board. Dr. Aschkenasy stated that it's probably unrealistic to count on a sudden infusion of a large amount of state money to implement the recommendations. Consequently, the Solution Teams
will need to continue to seriously consider solutions that are more effective and productive. For readers of The Chronicle of Higher Education, Dr. Aschkenasy noted that it is apparent that this problem is not unique to Oregon, but is one faced by colleges and universities across the country.

CHANCELLOR'S REPORT
Recognition: PSU, Undergraduate Education
Recognition, C. Falsgraf

Chancellor Cox also announced that OSSHE Japanese Language Project Director Carl Falsgraf received the Oregon Foreign Language Teachers Outstanding Contribution to the Profession Award for 1996. The Project helps develop quality Japanese language instruction in the secondary schools and is making important and fundamental improvements in this instruction.

Upcoming Search for Vice Chancellor

Dr. Cox indicated that immediately after appointment of a vice chancellor for finance and administration, the search will begin for a replacement for Tim Griffin, vice chancellor for corporate and public affairs. "The combination of skills for this position involves fundamental knowledge of the private sector and how it works and also someone who believes in the higher education enterprise. We're open to nominations."

Governor's Public Meetings, Task Forces

The Chancellor reported that Governor Kitzhaber is conducting a series of statewide public forums to present the implications of a number of the upcoming ballot measures. Chancellor Cox also reported on the presentation he made to the Governor's Task Force on Education and the Economy. At this meeting, he provided a detailed summary of the Board's planning activities and then engaged the task force in a discussion. On October 29, the task force will hold a full day workshop at the World Trade Center in Portland on engineering education and capacity needs statewide.

Board Meeting Agenda

Dr. Cox announced that Mr. Roger Bassett, who has taken a leave from his role as Commissioner of Community Colleges to serve as the Governor's Education Policy Advisor, was scheduled to join the Board meeting via telecommunications.
IFS Report

Interinstitutional Faculty Senate (IFS) President Martha Sargent commented on her sense of discouragement about the upcoming ballot measures, sharing anecdotes of other faculty members who feel disheartened. She introduced Beatrice Oshika from PSU, who related her family history and educational and professional careers, and explained why she is leaving PSU. (The full text is on file in the Board’s office.)

Staff Report to the Board

Senate Bill 271, the Higher Education Administrative Efficiency Act, authorizes OSSHE to operate its own human resources systems for all employees. As an administrative efficiency, OSSHE will abolish the management service employment category on November 1, 1996. This action reduces the administrative efforts of managing different terms and conditions of employment for positions which can, more efficiently, be included in the unclassified academic service. Institution and Chancellor’s Office staff have worked to implement this conversion. Positions that were formerly in the management service category will become academic unclassified service. Because vacation accrual is handled differently for academic unclassified employees, OSSHE needs a policy for those employees whose positions are being converted.

The policy developed by Chancellor’s Office and institution staff and approved by the Administrative Council allows employees to carry over current balances to be used during a 36-month transition period. Employees will be paid for balances remaining at the end of the transition period. The policy also contains a provision that employees who are participating in the Early Retirement Program can accrue vacation on a pro-rata basis in the months until their retirement.

Staff Recommendation to the Board

Staff recommended that the Board amend OAR 580-021-0030, Vacation Leave, to provide a transitional vacation policy for management service employees whose positions will be converted to academic unclassified on November 1, 1996, as follows:

(NOTE: Underline denotes addition; brackets and highlighted text denote deletion.)
Vacations

580-021-0030 (1) Eligibility. Vacation means absence from work permitting rest and recreation for a specified period of time during which regular compensation continues. Academic staff gain vacation privileges only if employed at .50 FTE or more on a 12-month appointment.

(2) Computation. Eligible academic employees receive vacation allowance on their vacation anniversary, which is the date on which they first completed 11 months of continuous service with the Department of Higher Education. An employee who terminates before completing 11 months of continuous service receives no vacation allowance and is not entitled to compensation for such an allowance upon termination. However, academic staff may take a pro-rated amount of vacation after the first six months. A nine-month employee appointed to a 12-month contract may count service on the most recent nine-month contract toward completion of the 11-month vacation anniversary requirement. Eligible employees on a 1.0 FTE, 12-month contract receive 176 hours of vacation allowance on their vacation anniversary; eligible employees on less than 1.0 FTE but .50 FTE or more, receive an allowance proportional to their FTE.

(3) Maximum Accrual and Carry-over. Vacation allowance is available to the academic employee to use in the subsequent 12-month period beginning with the employee's vacation anniversary. The vacation allowance expires at the end of the 12-month period and may not be carried forward into a subsequent 12-month period except as follows: the institutional president or designee may approve the carry-over of up to 80 hours of vacation time when staffing needs have prevented the employee from utilizing all the vacation allowance within the given 12-month period. The additional hours of vacation allowance shall expire on the employee's next vacation anniversary.

(4) Transfer. If an eligible academic employee transfers to another position within the Department of Higher Education and remains eligible for vacation allowance and if the break in service between appointments is 30 days or less, the employee shall transfer all accrued vacation leave to the new position and the employee's vacation anniversary shall remain unchanged. If the break in service is more than 30 days, all accrued vacation pay will be paid off by the sending institution and a new vacation anniversary date will be established in the new position. If a classified or management service employee of the Department receives an academic appointment within the Department and becomes eligible for vacation
privileges, the employee may transfer up to eighty hours of accrued vacation time; the receiving institution may accept up to 176 hours maximum. The former classified [or management service] employee shall receive cash compensation from the sending institution for any accrued vacation allowance not transferred.

(5) Leave. The accrual of a vacation allowance is reduced on a pro rata basis for periods of leave without pay, sabbatical leave, and educational leave. Vacation time is accrued during other periods of paid leave.

(6) Payment for Accrued Vacation Time. Academic employees are not entitled to payment for unused vacation allowance except upon termination of employment or upon transfer within the Department to another academic position not eligible for vacation benefits. Academic staff who transfer to a classified [or management service] position within State of Oregon employment are subject to applicable OSSHE rules or collective bargaining agreements. The maximum number of hours that can be paid upon termination or transfer is 176 hours.

(7) Scheduling and Use of Vacation Leaves. Vacation leaves are scheduled with the approval of the employee's supervisor and should be planned cooperatively with the employee. Vacation leave should be scheduled in such a manner as to minimize disruption to the organization. Supervisors must be reasonable in allowing the use of vacation time and may not unreasonably deny vacation requests where the result would be the forfeiture of accrued vacation. For purposes of calculation, one normal work day is the equivalent of eight hours of vacation time for a full-time employee.

(8) Recordkeeping. Each institution is responsible for maintaining the individual records of vacation accrual and use.

(9) Alternative Plan. An institution may, upon receiving written approval from the Vice Chancellor for Finance and Administration, use July 1 as the vacation accrual date for all eligible academic staff.

(10) Interim Provisions for Employees Moving from Management Service to Unclassified Service. Vacation leave for employees in management service on November 1, 1996, shall be provided by the policies established in this section.

(a) For those employees who were employed in management service at the time of conversion of their positions to unclassified or academic service on November 1, 1996, up to 176 hours of the employees' current vacation accrual balance shall be credited to each employee's active vacation account. Any hours in excess of 176 hours will be maintained in a reserve vacation account for the employee. Employees have 36 months, until November 1, 1999, to
draw upon the reserve vacation account according to the provisions in section (7) of this rule. An employee may be paid for any or all of the hours in the employee's reserve vacation account at the institution's discretion. On November 1, 1999, the institution will pay the employee for any remaining balance in the employee's reserve vacation account at the employee's rate of pay on that date.

(b) Notwithstanding the provisions of subsection (10)(a) of this rule, if an employee's employment with the Department ends prior to November 1, 1999, the employee may receive payment for no more than 250 hours of accrued vacation time. Employees will be paid at the rate of pay they are receiving on their last day of employment with the Department.

(c) Employees who were management service employees on November 1, 1996, and who retire from the Department by June 30, 1997, will accrue vacation on a monthly pro-rata basis at the rate of 176 hours per year between November 1, 1996, and their retirement date.

(d) In the event of extraordinary circumstances, the Chancellor or designee may approve exceptions to the policy established in section (10) of this rule.

(e) This section is repealed January 1, 1998.

Board Discussion and Action

Dr. Aschkenasy asked if this rule gives employees more flexibility. Mr. Foute responded that it did.

Mr. Imeson moved and Ms. Wustenberg seconded the motion to approve the staff recommendation. On roll call, the following voted in favor: Imeson, McAllister, Puentes, Waddy, Whittaker, Willis, Wustenberg, and Aschkenasy. Those voting no: none.

Staff Report to the Board

Oregon Revised Statute 183.545 requires each state agency to review agency rules every three years. To fulfill this requirement, staff reviewed the Board's Administrative Rules. Staff considered whether the rules should remain unchanged, be amended, or be repealed, keeping in mind that the statutory goal is to minimize the economic effect of agency rules on business. Staff solicited public and institutional comment on the rules. Three types of changes are proposed: 1) clarifications and grammatical changes or corrections, 2) changes to keep the rules current, and 3) substantive changes. Staff have also
reviewed the rules for punctuation errors and consistency; the Board is not required to vote on punctuation corrections.

The following lists identify the rules proposed to be changed by the type of change recommended.

**Substantive Changes**

580-010-0040  
580-010-0040 (1)  
Residence Classification of Aliens  
Extends the potential of residency to holders of N (relatives of G visa holders who are officers or employees of special international organizations), R (religious workers or their families carrying on religious activities), NATO (NATO employees and their families), TC/TN/TD (professionals and their families who conduct business and trade under the Canadian Free Trade Agreement and NAFTA) if they otherwise qualify for residency. Deletes reference to immigrant visas because some immigrant visas are of short duration and holders would not meet other qualifications for residency.

580-010-0040 (2)  
Changes listing of visa categories not eligible for residency to examples only to reflect continuing addition of non-immigrant visa designation.

580-012-0005  
Solicitation of Students for Funds Prohibited  
Deletes prohibition regarding solicitation of funds from students, with the expectation that this is an institutional matter within state and federal constitutional limits.

580-040-0100  
Screening and Selection for Personal Service Contracts  
Consistent with other contracting rules, allows direct procurement for contracts not exceeding $5,000.
<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
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<tbody>
<tr>
<td>580-050-0033</td>
<td>Change Orders</td>
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<tr>
<td></td>
<td>(2) Eliminates the cap based on percentage of the total value of a project that may be undertaken</td>
</tr>
<tr>
<td></td>
<td>through change orders or amendments.</td>
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<tr>
<td></td>
<td>(5) Consistent with delegation to campuses, removes provision for change orders or amendments that</td>
</tr>
<tr>
<td></td>
<td>must be approved by the Vice Chancellor for Finance and Administration or designee acting as</td>
</tr>
<tr>
<td></td>
<td>contracting officer.</td>
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<tr>
<td>580-050-0041</td>
<td>Emerging Small Businesses</td>
</tr>
<tr>
<td></td>
<td>(8) Eliminates the requirement for good faith efforts to subcontract with emerging small business</td>
</tr>
<tr>
<td></td>
<td>when contractor will perform the work without subcontracting, whether or not the project was</td>
</tr>
<tr>
<td></td>
<td>designated as inappropriate for subcontracting when the request for bids or proposals was</td>
</tr>
<tr>
<td></td>
<td>issued.</td>
</tr>
<tr>
<td>580-050-0042</td>
<td>Minority Business Enterprises and Women Business Enterprises</td>
</tr>
<tr>
<td></td>
<td>(7) Eliminates the requirement for good faith efforts to subcontract with minority and women</td>
</tr>
<tr>
<td></td>
<td>business enterprises when contractor will perform the work without subcontracting whether or not the</td>
</tr>
<tr>
<td></td>
<td>project was designated as inappropriate for subcontracting when the request for bids or proposals</td>
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<td></td>
<td>was issued.</td>
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**Changes to Keep Administrative Rules Current**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>580-021-0020</td>
<td>Working Hours</td>
</tr>
<tr>
<td></td>
<td>Recognizes that, with the inclusion of former management service workers, some employees will be</td>
</tr>
<tr>
<td></td>
<td>subject to hourly pay restrictions.</td>
</tr>
<tr>
<td>580-021-0040</td>
<td>Sick Leave Plan for Academic Personnel</td>
</tr>
<tr>
<td></td>
<td>(1) Deletes provision only to OHSU.</td>
</tr>
<tr>
<td>580-030-0005 et seq.</td>
<td>Oregon Health Sciences University Hospital</td>
</tr>
<tr>
<td></td>
<td>Deletes Division 30, which relates to Oregon Health Sciences University Hospital.</td>
</tr>
</tbody>
</table>
Meeting #656

580-040-0005 Delegation and Assignment of Responsibility
Deletes reference to Board's Committee on
Finance and Administration.
     (8) Deletes reference to State of Oregon Executive
Department.

580-040-0015 Hospital Charges
Deletes rule that sets guidelines regarding
charges at Oregon Health Sciences University
Hospital.

580-040-0020 Medical, Surgical, Oral Health, and Medical and
Dental Clinic Professional Service Fee Sched-
ules
Deletes rule that sets guidelines regarding
charges for clinics at Oregon Health Sciences
University.

580-040-0025 Traffic Regulations, Parking Fees, and Enforce-
ment Fines
     (4) Deletes example related to Oregon Health
Sciences University.

Clarifications and Grammatical Changes or Corrections

580-010-0085 Student Exchanges

580-015-0045 Counseling and Use of Appraisal and Counsel-
ing Materials

580-022-0005 Academic Freedom

580-022-0095 Confidential Records — Restrictions on Release

580-046-0010 Privileges and Responsibilities

580-046-0020 Institution Foundation Organization, Affiliates,
Relationships

580-050-0020 Appointment of Professional Consultants

580-050-0032 Contracts for Repairs and Public Improvements

388
580-050-0100 Board of Higher Education-Provided Housing

Staff Recommendation to the Board

Staff recommended the Board adopt the Administrative Rules changes identified in the attachment, Proposed Amendments to Administrative Rules, Periodic Rule Review, to be effective upon filing with the Secretary of State.

Board Discussion and Action

Ms. Waddy asked about the rules regarding students whose parents are in the military. Ms. Melinda Grier responded that the residency classification changes related to students who are not U.S. citizens. The Board has other rules dealing with students whose parents are in the military.

Ms. McAllister asked if raising the contracts to $5,000 allowed institutions more flexibility. Ms. Grier responded affirmatively, that it recognizes that the costs have increased.

Mr. Imeson asked for an explanation of the changes with respect to emerging small businesses and minority business enterprises. Ms. Grier stated that the current rules on emerging small business and minority and women business enterprises relate to subcontracting of contracts. As the rule is written, those provisions don’t apply if the Board or institutions identify that a program is not likely for subcontracting. What has occurred recently is illustrated by an instance where the institution did not believe the project was likely for subcontracting, but in fact the contractor did need to subcontract. “We faced the dilemma of being unable to waive the rule because we hadn’t earlier identified it as being something that was appropriate for subcontracting. So these are merely changes to allow that kind of thing to happen. It really has no effect in force because the contractor has to certify that they won’t subcontract, and we monitor that. We know if they’re subcontracting.”

Mr. Imeson moved and Ms. McAllister seconded the motion to approve the staff recommendation. On roll call, the following voted in favor: Imeson, McAllister, Puentes, Waddy, Whittaker, Willis, Wustenberg, and Aschkenasy. Those voting no: none.
SALE OF PRESIDENT'S RESIDENCE, OSU

Staff Report to the Board

At the April 1996 meeting, the Board authorized the Vice Chancellor for Finance and Administration to proceed with the sale of the president's residence at Oregon State University. OSU officials now report that the residence at 3520 NW Hayes Ave., Corvallis, has been sold.

Officials at Oregon State University report that, after the April meeting, appropriate steps were taken regarding the sale of state property, including offering the property to other state and local agencies. The decision to sell the residence was made after it was estimated to cost between $210,000 and $324,000 to upgrade and repair the house. The property was appraised by a real estate appraiser and valued at $325,000, after which the residence was advertised for sale. University officials have sold the property to Mr. and Mrs. James Spain for $331,000. The proceeds from this sale will be used to offset the $410,000 cost of the president's new residence.

(No Board action required)

REPORT OF GRIEVANCES FILED UNDER OAR 580-021-0050

The Board's grievance procedure for unclassified employees, Oregon Administrative Rule 580-021-0050, requires each institution to report annually the number, basis, and outcome of all formal grievances filed under the institutional procedures adopted pursuant to the rule. In addition to the grievances reported here, other grievances were filed under procedures contained in collective bargaining contracts. The institutions reported as follows for the 1995-96 academic year.

EOSC  No grievances were filed.

OIT  No grievances were filed.

OSU  Five grievances were filed.

A faculty member alleged sex discrimination relating to reappointment. The grievance was denied at the first level. At the time of the report, the faculty member had not appealed.

A faculty member filed a grievance regarding performance evaluation, allocation and use of funds and, also, alleging sex discrimination and favoritism. The
faculty member did not appeal the resolution proposed at the first step.

A faculty member filed two grievances, one substantive and one procedural, regarding denial of promotion to professor. The grievances were withdrawn after being denied at the first step.

A faculty member filed a grievance alleging infringement of academic freedom, harassment, and retaliation related to class assignment. The Faculty Grievance Committee found no infringement of academic freedom, harassment, or retaliation. The President adopted the Committee’s findings.

A faculty member filed a grievance alleging national origin and age discrimination relating to the faculty member’s application for a position opening. The Faculty Grievance Committee found no evidence of discrimination. The President adopted the Committee’s findings.

PSU

A faculty member filed a grievance regarding the faculty member's assignment. The matter is pending while the grievance committee is convened and the faculty member returns following leave for health reasons.

SOSC

No grievances were filed.

UO

Nine grievances were filed.

Four faculty members filed grievances regarding the denial of promotion or indefinite tenure. Two of the grievances resulted in hearings. In all of the cases, the faculty committee that considers grievances relating to promotion and tenure upheld the decisions.

A faculty member alleged discrimination on the basis of national origin. The matter was resolved.

A faculty member filed a grievance regarding reassignment. The matter was resolved.
A faculty member alleged sexual harassment. The matter was resolved.

Two grievances are pending. Both faculty members allege being wronged in "other conditions of employment." A hearing is scheduled for one grievance. The other is pending efforts at informal resolution.

WOSC

One grievance was filed alleging sex discrimination related to promotion. The matter was also grieved under the collective bargaining agreement. The matter was resolved without a hearing.

(No Board action required)

ANNUAL REPORT ON INVESTMENTS

The annual report of the Pooled Endowment Fund of the Oregon State System of Higher Education (System) is presented in three parts: (1) a summary report from the Common Fund that describes the annual performance results of the various funds used by the System, (2) tables showing a summary of the investment performance of the System's pooled endowment funds for the fiscal year ending June 30, 1996, and (3) a fourth-quarter investment consultant's report from R.V. Kuhns and Associates, included with the supplemental materials. A more comprehensive performance report on the System's entire investment portfolio (pooled endowment, donation, and plant fund investments) is included in the System's Investment Report, which is included with the supplemental materials. (Copies of the supplemental materials are available from the Office of Finance and Administration.)

The June 30, 1996, market value of the System's pooled endowment fund investments, and each investment's percentage of total are summarized as follows.
Pooled Endowment Fund Investments

<table>
<thead>
<tr>
<th>Fund Title</th>
<th>Market Value 06-30-96</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Bond Fund</td>
<td>$12,819,283</td>
<td>29.3%</td>
</tr>
<tr>
<td>Equity Fund</td>
<td>25,838,663</td>
<td>59.3%</td>
</tr>
<tr>
<td>Real Estate Investment Trust</td>
<td>2,275,654</td>
<td>5.2%</td>
</tr>
<tr>
<td>Endowment Energy Partners</td>
<td>566,853</td>
<td>1.3%</td>
</tr>
<tr>
<td>Endowment Partners Fund</td>
<td>415,880</td>
<td>1.0%</td>
</tr>
<tr>
<td>Endowment Venture Partners</td>
<td>901,924</td>
<td>2.1%</td>
</tr>
<tr>
<td><strong>TOTAL Common Fund Investments</strong></td>
<td><strong>42,818,257</strong></td>
<td><strong>98.2%</strong></td>
</tr>
</tbody>
</table>

Cash on Hand or in Transit: 771,670 1.8%

TOTAL Pooled Endowment Funds $43,589,927 100.0%

**COMMON FUND SUMMARY**

Bond Fund (6/30/96 market value $12.8 million, 29.3 percent of total): The Bond Fund outperformed the Lehman Aggregate Bond Index, returning 6.3 percent for the year compared with 5.0 percent for the benchmark. The fiscal year was marked by a clearly delineated turnaround between the first half and the second. Bond investors benefitted from slower economic growth and tame inflation during the first part of the fiscal year, which drove the yield on long-term bonds down by almost 70 basis points. The Bond Fund more than kept pace over the period, gaining 6.5 percent compared to 6.3 percent for the Lehman Aggregate Bond Index. The second part of the year saw yields increase by 100 basis points as investors became concerned over signs of accelerating growth due to stronger than expected employment numbers and rising commodity prices. The Bond Fund was also able to perform well in this environment, returning 0.1 percent compared to -1.2 percent for the index. The Bond Fund's consistent performance in both strong and weak markets can be attributed to its multi-manager, multi-strategy structure. The fund's core strategies and longer-than-index duration offset moderate sector performance during the first half of the year. The opposite occurred
during the second half, when longer duration detracted from performance but high-yield and private debt components helped.

High yield was the best performing sector of the bond market during this fiscal year due to both higher initial coupons and spread tightening vis-a-vis Treasuries. Little fear of default risk helped the lowest-quality securities in the high-yield sector (those rated CCC) to have the highest returns. The high-yield component of the Bond Fund returned 10.9 percent over the past fiscal year, which contributed nicely to performance. The private debt allocation, with a low sensitivity to interest rate changes, also added significant value by returning 12.6 percent. The global allocation returned a modest 2.2 percent due to the strength of the dollar, which reduced strong local market returns for U.S. investors.

Effective November 1, 1995, BEA Associates was retained as the fund's high-yield manager. BEA Associates is a multi-product investment firm that employs a top-down approach with an emphasis on macro-economic analysis in order to identify attractive sectors or themes in the high-yield market.

As the fiscal year closed, the Bond Fund ended its commitment to Solon Asset Management, which managed an opportunistic, collateralized mortgage obligation (CMO) strategy that was first funded on December 1, 1994. Solon performed exceptionally well; the action was taken in response to changing market conditions and because the fund was nearing its allowable level of illiquid strategies.

Equity Fund - (6/30/96 market value $25.8 million / 59.3 percent of total): With five of its seven strategy allocations outperforming their benchmarks, the Equity Fund turned in an excellent fiscal year. The fund returned 23.9 percent, outperforming its custom benchmark's return of 23.5 percent. However, the fund trailed the less diversified S&P 500 Index, which returned 26.1 percent. The Equity Fund's greater diversification compared with the S&P 500 means that the fund is not as concentrated in large cap stocks as this broadly watched market measure. The fund also includes substantial international equity exposure. During recent years, this has led to moderate underperformance versus a concentrated large cap domestic index such as the S&P 500.

The Equity Fund's three domestic strategies account for 54 percent of the total fund. For the fiscal year, two of the three funds, the Equity-
Income and Growth Equity Funds, outperformed their benchmarks while the Core Equity Fund trailed its benchmark by a narrow, ten-basis point margin. Among the diversifying strategies that make up the remainder of the fund, three of the four outperformed their benchmarks. Among all strategies, the Absolute Return (Equitized) Fund was the largest single contributor to overall return for the year (28.2 percent). The global/international and hedging strategies outperformed their benchmarks, while the special strategies allocation, which is oriented to longer-term investments, underperformed its benchmark over the last 12 months.

As a single investment affording access to all of the principal equity strategies most endowments are likely to consider, the broadly diversified Equity Fund once again provided attractive returns. In the environment that prevailed during the past fiscal year, the closer an investor stayed to an index such as the S&P 500 — composed of domestic stocks only and highly concentrated in large cap stocks — the better the performance. By comparison, the diversified Equity Fund has a more balanced small-, mid-, and large-cap exposure plus a value orientation. In addition, while the fund's global/international allocation provided good absolute returns, few markets around the world could keep pace with the performance of the S&P 500.

Endowment Realty Investors I (6/30/96 market value $2,276,000, 5.2 percent of total): Endowment Realty Investors I (ERI I) continues to improve its returns. Through June 30, 1996, the fund's total annual return since inception stood at 5.8 percent, which compares favorably with the 2.4 percent total annual return for the NCREIF Index, the industry benchmark, over the same period.

During 1995, the fund outperformed the NCREIF Index by 530 points, producing a total return of 12.1 percent, composed of 7.8 percent income and 4.3 percent appreciation. This compares with a total annual return of 6.8 percent for the NCREIF Index, which included an income return of 8.1 percent and a loss of 1.3 percent in appreciation. The fund's cash distribution to shareholders was 6.0 percent, a level that management expects to increase during 1996.

Results of the 1995 annual property appraisals show that the retail component led the fund's four property sectors, as this sector's appraised value increased 7.6 percent, primarily due to the increase in value of the Saks Fifth Avenue property located in Union Square in San Francisco. After retail, the apartment sector's appraised value
rose 4.3 percent, the office sector showed a slight decrease, and the
industrial sector showed a slight increase.

In late 1995, ERI I continued in its disposition phase with the sale of
two assets: the Metro Corporate Campus II office property in
Woodbridge, New Jersey, and the Sand Hill Plaza retail property in
Newtown, Connecticut, for $1.6 million over the current combined
appraised value for these two assets. After these sales, the portfolio
consists of 21 properties, which are well diversified by location,
property type, and investment structure. In aggregate, the fund's
properties were 95 percent leased at year-end 1995.

**Endowment Energy Partners Fund I (6/30/96 market value $567,000,
1.3 percent of total):** Endowment Energy Partners I (EEP I) has
produced a net internal rate of return of 13.0 percent since its
inception in 1989 through June 30, 1996. Including reinvested capital,
the fund has invested $203.8 million with commitments to 13
operators in nine states.

EEP I is now over one year into its five-year liquidation phase.
Through June 30, 1996, some $56.1 million has been distributed from
the partnership (compared with total commitments to the fund of
$82.5 million).

**Endowment Partners Fund I (6/30/96 market value $416,000, 1.0
percent of total):** Endowment Partners Fund I (EPF I), which was
originally split between Endowment Equity Partners I (EEP I) and
Endowment Mezzanine Partners I (EMP I), has returned an aggre-
gated net internal rate of return (IRR) of 10.1 percent since its
inception in 1988. EPF I has committed its $46 million to seven
managers who have invested in 88 companies, principally in the
services, manufacturing, and retailing industries.

EEP I has produced an IRR of 12.1 percent since its inception in
1988 through June 30, 1996. Although this return is lower than
originally expected from a fund in this asset class, it compares
favorably to its vintage-year median benchmark of 10.3 percent.
Since inception, EEP I has received $27.6 million in distributions, of
which $23.7 million was distributed to member schools. Distributions
are expected to continue to build as the fund matures. EMP I has
produced an IRR of (4.7 percent) since its inception in 1988 through
June 30, 1996.
Endowment Venture Partners I (6/30/96 market value $902,000, 2.1 percent of total): The net internal rate of return on capital drawn down from EVP I participants since inception in 1990 continues to climb and, as of June 30, 1996, stood at 25.9 percent.

EVP I has been fully committed to its four venture capital managers since early 1993. In 1995, the fund's investment phase crested, and the distribution phase continued to expand. Most managers have completed adding companies to the portfolio; as of June 30, 1996, $82.3 million of the fund's $89 million in capital had been called. The total number of companies in this diversified portfolio is more than 450.

OSSHE ANNUAL REPORT ON INVESTMENTS

The following table summarizes the investment performance results for the fiscal year ending June 30, 1996, for the OSSHE Pooled Endowment Fund.
Oregon State System of Higher Education  
Pooled Endowment Funds  
1995-96 Performance Comparisons  
(Based on Total Return)  

<table>
<thead>
<tr>
<th>Annual Performance</th>
<th>91-92</th>
<th>92-93</th>
<th>93-94</th>
<th>94-95</th>
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<tbody>
<tr>
<td><strong>Total Endowment</strong></td>
<td></td>
<td></td>
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<tr>
<td>OSSHE Total Endowment</td>
<td>11.0%</td>
<td>15.1%</td>
<td>2.8%</td>
<td>15.8%</td>
<td>16.4%</td>
</tr>
<tr>
<td>NACUBO, Pools $25m to $100m</td>
<td>13.0%</td>
<td>12.8%</td>
<td>2.4%</td>
<td>15.8%</td>
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<tr>
<td><strong>Equity (Stock) Investments</strong></td>
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<tr>
<td>OSSHE Equity Fund</td>
<td>10.9%</td>
<td>16.9%</td>
<td>3.4%</td>
<td>17.6%</td>
<td>23.5%</td>
</tr>
<tr>
<td>S&amp;P 500 Stock Index</td>
<td>13.5%</td>
<td>13.6%</td>
<td>1.4%</td>
<td>26.0%</td>
<td>26.1%</td>
</tr>
<tr>
<td>Oregon Equity Fund</td>
<td>14.6%</td>
<td>17.1%</td>
<td>1.6%</td>
<td>22.2%</td>
<td>26.0%</td>
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<tr>
<td><strong>Fixed (Bond) Investments</strong></td>
<td></td>
<td></td>
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<tr>
<td>OSSHE Bond Fund</td>
<td>14.9%</td>
<td>15.2%</td>
<td>1.6%</td>
<td>13.7%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Lehman Aggregate Bond Index</td>
<td>14.2%</td>
<td>13.2%</td>
<td>-1.5%</td>
<td>12.5%</td>
<td>5.0%</td>
</tr>
<tr>
<td><strong>Other Investments</strong></td>
<td></td>
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<tr>
<td>Real Estate Investment Trust</td>
<td>0.3%</td>
<td>4.2%</td>
<td>-0.5%</td>
<td>8.5%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Endowment Energy Partners</td>
<td>8.0%</td>
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<td>23.0%</td>
<td>33.0%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Endowment Partners Fund</td>
<td>0.0%</td>
<td>0.0%</td>
<td>16.3%</td>
<td>9.2%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Endowment Venture Partners</td>
<td>1.3%</td>
<td>0.0%</td>
<td>2.0%</td>
<td>40.4%</td>
<td>53.2%</td>
</tr>
<tr>
<td><strong>OSSHE-Stocks/Bonds Combined</strong></td>
<td>12.4%</td>
<td>16.2%</td>
<td>2.7%</td>
<td>16.1%</td>
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<tr>
<td><strong>Weighted Target Index</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>60% S&amp;P 500 Stock Index</td>
<td>13.8%</td>
<td>13.4%</td>
<td>0.2%</td>
<td>20.6%</td>
<td>17.7%</td>
</tr>
</tbody>
</table>

**Board Discussion**

After summarizing the docket information, Ms. Foute reminded the Board that a year ago, the Board approved that R.V. Kuhns and Associates be hired to evaluate the Board's investment policy and asset allocation. In March 1996, the recommendations were made to the Board by R.V. Kuhns. Ms. Foute introduced Mr. Russ Kuhns, who explained that any motions made by the Board require Oregon Investment Council (OIC) approval. He noted that there is a signifi-
cant delay in the process. In March, Mr. Kuhns had recommended the Board move from a 60/40 debt-and-equity mix to a 70/30 mix because of the long-term nature of the assets. In addition, the recommendation was made to find a replacement to the Common Fund as equity manager. R.V. Kuhns wrote a letter to that effect to the OIC which, in turn, forwarded that to their consultant (Wilshire Associates) in March or April. Wilshire Associates just responded in the middle of September. "At this point, we're prepared to move forward in implementing the asset allocation study and also go through a search process to find a better provider for the equity in the portfolio." Mr. Kuhns invited any interested Board members to participate in the process.

President Aschkenasy asked if the Lehman Aggregate Bond Index includes all bonds, including tax-free bonds. Mr. Kuhns replied no, that it does not include tax-free bonds. Dr. Aschkenasy asked if government bonds are bought for this portfolio. Mr. Kuhns responded affirmatively. He noted that the Common Fund does an outstanding job on the fixed income side.

Ms. Wustenberg asked if it was the Board's responsibility to manage these funds. Dr. Aschkenasy responded that it is substantially no; it is the OIC's ultimate responsibility. Ms. Foute added that the OIC maintains oversight authority over the Board's decisions.

(No Board action required)

**Staff Report to the Board**

In November 1989, the Board directed the presidents of each institution to develop and present to the Chancellor a comprehensive plan for recruiting, retaining, and graduating minority students. Relatedly, clarification was sought for those activities that would require additional resources to meet stated goals and objectives.

The Chancellor distributed guidelines to the presidents for comprehensive campus recruitment and retention planning. These guidelines were later used in the preparation of Schools of Education recruitment and retention plans as mandated by Senate Bill 122 — The Minority Teacher Education Act of 1991. Activities identified in the guidelines for each campus plan included:

- Review the current campus situation regarding minority student, faculty, and staff recruitment and retention efforts;
Meeting #656

October 18, 1996

- Conduct an institutional assessment of educational and social environments;

- Identify institutional goals for 1993, 1995, and 2000 related to efforts to achieve a supportive educational environment;

- Identify strategies to achieve long- and short-term institutional goals and objectives for minority student, faculty, and staff recruitment and retention;

- Specify institutional mechanisms to measure progress toward stated goals and objectives; and

- Estimate the resources needed to achieve institutional goals and objectives.

The Board has received two status reports on campus recruitment and plans (December 1990 and June 1991). In addition, three reports were submitted to the Board on the status of diversity within OSSHE (May 1992, June 1993, and November 1996).

In July 1996, the Board asked staff to develop, for consideration, a comprehensive review process that would provide an objective evaluation of campus and System efforts to increase diversity. In response to this request and after consultation with relevant interinstitutional groups, staff proposes an external review to meet these objectives:

- Review and suggest procedures for relating student enrollment, academic performance, campus climate assessment data, and other student-related information to institutional programs supportive of student academic success and social transitions; identify effective methods for incorporating outcome-based measures for improving student recruitment, retention, and graduation rates; and

- Suggest performance indicators useful for campus-level and Systemwide policies where needed or appropriate to encourage greater faculty diversity, and to assess achievements in the recruitment and retention of faculty, staff, and administrators.
The proposed external review process should help campuses assess their diversity initiatives, recommend changes, and identify methodologies for monitoring progress in areas of student recruitment, retention, academic support, and faculty/staff recruitment, retention, and development.

**External Review Process for Assessing Campus Diversity Initiatives and Policies**

A national team of three to five faculty and administrators will be selected with backgrounds in academic and student affairs as well as knowledge of campus diversity issues, assessment, and strategies for diversity enhancement. The team will review System and campus efforts between 1986-1996 to achieve greater diversity among students and faculty. These general questions will guide the process:

- What policies have been helpful in achieving greater diversity?
- What are campuses doing that is effective in increasing and maintaining diversity?
- To what extent do the faculty/students and staffs consider these efforts supportive of academic/social goals and campus climates?
- What are some useful outcome measures for monitoring changes in campus diversity?

The team will conduct campus visits and focus group discussions with students, faculty, staff, and administrators during winter 1996-97. Campus visits would take place over a concentrated period, in person or via telecommunication. Staff has asked each campus to nominate qualified individuals to serve as external reviewers. Also, campuses will be asked to provide updated recruitment and retention plans for student and faculty diversity, and other supporting materials and information. For the visits, each campus will help in arranging student/faculty/staff and administration focus group meetings. The Chancellor's Office of Academic Affairs will provide logistical support for the review team. The estimated budget for a team of three to five is approximately $15,000, depending on honoraria and travel expenses.
Framework for External Review Report

The report will follow the outline listed below (this outline will be revised after further consultation with campuses and the review team):

Administrative/faculty commitment
• document goals of achieving greater diversity to campus priorities;
• map visibility of minority group faculty and administrators in leadership roles;
• assess effectiveness of efforts to ensure multicultural awareness and competence among faculty, staff, and administrators.

Pre-collegiate and student transition support services
• review early outreach programs on the campuses;
• review the relationship of pre-collegiate and transitional programs to campus recruitment goals;
• evaluate effectiveness of programs in helping students meet admission requirements;
• review responses from participants in pre-collegiate activities.

Student financial support
• review campus usage of tuition remission scholarship programs to achieve greater student diversity;
• review efforts to ensure equitable distribution of tuition scholarship awards;
• review the impact of existing financial aid policies and awards on students by race and ethnicity.

Campus climates
• review perceptions of relations between students and faculty, and among student groups;
• review student perceptions of campus commitment to student success;
• review effects of student services on retention;
• evaluate strategies for ensuring degree completion for students who are at risk of completing academic requirements;
• suggest pro-active approaches to promoting a safe, nondiscriminatory educational environment.
Faculty recruitment/support and professional development
- review efforts to achieve faculty diversity, including available incentives;
- review available support and professional development opportunities for new faculty from diverse backgrounds.

Suggestions and recommendations for improvement will be invited from the external reviewers. The report will be presented to the Board and distributed to the campuses for deliberation and consideration of next steps.

Board Discussion

Vice Chancellor Clark and Dr. Thom Coley presented the highlights of this plan. Ms. Puentes asked if each campus would be visited by the team, to which Dr. Coley responded affirmatively. Ms. Puentes asked if criteria or a plan was formulated for selection of the focus group members. Dr. Coley replied that the details were not formulated at this point. In his opinion, there would be representative students, faculty, and administrators who would be interviewed. Ms. Puentes asked if there would also be open group forums that the public could attend. Dr. Coley responded positively to that suggestion. He noted that campus climate and the social integration of all students was important. Ms. Puentes emphasized that diversity is all inclusive of such things as race, language, and gender. Dr. Clark noted that this particular effort focuses on race and ethnicity. If the gender component is added, the outline (and possibly the number of consultants) would need to be expanded.

Ms. Waddy expressed her concern that the firm hired is not internal. She believes that some issues may be difficult to get at in just a couple of days. An area of particular concern is the athletic departments and how they handle racial and ethnic diversity issues. Another area of concern is academic programs that are touted as highly successful which do not graduate many ethnic minorities. Finally, she indicated that she hoped solutions would be presented to the Board.

Ms. Puentes emphasized the importance of examining the difference between diverse groups from the U.S. and international students. While international students play a major role in campus diversity, the needs and issues of diversity for U.S. students are quite different. Dr. Clark indicated agreement. "As Dr. Coley said, we’re really guided in our definitions by Board policy. The intention was to focus on U.S.
racial and ethnic diversity, but obviously you're being very creative with respect to substudies that could be done, however, maybe not within this particular context because of the breadth that would be necessary to do appropriate studies. We are also well along in the process of another campus climate study. We did a study two years ago that really serves now as a pilot for what's to be done this year. We want those data from all the campuses to be available also to the consultants. We will have considerable data from many sources for the consultants in addition to their interview and analyses." Dr. Coley added that he understands Ms. Waddy's concerns. This is a valuable process. There will be 6,000 surveys distributed regarding the campus climate, so it is a considerable undertaking. He added that Oregon is one of the few states in the country to engage in this kind of process.

President Aschkenasy stated that it sounds as if everyone is in favor of proceeding, noting that perhaps Ms. Waddy should be consulted occasionally.

(No Board action required)

The Academic Council has reviewed favorably the following six preliminary proposals for new academic programs. Western Oregon State College proposes bachelor's degrees in three new areas and the University of Oregon proposes two new master's degrees and a new bachelor's program. Two of the proposed programs from WOSC are consistent with the education and public service components of their mission; the other simply integrates existing resources and demonstrates responsiveness to the needs of industry. All three of UO's proposed programs emphasize ties to the private sector. Some of the proposed programs will require new resources. These preliminary proposals are explained in greater detail in the supplementary section of the Board's docket. (Copies of the supplementary sections are available upon request.)

**Western Oregon State College**

**Bachelor's Degrees (B.A./B.S.) in Crime Prevention Studies.** This program will develop criminal justice professionals in the area of juvenile and young-adult crime prevention by combining studies in criminal justice and social science. The program addresses the state's need for more professionals to be employed in correctional...
facilities, juvenile and adult parole/probation agencies, and in social service agencies. The proposed program would be developed in cooperation with the Oregon Board of Public Safety Standards and Training. At present, WOSC offers bachelor's degrees in corrections and law enforcement, and a challenge in the planning process for this proposed major will be to distinguish it from already-established degree paths. Other related programs in the State System include Southern Oregon State College's bachelor's degree in Criminology and Portland State University's bachelor's degree in Administration of Justice. After the initial start-up period, two FTE faculty above existing levels would be required in WOSC's Department of Criminal Justice; these positions would come from reallocating or converting existing positions. Other budgetary considerations would be office space, support staff, library resources, computer support, and practicum development.

Bachelor's Degree (B.S.) in Computer Science and Mathematics (Joint Major). This proposed program combines two established disciplines, mathematics and computer science, in a four-year degree. The joint major would be well-suited for a student who would normally pursue a Computer Science major and Mathematics minor. It is anticipated that graduates will be very attractive to high-tech industries. The University of Oregon also presented a pre-proposal for a similar degree in February. No new resources are needed to implement this program.

Bachelor's Degree (B.S.) in American Sign Language Studies. This proposed program would prepare individuals to teach American Sign Language (ASL) in secondary school settings. ASL has become the fourth most commonly studied language in the country and an increasing demand for qualified teachers is anticipated. The program is consistent with (1995) Senate Bill 475 which recognized ASL as a language that meets second-language requirements in K-12 and higher education, encouraged the development of K-12 ASL curricula, and encouraged the preparation of qualified teachers of ASL. There is no other separate degree program in ASL studies in the State System. This program would complement other programs on the Western campus, including Teacher Preparation in Deaf Education, Rehabilitation Counseling Deafness, the B.S. degree in English Interpretation, and a variety of in-service programs offered through the Regional Resource Center on Deafness. Current infrastructure needs at WOSC are sufficient to implement this program, though an anticipated 1.48 FTE in instructional personnel is anticipated.
University of Oregon

Master of Law and Entrepreneurship. This proposed master's degree would be offered though the Law School and is designed to train lawyers to more expertly represent entrepreneurial clients and to train nonlawyers to be more effective entrepreneurs, dispute resolvers, or policy makers. The degree would build on the already established UO Law and Entrepreneurship Center, through which unique professional externships are already offered. No other comparable programs exist in the State System. The program will draw extensively on the expertise at the UO Lundquist College of Business, as well as at other leading national law schools. It is anticipated that graduates of this interdisciplinary program will be highly marketable. The program will be self-supporting and not require resources beyond the Center's endowment income and tuition/fees to be generated.

Bachelor's Degrees (B.A./B.S./B.F.A.) in Multimedia. This proposed interdisciplinary degree would be offered through the Department of Computer and Information Science and the Department of Fine and Applied Arts. Students pursuing this degree would be trained for jobs in our "information age," focusing on the production and management of a variety of media and multimedia forms, including CD-ROM, Internet, digital video, and other new technologies. One feature of this program would be the creation and strengthening of the alliance between higher education and the business sector. No other State System campus offers a program in Multimedia, though interest is high in this area. Related sub-degree programs are offered at OIT, PSU, and OSU. Significant new resources would be needed to implement this program including faculty (6.5 FTE), instructional computers and laboratories, computer software, and Multimedia courses. It is anticipated that industry will provide students with access to high-end instruction and technology.

Master in Applied Science. This proposed program would provide an alternative to the Ph.D. for students whose primary interests are in applied research and development rather than in basic research. In response to recent widespread criticism leveled at Ph.D. programs that train students too narrowly and inadequately for careers in the private sector, students in this program will be prepared in technology-based fields for which existing doctoral degrees do not provide sufficient training. The program would be unique for the UO where, for example, few applied science programs are available as
compared to OSU. The proposed program builds on strengths of basic science disciplines while adding applied research areas. The departments involved in developing this degree are Biology, Computer Science and Information, and Physics. Employment prospects for graduates are anticipated to be good. New resources in faculty (potentially three FTE in software engineering, biotechnology, and equipment) would be needed to implement this program. Identifying the specific level and nature of the resources would be part of the planning process.

**Board Discussion**

- **Western Oregon State College**

President Youngblood and Provost Hunt provided summaries of the program preproposals. Dr. Aschkenasy asked what WOSC had decided to give up to generate resources for these programs. Vice Chancellor Clark responded that there are two new programs and a combination of computer science and mathematics which represents a positive choice in terms of employment opportunities for students. President Youngblood added that two FTE faculty will be reallocated, and they all draw on the liberal arts part of WOSC's mission as well. Provost Hunt stated that Criminal Justice has shifted one FTE already. Chancellor Cox noted that the mission linkage is very clear.

Vice Chancellor Clark reminded the Board that this discussion provides the "green light for development of the programs that will come back through the Academic Council to the Board."

- **University of Oregon**

Provost Moseley noted that these programs represent building on specific strengths existing now through combinations of departments — bringing together opportunities for students to pursue degrees that they cannot now pursue through a single department or school. "A major focus is how we can meet student needs by using resources we have and bringing them together in ways that meet private sector needs."

Responding to Mr. Willis' question about comparable master's programs elsewhere, Provost Moseley indicated that there are very few. "There are other law schools that have an emphasis on entrepreneurship. I don't know whether they actually offer a master's or
whether it's part of a law degree. This is the only one that has this very strong connection between the law school and the business school."

Regarding the bachelor's degrees in multimedia, Provost Moseley explained that it was formulated in response to industry needs. Provost Moseley also indicated that he anticipates other schools and departments to be contributing to this as it is developed.

Chancellor Cox asked if new resources would be required. Dr. Moseley responded that new resources would be required because of the student demand. "Right now we have the industry people who have been pushing us to do this. We've told them that they will have to come to the table with some of the equipment, both for on-campus use and access to their multimedia labs off campus. They've committed to do that, but we've told them we're going to have to have all that packaged before we bring this to the Board for final approval." Regarding faculty, at this point the provost cannot determine to what extent that could come from reallocation.

Mr. Willis asked for clarification about the dollar amount of new resources. Dr. Moseley responded that it depends on what can be allocated internally versus externally.

Dr. Aschkenasy commented that it sounds like the student demand is clearly in the multimedia area. Provost Moseley responded that there is strong demand in all three, with the strongest demand currently in multimedia. He indicated that the UO will need to assess demand for the master in applied science.

Ms. McAllister said that, in reading the supplemental materials, she understood that the applied science proposal would be targeted to the nontraditional student, the returning student. Dr. Moseley agreed, but also said that it would be marketed to students in the sciences who aren't going to pursue a Ph.D. This becomes a terminal degree that would qualify them for many jobs in the high-technology workplace.

Ms. Wustenberg inquired about the uniqueness of this program as compared to offerings at OSU. "I would want your assurance that you're not coming too close to something that's already provided in OSSHE." Provost Moseley responded that the UO will need to discuss this with OSU. Vice Chancellor Clark added that there are
whole areas of applied science, such as agricultural science, that are only offered at OSU. "But there are also areas where it's impossible, as the sciences have developed in recent decades, to do applied science without having really strong basic sciences also on campus. A case in point is molecular and cell biology, which has become the basis, so we need to offer that wherever we have university programs in advanced sciences."

Dr. Aschkenasy rephrased Ms. Wustenberg's point by saying that, if a program exists, the creation of a new program at another institution needs some extra justification. Vice Chancellor Clark agreed.

(No Board action required)

OHSU MISSION STATEMENT

Staff Report to the Board

At the September 20, 1996, meeting, the Board reviewed mission statements of seven institutions. Although the new public corporation status of Oregon Health Sciences University (approved in July 1995) removed mission assignment from the Board of Higher Education, staff felt that Board members would be interested in reviewing the revised mission which was included in Senate Bill 2. In this revision, the fundamental mission has not changed; new emphases include statewide outreach, provision of health care, health promotion, and education.

Oregon Health Sciences University

The Oregon Health Sciences University serves the people of the State of Oregon as the primary institution for education and research in the health professions and as a center for innovative clinical care. The University will provide:

- educational programs and an environment that stimulate the spirit of inquiry, initiative, and cooperation between and among students, faculty, and staff.

- high quality health care emphasizing the application of new knowledge.

- basic and clinical research that promotes health and the prevention and treatment of disease.
outreach programs in health education, research, and patient care that support the University's mission to serve as a statewide resource for health care providers.

Through its programs, the university community continuously strives to fulfill its mission to enhance the quality of life, while maintaining exemplary standards of excellence, compassion, integrity, and leadership.

**Board Discussion**

Provost Hallick highlighted changes from the previous mission statement. While there are not enormous changes in the wording, the following points indicate emphasis and focus of the current mission statement. The first bullet remains the foremost reason for OHSU — provision of education. The second bullet represents a change that appears subtle since health care has always been part of OHSU's mission, in the past it was viewed as "something you did in order to train people." Health care emphasizing new knowledge might be a sophisticated, specialized technique or provision of health care in a different manner or to a different group. The third bullet is a more positive statement, promoting not just prevention but health in research endeavors. The fourth bullet now states that the mission includes outreach and is statewide.

(No Board action required)

**COMMITTEES**

Ms. Puentes reported on the last meeting of the Joint Boards Working Group, which is crafting the agenda for the Joint Boards of Education meeting in November. Among the topics are teacher professional development requirements by TSPC, distance education issues, and possible legislation. Dr. Aschkenasy asked if teacher professional development was a contentious issue. Vice Chancellor Clark responded that those discussions have been ongoing and there are strongly held views, specifically by teacher unions, that they should have control over staff development. From the higher education point of view, we believe that the teaching profession requires additional, ongoing development and improvement comparable to other professions.

**REPORT ON GOVERNOR'S TASK FORCES**

Roger Bassett, Governor's Education Policy Advisor, joined the Board deliberations via telecommunications. Mr. Bassett indicated that the Governor has made a major commitment to education, indicating it is
a central priority of his administration. This reflects his belief that it is central to the lives of Oregonians and the quality of life in the state.

"The Governor's central interest is in providing the opportunity for more Oregonians to be involved in postsecondary education," continued Mr. Bassett. "Second, the Governor has strong interest in assuring that all elements of postsecondary education are engaged in addressing this priority — two-year, four-year, public, and private institutions. Third, the Governor wants creative relations among those elements of postsecondary education that already exist. He is not challenging the present structure or pre-existing directions, but is looking for ways for those of us engaged in the enterprise to work together to make opportunities more widely available, more evenly distributed, and more targeted to the needs of business and industry.

"Let me emphasize," Mr. Bassett added, "The Governor's interests are not for the purposes of changing the State System of Higher Education or postsecondary education. He wants to enhance Oregonians' abilities to achieve an education. Incentives and investments are the tools, not reallocation or reorganization. Technology is an important means to accomplish the ends — not an end in itself."

Mr. Bassett gave several examples of collaborative efforts underway around the state that have been very successful. He asked, "What will it take to get from here to there? The Governor and state government must be willing to invest, and the Governor wants to be a leader in this respect. He will be looking at budgets from cross-organizational, cross-programs perspectives. The Governor will work hard within the constraints of traditional budgets to present a total budget as an investment, with a focus on access for postsecondary education."

Chancellor Cox thanked Mr. Bassett for making time in a very hectic schedule to visit with the Board on such important issues.

THE CASCADE CONCEPT

The Central Oregon Community College (COCC) Board of Directors has announced its intent to establish a baccalaureate-granting institution by the year 2002. The COCC Board plans to develop an institution which will retain a community college focus but be accredited to offer and grant both associate and baccalaureate degrees. Planning for the "Cascadia Concept" is already underway.
Rationale for the Cascadia Concept

- Students, workers, parents, local business leaders, and others have been asking for expanded higher education services in Central Oregon.
- As local residents require the additional educational experience provided by baccalaureate programs, a community-oriented college like COCC must step forward to fill this void.
- Central Oregon is the fastest-growing area in the state and is the largest population area anywhere in the country without a baccalaureate institution within 100 miles.

One of the major priorities shared by the COCC Board and district residents is to preserve community college access for Central Oregonians. The creation of a new baccalaureate institution does not mean the demise of community college programs and services. The major elements of the community college will remain intact, including:
- certificate and associate-degree professional technical programs to prepare individuals for the workplace;
- an associate degree transfer program, in coordination with other baccalaureate institutions;
- short-term job training and other education programs for local businesses and industry;
- open admission opportunities;
- developmental assistance to those demonstrating need; and
- continuing service and commitment in the region's economic development, continuing and adult education, and cultural and social enhancement.

Many questions are still to be answered in the coming years. What degrees will be offered? What will the faculty and administrative structures be? How will the institution fit into the Oregon education structure? What is the appropriate financing mix — including state, local, and tuition dollars?

Another important question concerns the role of the University Center. The University Center currently provides higher education opportunities for area residents, with both bachelor's degrees and master's degrees offered through collaborative efforts with both public and private colleges and universities throughout Oregon. Within the next decade, however, enrollment demand is expected to outgrow the services available through the University Center. While the Center will continue to offer specialized degrees, the hybrid institution could
better meet the general education needs of the larger student population.

As Central Oregon's population continues to increase and educational needs from business and industry continue to grow, COCC is anticipating the future demands and planning now for 2002 and beyond.

(Prepared by COCC)

Board Discussion

President Aschkenasy introduced Dr. Bob Barber, president of Central Oregon Community College, and Mr. Jim Carnahan, chair of the College's board, to present information on the status of development of Cascadia College in Bend.

President Barber opened his remarks with an overview of the geography, demography, and present status of Central Oregon Community College (C OCC). He explained that the development of the Cascadia College concept is driven primarily by the rapid growth and expansion of the region and the accompanying needs for post-secondary education. The degree programs that are under consideration would be designed to fully serve COCC students. Present thinking is that it would be an "inverted degree" — that is, specialities would come first and general education second. The plan is that the way in which the degrees would be offered would speed degree completion. Programs are being designed to meet targeted industry in the COCC area.

President Barber suggested two areas that were important to consider. "What are challenges facing implementing a program of this type and what are the opportunities? Present statutes indicate that this kind of concept cannot be done. The statute was written in 1960, and it is time, we feel, to update it. It has been difficult trying to communicate with all of those who are stakeholders in this enterprise. The paradigm of what community colleges are is shifting, but this is hard to communicate.

"One of the major challenges is determining how to govern under a concept like Cascadia College. Finally, there is a challenge of dealing with the variety of people and programs who are peddling their wares in our area. These are primarily non-Oregon institutions.
"We have an opportunity for being a hub in a variety of ways and appreciate the opportunity of sharing our vision with you."

President Aschkenasy reminded the Board that, in June, a solution team began looking for ways of improving engineering education in Oregon. "The objectives we gave to that team were basically to recommend ways to produce more graduates and undergraduates, increase the quality of staff, and engage in more research. The Board would make every effort to find money if a satisfactory program were developed.

"President Risser and Provost Michael Reardon have been working on this. In the meantime, an alternative proposal has been received by the Board. In conversations with Chancellor Cox, it occurred to us that there may be other proposals that should be evaluated as well. I have asked Vice President Imeson to chair a subcommittee of the Board to evaluate any other proposals that we might receive. He has accepted the job and will, in the near future, be announcing the names of the other subcommittee members and a date for a public hearing. There will be two additional Board members and two members from the private sector."

Dr. Aschkenasy concluded, "Another point I would like to make. People might ask what I consider to be a proposal. It should be a fairly well-articulated response to the objective set out by the Board. If you have ideas about how to achieve improvement in engineering education in Oregon, we want to hear about it."

(No Board action required)

(Note: Materials presented from the solution teams are available in the Board’s office.)

Develop a Barrier-free Admission & Transfer Process to Enable Students to Achieve Their Academic Goals

This team, chaired by Provost Martha Anne Dow and co-chaired by Provost Roy Arnold, has been charged with focusing on the following goals:

- Developing a transfer process that results in zero loss of credit and time for the transferring student; and
- On-line advising or World Wide Web-based advising so that the transferring student clearly understands
requirements and has access to advising that will advance the student to his/her goal in terms of postsecondary education.

Board Discussion

Provost Martha Anne Dow and Provost Roy Arnold co-chair the Solution Team. Dr. Dow made the report on behalf of the Team. She began her remarks by reminding the Board of the initial charge to the Team. The major issues to be addressed include:

1. Inconsistent understanding about the standards and assessment processes for proficiency-based education in the CIMP/CAM, PREP, and PASS.

2. The emerging environment in education where students move in and out of institutions, and study simultaneously in two or more institutions across community college and four-year college systems.

3. Students need academic maps and the opportunity to acquire information for planning for careers and accessing appropriate programs.

4. Student support services need to be linked effectively among institutions.

5. Faculty need to be able to work together to develop curriculum and strategies for assessment.

6. School-to-work articulation plans are needed.

7. Accountability mechanisms for learning experiences outside the traditional classroom setting must be promoted.

The first meeting of the Solution Team was held on October 9, 1996, and the next meeting is scheduled for November 14, 1996. The next report to the Board is anticipated to be in January.

(No Board action required)
Oregon's future and the future well-being of Oregonians rests squarely upon the timely and convenient availability of continuing opportunities for high-quality professional development and personal enrichment. The Oregon State System of Higher Education strategic planning task force on Lifelong Learning and Professional Development was driven to this very clear conclusion after listening closely to the often pointed and quite consistent advice and evaluations received from employers -- public and private; from State System professionals dedicated to extending education beyond traditional boundaries of time and place; from other successful providers of continuing education -- in Oregon and those serving Oregon as a part of national enterprises; from citizens -- those of many backgrounds and throughout Oregon; and from students -- current, past, and potential.

These investigations also incorporated rich information about the programs and services of the Oregon State System of Higher Education; economic, occupational, and employment analyses; projections provided by the Oregon Economic Development Department, among others; and studies by various groups including the research efforts of the Oregon Business Council (OBC) as it seeks to support OSSHE's efforts to fully and effectively meet the needs of Oregon.

Among the many conclusions of the strategic planning task force, several emerged as giving impetus to the rest:

1. Driven by growth of those occupations requiring a four-year degree -- or more -- for entry, the demand for credit and noncredit education related to professional development is increasing at a rapid pace.

2. Changing demography and changes in the economy are driving an increase in demand and desire for lifelong learning and personal enrichment opportunities.

3. Working adults place a premium upon -- and are willing to pay a premium for -- professional development and lifelong learning opportunities that are conveniently accessible in flexible formats.
The task force also found a recurring theme that underlay all its conclusions: the culture of the marketplace and the culture of the academy are fundamentally different, so different that denizens of each often find the activities within the other to be alien and incomprehensible. It was unnecessary for the task force to attempt to judge the particular strengths and the unique blind spots of each culture. It was sufficient to observe that an institution rooted in an academic culture is, in continuing education, increasingly and unavoidably playing by the rules that govern the marketplace. The task force noted that policy and structures developed within the academic culture and focused inward upon the traditional contributions of higher education are having to turn evermore outward.

That, then, sets the scene: an economy, a society, and a polity presenting needs that have not always been perceived to be part of the core responsibilities of higher education. This is a national challenge. What may distinguish Oregon is the extent to which its institutions have looked outward. The Oregon State System of Higher Education has successfully developed institutions with clear missions to serve particular regions, communities, and statewide extended education audiences. The foundation is there: in land grant and urban grant, in regional college and comprehensive university, and in well-established patterns of partnership, brokering, and collaboration among OSSHE institutions, community colleges, and private universities.

What is missing -- and what seems to account for much of that heard by the task force that was critical -- was the absence of a clear "point of entry" that businesses and individuals could rely upon to easily and quickly identify how they could best meet their needs for what we, perhaps temporarily, still call nontraditional education. This led the Oregon State Board of Higher Education to form a solution team charged with bringing forward recommendations on "creating and funding a professional development, lifelong learning center -- a visible, accessible single point of contact for Oregonians."

**The Charge Elaborated**

The charge has been simply put:

> We are to bring forward recommendations on creating and funding a professional development, lifelong learning center -- a visible, accessible single point of contact for Oregonians.
Drawing upon State Board discussion of this charge and the work of the Lifelong Learning and Professional Development Task Force, we must also recognize that this charge has been built upon several important premises:

* A center must be the means by which the State System meets the needs for simplified, easy, and effective two-way communication. As important as it is to be able to present Oregonians with information about what OSSHE provides, it is as important for OSSHE to have immediate and clear information about what it is that Oregonians need, where they need it, and when they need it.

* A center must be more than a communication channel, even if two-way. Institutional resources must be coordinated and integrated to allow for prompt and effective responses to important needs for professional development and lifelong learning.

* In helping meet the needs of Oregonians for professional development and lifelong learning, the center must do more than simply develop and integrate OSSHE’s capabilities; indeed, much of the activity of the center may involve brokering programs and matching clients to providers, working with public and private entities in Oregon and around the world.

* The center must incorporate access to OSSHE’s important partners in public postsecondary education -- Oregon's community colleges.

* The magnitude of the role that OSSHE institutions play as providers of services through the center will depend upon their continuing success in making extended education -- organizationally, fiscally, and culturally -- a core component of each institution’s raison d’être.

* No assumption is made about whether the center will exist as a physical entity with personnel, an office, and a location. It may be a ‘virtual entity’ existing in the electronic networks and in the coordinated and integrated partnerships of the participating institutions.
* The center must be exclusively “customer centered.” As the higher education enterprise moves from oligopoly to competition, control is shifting from the producer to the consumer, and it will be the convenience of the customer that will determine when, where, and at what pace the center provides lifelong learning and professional development.

* Continuously improving quality -- both of its own operation and of the programs it is able to match to customer needs -- will be central to the success of the center.

Immediate Objectives

From the general charge and the premises leading to it, two immediate objectives require attention of the solution team:

1. Create a one-stop, one contact point of access for Oregonians to obtain information about professional development and lifelong learning programs and options; a clearinghouse for this information, and a Web-based catalog, easily accessible.

2. Develop, for the System as a whole, an educational advisor/broker function to assist individuals, small businesses, community organizations, government agencies, and communities to identify and address educational and research needs and to communicate information about unmet needs to Oregon's public postsecondary institutions.

The Process: An Overview

The solutions team will actually consist of the integrated efforts of two teams. A “customers team” will be relied upon to check initial directions and final products. A team of providers will take information about initial directions and then craft recommendations about the final product, those recommendations to be reviewed by the customer team.

The Process: Some Particulars

1. Create a team of experts who understand and monitor the continuing education market and who have experience with
designing and delivering programs for adult continuing/professional education in both urban and rural areas and in educational and business settings.

Composition: continuing education deans or their representatives from EOSC, OSU, PSU, and UO, one or two representatives of business firms — those representatives having 'hands-on' responsibilities for employee development programs — and two community college representatives, again selecting individuals with direct responsibility for serving extended education needs.

2. The team of experts will review materials developed by the Phase I Lifelong Learning and Professional Development Task Force to identify issues and concerns as well as any suggestions for how needs should be addressed. Questions that may be addressed as these materials are reviewed and as team members draw upon their own expertise would include:

1. What is the marketplace for professional education and lifelong learning now? How are these programs delivered now and by whom and at what cost?
2. How is the market changing? What is the best way to monitor market changes? What new providers are coming into the market and how successful are they and why?
3. What are the most significant unmet needs?
4. What is OSSHE’s special niche?
5. What would it cost to expand market share and in which markets should we compete?
6. What policy issues must be addressed within OSSHE to open up greater access and competitiveness?
7. How are other systems approaching the need for alternative educational programming and what have been their experiences?

3. As a result of the analysis in step 2, prepare a background paper on "best practices" nationally and how changing needs for workforce development and continuing professional education are being addressed elsewhere along with preliminary recommendations on how the immediate objectives identified earlier for the solution workgroup should be met.
4. Create a team of constituents who utilize professional development programs.

Composition: representatives from a large high-tech company, a large utility company, a manufacturing firm, a government agency, a school system engaged in educational reform, a community college, an economic development organization, the regional economic strategies committee, Workforce Quality Council, OBC, Portland Chamber of Commerce, and an industry representative from the Phase I task force.

5. The team of constituents will meet initially to review and correct initial directions: specifically, the assumptions, premises, immediate objectives, and processes proposed in this outline. At that meeting, the team of experts will also discuss the marketplace, unmet needs, problems with current levels of service available, and qualities of successful programs and services. The team of experts will be present to listen and to clarify their understanding of what the constituents are sharing.

6. The team of constituents will meet a second time to review the background analysis and preliminary recommendations prepared in step 3. Again, the team of experts will be present to explain their proposals and to listen to the evaluations and suggestions of the team of constituents.

Board Discussion

President Ramaley and Provost Bruce Shepard co-chair the solution team. President Ramaley indicated that the Team understood that the charge was "to create and fund a professional development, lifelong learning center — a visible, accessible, single point of contact for Oregonians."

The immediate objectives for the work of the Solution Team are to:

1. Create a Web-based common catalog of continuing education courses.

2. Create a one-stop, one contact point of access for Oregonians to obtain information about professional development and lifelong learning programs and options.
3. Develop an educational advisor/broker function to assist individuals, small businesses, community organizations, government agencies, and communities to identify and address educational and research needs and to communicate information about unmet needs to Oregon’s postsecondary institutions.

Provost Shepard demonstrated how such a Web-based catalog might function. The Solution Team is continuing its work and will meet in the near future.

(No Board action required)

Establish Systemwide & Institutional Indicators to Measure Performance & Quality

The work of this solution team is highly dependent upon the outcomes of the work of the other solution teams. Therefore, its work will begin as the recommendations begin to emerge from the other Teams. The report of President Youngblood, chair, and Dr. Sara Hopkins-Powell will focus on:

- Defining accountability;
- Primary components of accountability systems in American public higher education;
- Examples of possible accountability goals, indicators, and processes;
- Potential benefits and concerns for a system of higher education and individual institutions; and
- The role of accountability in the OSSHE strategic planning initiative.

Board Discussion

President Youngblood and Provost Sara Hopkins-Powell reported that they had not yet finalized the roster of participants in this Solution Team. Dr. Youngblood indicated that the work of this Solution Team is very dependent upon understanding the recommendations of the other solution teams and that targets identified by solution/implementation planning teams will be integrated into a proposed accountability system to be developed by next spring for review by the Board, Chancellor’s Office, and institutions. Some preliminary work has been done in preparation for the formation of the Team.

The primary purposes are to increase:
1. The effectiveness of OSSHE and individual institutions; and
2. The understanding and confidence of Oregonians in OSSHE institutions.

President Youngblood indicated that "an accountability system affirms the relationship between OSSHE and its stakeholders, including students, faculty, staff, parents, citizens, state government officials, and other entities. Internal accountability focuses on academic and other institutional concerns and incorporates assessment of academic programs. External accountability focuses on achievement of an institution's mission. Educational outcomes and institutional performance are the central themes of an accountability system."

The first step of the Solution Team is to identify desired areas of accountability (such as quality or access) and then to identify the indicators that will help measure progress in each area. Accountability measures and indicators describe what should be accomplished and specify a timeline for doing so.

President Youngblood and Provost Hopkins-Powell reviewed important guidelines in developing an accountability system. Among those highlighted were: accountability measures and indicators should be limited in number, be very specific and clear; accountability measures and indicators should remain constant; data requirements must be clear and consistent; accountability measures, indicators, and results should be publicized; and, institutional performance on accountability measures should result in rewards for meeting goals and consequences for failing to do so.

Finally, Provost Hopkins-Powell indicated that an extensive study will be done of what is occurring nationally.

President Aschkenasy remarked that it appeared that there was a good start on the work of this important Solution Team. "We are in a competitive segment of the education hierarchy. K-12 is free and that is not true for us. A zillion people are trying to serve the same clients we are. We have to do a lot of things and do them right. Complaining about the lack of resources will fall on deaf ears. We are arguing about our slice of the resource pool. Your work is very important."

(No Board action required)
President David Gilbert chairs this solution team that has been charged with developing a model for defining the virtual university. The work of this solution team is being done within the context of eastern Oregon through a collaborative arrangement among EOSC, Blue Mountain Community College, and Treasure Valley Community College. It is anticipated that the model will provide a framework for efforts in collaborative "virtual delivery" of degree programs beyond eastern Oregon.

Board Discussion

President Dave Gilbert introduced other members of the Solution Team who were present: Ronald L. Daniels, president of Blue Mountain Community College (BMCC); Dr. Burton Glandon, president of Treasure Valley Community College (TVCC); and Ms. Diane Walton, Office of Community College Services.

President Gilbert indicated that EOSC, BMCC, and TVCC propose to form a collaborative center for the coordinated support of regional economic and educational needs, the Eastern Oregon Collaborative Colleges Center (EOCCC). "In the spirit of the future of 'virtual educational delivery opportunities,' this center does not exist as a physical entity at any particular location," Dr. Gilbert explained. "Rather, it pervades a region and is found in the collaborative relations that these institutions have formed or propose to form to provide a full continuum of educational opportunities to the citizens of the eastern region of Oregon."

It was explained that much of the administrative and technological infrastructure for serving the region is already in place so the center may be "virtual" and the requested budgetary support can go almost entirely into program delivery. President Gilbert explained carefully elements of the proposed delivery system that are already in place.

However, "the next step issues are not technological. Rather they are organizational, financial, and academic," Dr. Gilbert added. Organizational issues relate to provision of a framework for expanded collaboration among the three institutions and a vehicle for testing the "virtual institution" within OSSHE and the community colleges. Although the collaboration envisioned by the EOCCC goes well beyond baccalaureate programs, the financial issues presented deal with the problem of ongoing funding for off-campus students who are pursuing a baccalaureate degree with this structure.
EOCCC's first step is to create a financial and organizational structure that can seamlessly support viable academic programs. Differences in approach to funding off- and on-campus programs — and the different fiscal mechanisms for supporting OSSHE and community college academic programs — rend rather than mend seams. This fundamental policy issue will be addressed by requesting that the state fund (or subsidize) off-campus students who are pursuing a baccalaureate degree at the same rate as on-campus students.

President Gilbert explained that, "Phase I includes a needs assessment, setting program priorities, and justifying academic programs. Phase II moves into the next biennium — 1999 — and extends the instructional efforts into competency-based courses and programs. Faculty development funds would need to be provided to shift EOCCC courses and programs into an assessment-based format."

President Daniels added that the sparsely populated area of eastern Oregon requires innovative approaches. He indicated his support for the efforts to provide distance education in the area. "It is the only answer to meet our needs," he concluded.

President Glandan concluded the report saying, "We have been doing all of the things President Gilbert talked about, but we need to keep doing them. It is currently a disincentive for us to serve out of our district. This plan will create an incentive-based program to move our institutions to customer- and service-oriented approaches."

(No Board action required)

Ms. Wustenberg indicated that, in her reading of The Chronicle of Higher Education, she was taken by the following: "Maybe if we begin, we can stop before the end comes."

Mr. Willis thanked President Gilbert and his staff, students, and community for their hospitality. In addition, he thanked the solution team leaders for their hard work. Ms. McAllister added her thanks to Mr. Willis’. Other Board members echoed their appreciation.

Ms. Puentes thanked President Gilbert and staff for hosting a special visit for herself, Ms. Wustenberg, Ms. McAllister, and Dr. Thompson. "We spent almost an entire day visiting the distance learning
programs and talked to students and staff members. We saw a lot of commitment, energy, and work. I was very impressed."

Ms. Waddy reminded the Board that she sits on the African-American Legislative Roundtable, representing the Board of Higher Education. She indicated that she and State Board of Education member Jeana Woolley will be giving a presentation at the next Roundtable meeting on the topic of legislative agendas. She invited Board member input and noted that she will also be seeking guidance from staff on the presentation.

ADJOURNMENT The Board meeting adjourned at 2:15 p.m.

Virginia L. Thompson
Secretary of the Board

Herbert Aschkenasy
President of the Board