Adjourned Session of Meeting of January 26, 1979

Mr. Loren L. Wyss, member of the Executive Committee, called the adjourned session of the regular State Board of Higher Education meeting of January 26, 1979, to order at 10:30 A.M., P.S.T., February 23, 1979, in Room 338, Michael J. Smith Memorial Center, Portland State University, Portland, Oregon. The following Board members were present:

- Mr. Jonathan A. Ater
- Mr. Alvin R. Batiste
- Mrs. Jane H. Carpenter
- Mrs. Betty Feves
- Mr. Robert C. Ingalls
- Mr. Gregory G. Moore
- Mr. William C. Thorp III
- Mr. Loren L. Wyss

Absent: Mr. Lester E. Anderson was on vacation; Mr. Edward C. Harms, Jr., was absent for business reasons; Mr. Louis B. Perry was out of the state.

Acceptance of Master Plan for Sports and Recreation Improvements (Playing Fields), UO

Staff Recommendation to the Committee

It was recommended that the master plan prepared with the assistance of McArthur/Gardner/Partnership, planners and landscape architects, be approved and used as the basis for the future development of sports and recreation areas at the University of Oregon on property along the south bank of the Willamette River. This land was acquired several years ago from the Eugene Sand and Gravel Company.

It was also recommended that the Board's capital construction requests for 1979-1981 be modified to include proposed expenditures of $375,000 for the initial phase of this development as Priority No. 6 within the listing of auxiliary enterprise projects. Financing for the improvements would be provided from Article XI-F(1) bond borrowings and/or excess sinking fund reserves from commingled student building fees.

Discussion and Recommendation by the Committee

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

Board Discussion and Action

The Board approved the Committee recommendation as presented with the following voting in favor: Directors Ater, Batiste, Carpenter, Feves, Ingalls, Moore, Thorp, and Wyss. Those voting no: None.

Staff Report to the Committee

On September 30, 1977, a report was made to the Board that the McArthur/Gardner/Partnership, planners and landscape architects, Portland, had been commissioned to assist in preparing a master plan for the development of sports and recreation areas on property of the University of Oregon located on the south side of the Willamette River adjacent to other campus facilities. It was indicated that several consultants would be involved in the planning of the project, including Architects Atelier/Northwest, Portland, Balzhiser & Colvin Engineering, Inc., Eugene, and Soil and Plant Laboratory, Inc., California and Washington. It was also noted that the funds required for the planning were being provided from excess sinking fund reserves from commingled student building fees under the expenditure authorization granted by the 1973 Legislature for various Sports and Recreation Improvements at the University of Oregon.

The description of this item within the 1973-1975 capital construction program actually related to two elements: (1) the proposed replacement of the west grandstand at Hayward Field, and (2) the provision of a synthetic turf playing field east of Howe Field suitable for all types of outdoor physical
education, sports and recreation activities (other than baseball)—football, soccer, rugby, lacrosse, etc. Of the estimated expenditure requirements of $925,000 approved for these Sports and Recreation Improvements, it was expected at that time that $600,000 would be applicable to the Hayward Field grandstand—all to be financed from gifts solicited through the University of Oregon Development Fund with the assistance of the Oregon Track Club, Inc.—and the remaining $325,000 was projected for the playing field, to be financed from Article XI-F(1) bond borrowings and/or balances available for auxiliary enterprises. For a brief period immediately following legislative authorization of this and other projects dependent upon student building fees for debt service, the planning of the playing field was deferred. Revised income projections soon indicated that sufficient resources would be available. Meanwhile, as the planning and bidding of the Hayward Field west grandstand proceeded, it was necessary to obtain from the Board and the State Emergency Board an increase in the expenditure limitation for it to a revised figure of $900,000. All of the funds for that portion of the project were provided from gifts and grants, but only $25,000 of the original ceiling of $925,000 remained for the planning and constructing of the playing field.

Another factor of importance was a decision by institutional officials that the concept of a synthetic turf should be re-examined and that the siting of additional sports and recreation facilities would be more appropriate on under-utilized land at the north edge of the campus between the Southern Pacific Railroad right-of-way and the south bank of the Willamette River. This property had been acquired through purchase several years ago from the Eugene Sand and Gravel Company, financed from a combination of state tax funds and auxiliary enterprise funds.

After extensive programming by the staff of the University, with substantial involvement of personnel from the School of Health, Physical Education and Recreation, arrangements were made in 1977 with the outside professional consultants for assistance in developing the master plan now being presented for review and approval.

Four large playing fields would be provided. Two would be oriented north and south and two would be oriented east and west. They would be of sufficient size to accommodate soccer, rugby, etc. In addition, six to eight court sports areas would be placed in relatively close proximity to a proposed facilities building where toilets, showers, dressing rooms and storage areas would be available. The existing biking and jogging path would be re-routed through the tract to avoid interference with the other recreational improvements and would be adequate to support emergency and service vehicles. Fencing would be installed along the railway right-of-way and in selected other areas. The principal access to the sports and recreation areas would be the same route as that now used for pedestrian traffic from the north campus to Autzen Stadium and Alton Baker Park. The new fields would be located immediately west of the path leading to the existing footbridge across the Willamette River.

The initial construction phase would be limited to the development of one playing field at the east end of the site plus such clearing, grading and drainage improvements as may be required for the relocation of the existing path and utility services. Some fencing would be installed. Based upon the recommendation of the landscape architects and their consultants, following an investigation of alternate construction techniques, it is expected that a natural turfgrass system would be utilized for the playing field. It would include a protective sand layer, impermeable underlay, sand rooting media, subdrain pipe, subdrain control boxes, irrigation system, organic amendment, nutrients, rooting media preparation, grass seed, and seeding.

Of the estimated cost of $375,000 for the Phase I project, the direct construction costs are expected to be approximately $318,300.
The institution has included the second phase (for which the current estimate of direct construction costs is $1,365,000) within its capital construction requests for 1981-1983. It is part of the total of $3,900,000 indicated for Physical Education and Recreation Improvements:

- Educational and general plant: $1,955,000
- Auxiliary enterprises: 1,945,000
- Total: $3,900,000

Inadvertently, however, the initial phase was omitted from the 1979-1981 requests.

Although it might be possible to seek approval of this portion of the work under the 1973 authorization for Sports and Recreation Improvements at the University of Oregon, the Board's staff believes that it would be preferable, especially after such a long period of time subsequent to the authorization and in view of the changed program, to seek specific action by the Legislature in 1979 for this work. Accordingly, somewhat influenced by the fact that an earlier authorization for a playing field had been obtained and the need for it remains unfulfilled and is, in fact, intensified by the recent dedication of a former playing field near Howe Field for women's softball activities, it is recommended that a relatively high priority position be given to this item within the listing of auxiliary enterprise projects for 1979-1981.

**Staff Recommendation to the Committee**

It was recommended that the appropriate Board officials be authorized to arrange with the Shriner Hospital for Crippled Children for such planning and remodeling as may be required for the relocation of facilities and programs now contained within Katherine Hall prior to the demolition of that building and the construction of the new Shriner Hospital on the campus of the University of Oregon Health Sciences Center. Tentatively, it is estimated that these alterations will involve expenditures of approximately $690,000.

In the opinion of the Board's staff, this alternate procedure for accomplishing the remodeling work would be subject to the review and approval of the Joint Committee on Ways and Means because of the intent to raze Katherine Hall, one of the buildings acquired from Multnomah County several years ago when the responsibility for the maintenance and operation of the hospital (now identified as University Hospital North) was transferred to the State of Oregon acting by and through the State Board of Higher Education on behalf of the University of Oregon Health Sciences Center. The procedure would be in lieu of seeking legislative authorization for an expenditure limitation of $290,000 or more—all from gift funds—currently being requested as Priority No. 21 in the listing of educational and general plant projects in the Board's capital construction program for 1979-1981.

**Discussion and Recommendation by the Committee**

Mr. Alfred B. Holmes, Chairman of the Board of Governors of the Shriners Hospital, stated that the funds for the complete construction of the new hospital and the demolition of Katherine Hall had been provided by the Imperial Council of the Shrine two years ago. The project has been under development since that time.

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

**Board Discussion and Action**

The Board approved the Committee recommendation as presented, with the following voting in favor: Directors Ater, Batiste, Carpenter, Feves, Ingalls, Moore, Thorp, and Wyss. Those voting no: None.
Staff Report to the Committee

On September 29, 1978, the Board authorized the leasing of a site on the campus of the University of Oregon Health Sciences Center for the construction and operation of a new 40-bed children's orthopedic hospital by the Shriners with the understanding that all of the costs relating to the replacement of facilities which would be lost through the demolition of Katherine Hall would be borne by the lessee. Based upon very preliminary estimates, it was projected that approximately $290,000 would be required for remodeling other campus facilities to accommodate the transfer of functions currently housed within that structure. Consequently, this amount was included in the Board's capital construction requests for 1979-1981 with all funding to be provided by the Shriners. No tax funds would be involved.

With the assistance of Architects Broome, Oringdulph, O'Toole, Rudolf & Associates and Boles, Maguire and Hoch, working as joint venturers under arrangements made by the Shriners, revised estimates have been prepared for the major units of work to be accomplished. These may be summarized as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relocation of Fiscal Services Department</td>
<td>$265,420</td>
</tr>
<tr>
<td>Relocation of Maintenance Shop Area</td>
<td>59,000</td>
</tr>
<tr>
<td>Relocation of Film Storage</td>
<td>14,000</td>
</tr>
<tr>
<td>Remodeling in University Hospital North for Pedestrian Bridge Connection</td>
<td>18,000</td>
</tr>
<tr>
<td>Utility, Equipment and Alarm System Modifications</td>
<td>321,000</td>
</tr>
<tr>
<td>Moving of Furnishings and Equipment</td>
<td>10,800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$688,720</strong></td>
</tr>
</tbody>
</table>

In addition to arranging for the necessary architectural/engineering services for the remodeling of existing buildings to accommodate the programs being relocated from Katherine Hall, the Shriners organization has requested that the actual construction of the alterations and renovations be accomplished by contractual arrangements directly with them and their selected contractor(s). The staffs of the institution and the Board's Office would participate in the review and approval of the plans and specifications for all work within State buildings and in the review of the progress of the remodeling as well as its acceptance. Appropriate provisions for insurance would be included to protect the State, saving it harmless from any liability in connection with the work.

One of the objectives of this alternate procedure is to expedite the remodeling and to coordinate this activity with the planning and time schedule for the construction of the new hospital. It would relieve the institution and the Board of responsibility for bidding the alterations but would provide adequate assurance that the work would be accomplished satisfactorily. Inasmuch as all of the expenditure requirements would be handled directly by the Shriners, it is the opinion of the Board's attorney that the procedures now being recommended would not conflict with Oregon laws or be in violation of the rules and regulations of the Public Contract Review Board.
Revision of Cost Estimate and Financing Plan for Proposed KOAP-TV Transmitter, Tower & Antenna Replacement, OEPBS

**Staff Recommendation to the Committee**

It was recommended that the Board's capital construction requests for 1979-1981 be revised to reflect an estimated cost of $600,000 in lieu of an earlier estimate of $750,000 for the proposed KOAP-TV Transmitter, Tower & Antenna Replacement project for Oregon Educational and Public Broadcasting Service and that the financing plan for it be amended as follows:

<table>
<thead>
<tr>
<th>Original Request</th>
<th>Revised Request</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gift, Grant and Contract Funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U. S. Office of Education</td>
<td>$562,500</td>
<td>$ -</td>
</tr>
<tr>
<td>Corporation for Public Broadcasting</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td>Other Gifts</td>
<td>-</td>
<td>350,000</td>
</tr>
<tr>
<td>State Funds (General Fund appropriation and/or Article XI-G bond borrowings)</td>
<td>187,500</td>
<td>150,000</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$750,000</strong></td>
<td><strong>$600,000</strong></td>
</tr>
</tbody>
</table>

**Discussion and Recommendation by the Committee**

During the discussion, the proposed modifications and financial arrangements were described in further detail.

Mr. Batiste said there had been criticism in the Legislature about the amount of attention this program had been given by the Board and asked whether Dr. Bryant was of the opinion that the program had been treated unfairly.

Dr. Bryant said he had responded to the same question at a meeting of the Subcommittee of Ways and Means. He indicated that during the past six years OEPBS had moved from black and white to color television and the number of transmitters had doubled. There were no translators in the state five years ago and there are now 12. This number will be increased to about 17 next year. Approximately 400 miles of microwave service have been built and, if funds are appropriated by the Legislature, another 200-300 miles will be constructed to the Coos Bay area. With that amount of development, Dr. Bryant said it was difficult to believe that OEPBS has been neglected by the Board of Higher Education. These things could not have been accomplished without the assistance of the Facilities Planning Office, the Budget Office, and the Chancellor's Office, together with the support of the Board.

In response to a question concerning the effect of the Carnegie Report, Dr. Bryant indicated that the report generally supported the attitude which already exists in Congress.

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

**Board Discussion and Action**

The Board approved the Committee recommendation as presented, with the following voting in favor: Directors Ater, Batiste, Carpenter, Feves, Ingalls, Moore, Thorp, and Wyss. Those voting no: None.
Staff Report to the Committee

On March 24, 1978, the Board authorized the staff to submit a proposal to the Educational Broadcasting Facilities Program of the U. S. Office of Education, contingent upon approval of the State Emergency Board (subsequently obtained pursuant to Oregon statutes), for grant support of $562,500 to cover three-fourths of the estimated cost of $750,000 to replace the transmitter, tower and antenna for KOAP-TV on Healy Heights, Portland. This project was assigned Priority No. 10 in the Board's 1979-1981 capital construction program requests for the educational and general plant, and although the Governor did not include it in his budget recommendations, the Legislature may wish to consider it, especially in response to inquiries from members of Subcommittee No. 3 of the Ways and Means Committee concerning the status of OEPBS plans for the relocation of Channels 7 and 3. It has been indicated that an increase in power on Channel 10 should precede the relocation of either Channel 7 or Channel 3.

Inasmuch as the prospect for federal funding of the KOAP-TV Transmitter, Tower and Antenna Replacement project within the near future does not appear favorable, Dr. Bryant has requested that an alternate financing plan be approved. He indicated that the Educational Broadcasting Facilities Program within the Department of Health, Education, and Welfare has been transferred by the Congress to the Department of Commerce and placed directly under a new office with the title National Telecommunications Information Agency. Based upon limited information released concerning the next round of grants, it appears likely that in accordance with Congressional interests, the highest priority will be accorded projects which deliver a television signal into areas not previously served. There is some question whether the proposed increase of power at KOAP-TV would qualify under these criteria. Replacement of existing equipment likely would have a very low priority. Thus, even if the Oregon Legislature should authorize the project, a different financing plan would need to be provided. In lieu of federal funds, it is now proposed that private gifts and a portion of the Community Service Grant from the Corporation for Public Broadcasting be used to cover three-quarters of the estimated cost of $600,000, supplemented by a revised request of $150,000 from state funds (General Fund appropriation and/or Article XI-G bonds).

The scope of the project would be reduced by deleting the earlier proposal to transport the existing old Channel 10 transmitter to the manufacturer and then to Mt. Fanny in Eastern Oregon after retuning to the Channel 13 frequency. For the present, OEPBS would simply retain the old transmitter at Healy Heights in Portland in a standby capacity. At some future time, funds would be requested or raised to retune it and move it to Mt. Fanny. With this modification, the estimated cost of the 1979-1981 project would be reduced from the earlier request of $750,000 to a revised total of $600,000.

If the proposed revision in the Board's request is approved, appropriate advice will be given to the Executive Department for notice to the Legislative Fiscal Office and the Ways and Means Committee.

As background information for assistance to the Board, excerpts from page 176-178 of the minutes of the March 24, 1978, meeting, describing the OEPBS commitment to maximize the service areas of Channels 10, 7 and 3, the relationship of the proposed increase in Channel 10 power to the plans for the future relocation of Channels 7 and 3, and the proposed replacement of the transmitter, tower and antenna for KOAP-TV, are being provided below.

OEPBS Commitment to Maximize Service Areas of Channels 10, 7, and 3: Commencing with the acquisition of KVDO-TV, Channel 3, Salem, some members of the Legislature have asked repeatedly for plans to be made to relocate the KVDO and the KOAC transmitters to serve better the more
heavily populated areas of the state. Considerable support for the KVDO-TV acquisition came about precisely as a consequence of agreement by OEPBS staff that a plan for relocation of the Willamette Valley transmitters ultimately would be developed.

A first step in this planning was the completion of a spacing study, dated April 6, 1976, by Grant Feikert, Registered Professional Engineer. The objective of Mr. Feikert's study was to determine for OEPBS where Channel 7 and 3 might be relocated within the limitations set by the Federal Communications Commission for geographical separation in air line miles for co-channel and adjacent channel operations. Section 73.610 of the Commission's Rules requires that co-channel operations be spaced 190 miles apart, and that adjacent channel operations be spaced 60 miles apart. On the basis of these spacing regulations, Mr. Feikert concluded as follows:

Channel 3 may be relocated in the:
Vicinity of Astoria,
Vicinity of Corvallis, Albany, and south to the Coburg Hills near Eugene,
Vicinity of Bend, Redmond, Prineville, Madras, or Sisters on the Central Oregon plateau,
Vicinity of Lakeview.

Channel 7 may be relocated in the:
Vicinity of Corvallis and Albany and in the intervening area bounded on the south by an area approximately twelve miles north of Roseburg,
Vicinity of Coos Bay and North Bend,
Vicinity of Bend, Redmond, Prineville, Sisters, or Madras on the Central Oregon plateau.

The Feikert study reveals a number of alternatives for the relocation of Channels 7 and 3, and the ultimate decision unquestionably should be guided by the relative costs of moving to the eligible communities, the number of households which can be served from each location, and the level and quality of television service currently available in each of the communities. OEPBS does not propose that the Board decide the issue of relocation at this time. Moreover, the relocation of a channel requires that the licensee petition the Commission for a Proposed Rule-making to amend the Table of Assignments. Ordinarily, this proceeding requires from one to two years before a Report and Order is adopted. In preparation for facing this issue, however, OEPBS has, in the case of Channel 3, petitioned the Commission for a Rulemaking, proposing the reservation of VHF TV Channel 3 as a noncommercial educational channel from its current status as a commercial assignment. This petition was filed with the Commission but has not as yet been acted on.

Relationship of Increase in Channel 10 Power to Plans for Relocation of Channels 7 and 3: If the Commission were to order, at petitioner's request, an amendment to the Table of Assignments providing for relocation of KVDO-TV, Channel 3, Salem, to one of the communities listed in the Feikert study, and if the Table were amended to provide for the relocation of KOAC-TV, Channel 7, Corvallis, to another of the communities listed in the Feikert study, the effect on many communities in Marion, Polk, Yamhill, Lincoln, and Clackamas Counties, insofar as the availability of a noncommercial educational signal is concerned, would be significant. Although the present contours of Channels 10, 7, and 3 overlap extensively in these counties, there are many population pockets where only one of the signals is available. A principal cause of this limited penetration is the fact that both Channel 10 and Channel 3 operate at levels of power far lower than the allowable maximum. Thus, if the signals of Channel 3 and Channel 7 were to be removed from the upper Willamette Valley, many communities
would be without a noncommercial educational television service 'unless the power of Channel 10 were increased to compensate for the absence of the other two. For this reason, OEPBS staff believes that an increase in effective radiated power at KOAP-TV, Channel 10, Portland, should precede any formal request to relocate the transmitters of Channels 7 and 3.

KOAP-TV Transmitter, Tower, and Antenna Replacement: OEPBS requests permission to submit a proposal to the Department of Health, Education, and Welfare for matching funds to finance the replacement of the Channel 10 transmitter, tower, and antenna at Healy Heights in order to achieve a maximum authorized power of 316 kw instead of the present 60.3 kw. This increase in power not only would provide a stronger and more effective signal throughout the area currently overlapped by KVDO-TV, Channel 3, but also would radiate a stronger signal throughout the Portland area and Southwestern Washington. This increase in power would extend the A and B contours of KOAP-TV by approximately ten miles, bringing the A contour to the northern edge of the city of Salem and extending the B contour to a point equidistant between Salem and Albany. The A contour is that area of coverage over average terrain in which under normal conditions a strong usable signal may be received. The B contour is that additional area throughout which a usable signal may be received if the area is free of any significant interference or gross unevenness of terrain. The replacement antenna would also contribute to an improved signal throughout the area of service. It is proposed that a helical or spiral antenna be substituted for the present "bat wing" antenna. The spiral antenna would emit a more diffused signal pattern as contrasted with the directional tendencies of the bat wing antennas and this, coupled with a five-fold increase in power, should provide reception in several pockets in Portland's west hills where the present signal does not penetrate.

The total cost of replacing transmitter, tower, and antenna at Healy Heights is estimated at $750,000. The project would include $90,000 for construction and $660,000 for equipment. The local share for this project would be $187,500, and the federal share, $562,500.

The transmitter replacement project at Healy Heights includes also the retuning of the old transmitter to the Channel 13 frequency and relocating it on Mt. Fanny. Although the Healy Heights transmitter is twelve years old, the one at Mr. Fanny transmitter operates at only one third maximum allowable power, and the substitution of the Healy Heights transmitter would not only hold the promise of being a more reliable unit but would also permit its operation at maximum power, thus improving and extending the signal in Union, Baker, and Umatilla Counties.

Although a new tower would be required to support the new antenna at Healy Heights, the old tower segments could be salvaged and reconstructed for service as a translator support; or the present antenna and tower might be left in place as a standby in the event of trouble with the new system.

The increase in power for Channel 10 would result in an additional $20,000 per year in operating costs and at Channel 13 the increase to maximum power would require an additional $4,000 per year. Thus, the increase in operating costs resulting from replacement of transmitters at both Healy Heights and Mt. Fanny would amount to $24,000 per year or $48,000 for a biennium.

With KOAP-TV, Channel 10, Portland, at maximum power, OEPBS would be able to plan the relocation of Channel 3, Salem, and Channel 7, Corvallis, so as to serve the maximum number of people in Western Oregon without depriving people in the Salem area of adequate educational television service.
Each member of the Board and each institution president has received a copy of the Audit Report of the Department of Higher Education for the biennium ending June 30, 1977, prepared by the Department of State and released by the Secretary of State on February 14. Its 62 pages include 41 pages of narrative observations, comments, and recommendations. The "Accountant's Report" (pp. 42-62) includes five "qualifications" and 19 "notes."

On February 8, Board members Ingalls and Batiste, accompanied by Chancellor Lieuallen, Vice Chancellor Holmer, and Controller Ross Hall met with Secretary of State Norma Paulus and her audit staff to discuss the Report. The meeting, initiated by the Chancellor, was warmly welcomed by the Secretary of State as representing the intent of the Board to assure that the audit received close, constructive, and corrective attention. She also volunteered to express that view at a Ways and Means review of the audit, if one is scheduled.

Members of the audit staff also indicated that there was essentially no duplication of criticism from the 1973-1975 Audit Report--clear evidence that heed was paid to that audit through corrective action.

In following up on the current Audit Report, Vice Chancellor Holmer has designated Gary Powell, director of the Internal Audit Division, to monitor corrective action and to report to the Board in May and November on the progress made in addressing the criticisms contained in the Audit Report. Mr. Holmer has also directed memoranda to Messrs. Lemman, Krueger, Hall, Richard Perry, and the institution presidents, requesting their assistance in the implementation of any needed actions.

It is the impression of staff that this is a "good" audit in three senses. First, the auditors have made specific recommendations in addition to their findings and shared both the findings and the recommendations with the Department in advance of the publication of the Report. As a result, corrective action in several areas is already under way. Second, the Report is "good" because it addresses some areas which were identified in the "entrance" conference held over a year ago by members of the Board with the Secretary of State and her staff at the beginning of the audit process. Finally, the Report makes many findings that will be helpful in the management of the Department but has relatively few adverse comments about accounting practices and standards. For an enterprise as large and decentralized as the Department, the financial accountability processes seem to be working at a commendable level of performance.

In no way do the foregoing comments intend to convey unalloyed satisfaction in the status quo. Improvement is possible and necessary--and will be achieved.

Members of the Committee have received copies of a letter required by the Executive Department indicating the corrective actions that have been taken or will be taken. Copies have also been provided to the Governor's Office, the Division of Audits (Secretary of State) and the Legislative Fiscal Office. Committee comment on the Audit Report and the staff response is invited.

Board Discussion and Action

At the conclusion of the presentation on the 1975-1977 audit report, Mr. Holmer said that supplementary comments would be appropriate in view of newspaper articles which had appeared with respect to the audit report. He referred specifically to a story on Tuesday, February 20, in which the headline and the lead sentence mentioned "sloppy accounting" and the subhead and text
claimed there were "sloppy payroll practices." In the same article, reference was made in the first paragraph to a "too cozy relationship" between the colleges and the fund-raising organizations and to "book-juggling" in the second paragraph.

Mr. Holmer said there were a great many co-workers in his office and in the business offices of the institutions and it was important for him to express publicly to the Board his belief that these characterizations were not borne out by the audit report or the press release issued by the Secretary of State in relation to the audit. The audit report does not carry an implication of book-juggling, he stated. A definition of that term gives the impression of rigging the accounts in some way with the intent to trick or deceive, Mr. Holmer said, and that is not characteristic of the members of the Department of Higher Education. He noted that the audit report did find instances of deficiencies in billing and recording expenditures, but the report did not imply by any stretch of the language that the accounting was sloppy. In fact, the accounting was sufficiently good that the auditors were able to identify precisely what should be done differently. Mr. Holmer said there were too many hard-working members of the Board's staff---bookkeepers, accountants, fiscal officers, and business managers---to allow this public slur to go without comment.

With respect to the relationships between the affiliated organizations and the institutions with which they are connected, lay people are involved in helping to secure private financial support for particular activities of the institutions. The audit report calls for a clarification of that relationship. This relationship should be clarified along the lines of the audit report, but the audit report does not contain any evidence of instances in which there is the kind of self-service that is implicit in describing the relationship as "too cozy."

Mr. Holmer said the Department of Higher Education is a large department with a substantial budget and inevitably there will be some mistakes. He said he appreciated the efforts of the audit staff in helping to identify areas for improvement.

The Board might want to give the staff additional instructions with respect to the audit report, or ask questions of the auditors, Mr. Holmer said. He indicated that the audit was essentially a good one and was constructive. The auditors suggested appropriate procedures, although there are still some areas for discussion and debate with respect to some of the elements. However, given the size of the operation, Mr. Holmer said the audit report described an operation of high quality and one in which the Board could have pride.

Mr. John Stricklin, Supervisor of the Division of Audits, together with staff members Dennis Rose and Robert Arpin, were present for the purpose of commenting on the audit report and responding to questions concerning it. Mr. Stricklin expressed his appreciation to the employees of higher education for their cooperation during the course of the audit and indicated that, as a result, it had been possible to prepare better audit comments. Specifically, he cited efforts in obtaining the necessary information and records. The result is an accurate, complete, meaningful, and informative audit report, due to the assistance and suggestions from staff.

Mr. Batiste indicated that he would have preferred to have the audit report presented to the Finance Committee for detailed study before the matter was considered by the full Board. The Chancellor said it had been brought to the Board without prior consideration by the Finance Committee because the audit report was a central and crucial issue in connection with the Legislative Assembly and seemed to justify immediate attention by the full Board. He noted, however, that consideration by the Board would not preclude detailed analysis in the Finance Committee. Mr. Holmer expressed his intention of bringing portions of the audit report to several Finance Committee sessions.
as the staff develops precise definitions of policy questions that relate to the correction of elements identified in the audit report. Reports of the corrective actions that have been taken will also be presented in specific detail.

In view of the statements made in the press, Mr. Ater asked whether the auditors could confirm to the Board that they had not found bad action but only accounting discrepancies of the sort that one would ordinarily expect to see in an audit. Mr. Ater said he had read the audit comments and had not found anything that suggested to him sloppy practices or bad actions or dishonesty.

There are no references to sloppy practices in the audit report, Mr. Stricklin replied. The findings were not the result of sloppy bookkeeping. In many instances, it may have been a lack of communications, failure to understand communications, or a failure to have adequately trained people. In some instances, there may have been a lack of sufficient funds to correct the weaknesses.

The three important functions of an audit, Mr. Ater said, are: (1) to continue on a continuous basis to identify ways to improve accounting systems; (2) to identify corrections and adjustments that need to be made in the ledgers so that the final historical record is accurate; and (3) to identify management changes that might be made to improve the general operation and management information systems. He said, in his opinion, that was what the audit had done. Mr. Stricklin responded that this had been the intention of his staff.

Mr. Ingalls said the comments in the newspaper story mentioned earlier certainly had not been evidenced in any comments from the Secretary of State's Office or from the Board or its staff. He thanked the auditors for the efforts on behalf of higher education and expressed appreciation to them for pointing out the problems that exist in a budget as large as that of higher education. It is anticipated there will be additional problems in each biennium and that there will be assistance from the audit staff in correcting those problems as they occur. Mr. Ingalls indicated that at the meeting with Secretary of State Norma Paulus and the audit staff, Mrs. Paulus had been very complimentary concerning the Board's acceptance of the audit report and the attitude and efforts with respect to accomplishing the necessary corrections. Mr. Ingalls said the Board had an obligation to make it clear that administrators at every level of the Department of Higher Education were expected either to correct the deficiencies noted in the audit or to take such other action as is appropriate. The audit report records many deviations from the standards set by law, or by rule, or by policy, Mr. Ingalls said. There are two options available, either to correct the discrepancies or to seek a change in the policy, law, or rules.

Mr. Ingalls moved that the Board request the staff to convey to the presidents of the institutions and other responsible officers its expectation that the scheduled reports that follow up on the audit comments be provided as evidence that the necessary action has been taken or is underway.

Mr. Batiste said he had no problem with the motion, assuming that the Chancellor's generous offer to bring the details of the audit back to the Finance Committee would be undertaken and would not be precluded by the motion.

Mr. Ingalls indicated that the first discussion of the details of the audit would be scheduled for the April meeting of the Finance Committee.

In response to a request for further clarification of the intent of the motion, Mr. Ingalls indicated that the intent was to assure reports to the Board from the various departments within the State System that the discrepancies have been corrected or are being reviewed.
Mr. Ater said he was concerned with necessarily characterizing all of the aspects of the report as discrepancies or errors, because there were some judgment issues which were flagged for the information of the Board. These matters were intended for Board consideration but did not necessarily require correction. He said he could support the motion with the understanding that it was not necessarily saying comply with everything mentioned in the report.

Mr. Ingalls said it was his opinion the motion was sufficiently flexible to permit that distinction in dealing with the matters mentioned in the report.

In conclusion, Mr. Stricklin indicated his willingness to provide the Board with any additional information or assistance as it reviewed the details of the audit report. Mr. Wyss emphasized the need for this type of communication.

The Board approved the motion as presented by Mr. Ingalls, with the following voting in favor: Directors Ater, Batiste, Carpenter, Feves, Ingalls, Moore, Thorp, and Wyss. Those voting no: None.

The Secretary of the Board read a letter from Karen Norton of La Grande, Oregon, in which she thanked the Board for the financial assistance which she had received and which had enabled her to complete her education.

Staff Recommendation to the Committee

It is recommended that the Vice Chancellor for Facilities Planning be authorized to accept the option obtained for the purchase of the Martel property at 1955 S. W. Stadium Street, Corvallis, in the amount of $57,500. Inasmuch as the property is within the approved projected campus boundaries for Oregon State University and is expected to be used for parking purposes, the purchase would be financed from resources available to the institution from its parking operations. A portion of the cost would be charged against the remainder of the expenditure limitation for land acquisition authorized by Chapter 592, Oregon Laws 1973, and the balance would be charged against the expenditure limitation within Chapter 331, Oregon Laws 1975.

Discussion and Recommendation by the Committee

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

Board Discussion and Action

The Board approved the Committee recommendation as presented, with the following voting in favor: Directors Ater, Batiste, Carpenter, Feves, Ingalls, Moore, Thorp, and Wyss. Those voting no: None.

Staff Report to the Committee

Donald J. Martel and Althea F. Martel have offered to sell to the Board the property located at 1955 S. W. Stadium Street, Corvallis, directly across the street from Parker Stadium at Oregon State University. The property contains an area of approximately 0.123 acres of land improved with a one and one-half story residence which has about 1,920 square feet plus a basement and detached garage. On the main floor, there is a living room, dining room, kitchen, bath and one bedroom. Upstairs, there are two additional bedrooms and a bath. Within the basement, there is a family room, two bedrooms and a utility room and shop area. The residence is about 40 years old and is in good condition.

Inasmuch as the property is located within the area designated for future parking, the purchase would be financed from balances available to the institution from parking operations.

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The option price of $57,500 reflects the average of two independent appraisals obtained by University officials. As noted within the staff recommendation, a portion of the cost of acquiring the property would be charged against the remainder of the expenditure limitation for land acquisition authorized by Chapter 592, Oregon Laws 1973, and the balance would be charged against the expenditure limitation approved within Chapter 331, Oregon Laws 1975.

CHANCELLOR'S REPORT

Legal Action Concerning Divestiture

The Chancellor said the Board was aware of a suit against the Board of Higher Education, the Attorney General's Office, and the Oregon Investment Council, pertaining to the divestiture of investments in the countries of southern Africa. Subsequent to the initiation of that suit, an attempt was made to have the Board of Higher Education and the Attorney General removed as defendants. The court agreed to remove the Attorney General but not the Board of Higher Education. The Chancellor said that in view of the Board's action with respect to divestiture, it was his assumption that the Board had no objection to the petition of the plaintiffs that the Board be permitted to divest itself of its investment holdings in southern African countries.

Being reluctant to incur costs for something which the Board does not want--defense against divestment--the Chancellor said he had been in communication with the Attorney General's office about the responsibility for the defense costs of this suit. Initially, the Chancellor said, it was anticipated it would not be necessary to bear any share of the cost of defending against a suit requiring action to which the Board was not opposed. However, it has become increasingly clear that the payment of a share of these costs may be required. The Chancellor said he had assured students that the Board was not seeking to be enjoined from divesting itself of these holdings. Payment of a share of the defense costs would be inconsistent with this position. The Chancellor indicated he would continue efforts to be relieved of payment for a share of the costs of a defense which the Board is not seeking.

Mr. Ater said he had been concerned for some time that the Attorney General has taken a position which goes far beyond divestiture with respect to the scope of the Board's authority, and a position with which Mr. Ater thought many of the Board disagreed. Further, the Attorney General was defending the Board in a lawsuit, the results of which go beyond the immediate question of divestiture. He suggested that if the Board were required to pay attorney's fees in connection with the suit, some consideration should be given to obtaining outside counsel. It might be possible to find an individual interested in the issue who would give the Board good assistance at a price which it could afford. Such an individual might argue the Board’s position with respect to being trustees and controllers of the funds which state law commits to the Board's discretion. Mr. Ater said the result might lead to a more thoughtful result if both positions were argued to the court. The Board's long-range interests might be better served by seeing that a position supporting the interpretation that Board members thought pertained under the state law was argued.

In response to some discussion of the Board's original action concerning participation in the suit, the Chancellor said it had been his interpretation that the Board wished to stand aside, not seeking to join the plaintiff and objecting to being a defendant, and let the issue be resolved between the plaintiffs and the Oregon Investment Council.

Mr. Wyss asked if Mr. Branchfield considered it appropriate for the Board to have outside counsel. Mr. Branchfield replied that any time a state agency believes its interests would be served better by outside counsel than by the Attorney General, it should pursue that possibility. The present Attorney General has a policy that generally-speaking, if an agency believes there is a conflict and wants outside counsel, it would be approved.
Mr. Batiste moved that the Chancellor make further inquiries and report the findings to the Board at the March meeting. The motion was approved, with the following voting in favor: Directors Ater, Batiste, Carpenter, Feves, Ingalls, Moore, Thorp, and Wyss. Those voting no: None.

ADJOURNMENT The Board meeting was adjourned at 11:40 A.M., February 23, 1979.

WILMA L. FOSTER, Secretary
Oregon State Board of Higher Education

Louis B. Perry, President
Wilma L. Foster, Secretary