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Discussion of Financial Aid at Joint Meeting
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BS in Medical Imaging Technology, OIT

BS in Office Automation Technology, OIT

Ed.M. in Adult Education, OSU/WOSC School of Education in Cooperation with OIT

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ADJOURNMENT
STATE BOARD OF HIGHER EDUCATION
MINUTES OF REGULAR MEETING HELD IN OREGON ROOM,
COLLEGE CENTER, WESTERN OREGON STATE COLLEGE
MONMOUTH, OREGON

April 18, 1986

A regular meeting of the State Board of Higher Education was held in the Oregon Room, College Center, Western Oregon State College, Monmouth, Oregon.

ROLL CALL

The meeting was called to order at 10:30 a.m., April 18, 1986, by the President of the Board, Mr. Alvin R. Batiste, and on roll call the following answered present:

Mr. Robert R. Adams
Mr. Gene Chao
Mr. Terrence A. Clark
Mr. F. David Crowell
Mr. Richard F. Hensley

Mrs. Janet S. Nelson
Mr. James C. Petersen
Miss Mildred Schwab
Mr. Alvin R. Batiste

Absent: Mr. Alltucker was out of the state.

Mr. Louis B. Perry was in attendance. He was recently reappointed to fill the unexpired term of Mrs. Harriett Flanagan.

OTHERS PRESENT

Centralized Activities--Chancellor William E. Davis; Secretary Wilma L. Foster, W. T. Lemman, Executive Vice Chancellor; Lawrence C. Pierce, Vice Chancellor for Academic Affairs; Wil Post, Vice Chancellor for Public Affairs; John Owen, Vice Chancellor for OCATE; Roger Olsen, Director of OCATE; W. C. Neland, Associate Vice Chancellor, Facilities Division; Holly Zanville, Assistant Vice Chancellor, Academic Affairs; Davis Quenzer, Associate Vice Chancellor, Fiscal Policies; R. S. Perry, Associate Vice Chancellor, Administration and Planning Services; Joe Sicotte, Associate Vice Chancellor, Personnel Administration; Virginia Boushey, Assistant to Executive Vice Chancellor; Ross Hall, Controller; Ron Anderson, Assistant Vice Chancellor, Personnel Administration; Kay Juran, Assistant Vice Chancellor, Public Affairs; Barbara Barrie, Personnel Officer; Jerry Lidz, Assistant Attorney General; Debbie Cherry, Secretary, Public Affairs; Wayne Kurlinski, Special Assistant to the Chancellor.
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Oregon State University--President John Byrne; Bill Wilkins, Acting Vice President, Academic Affairs; T. D. Parsons, Vice President, Finance and Administration; D. S. Fullerton, Acting Associate Vice President, Academic Affairs; S. D. Bloomfield, Assistant to the President; Bob McMahon, President, Faculty Senate.

University of Oregon--President Paul Olum; Dan Williams, Vice President for Administration; Richard J. Hill, Provost.

Oregon Health Sciences University--President Leonard Laster; Ralph Tuomi, Acting Vice President, Facilities Management; Peter Wollstein, Interim Vice President, Finance and Administration; David Witter, Interim Director, University Hospital; Steve Bauer, Executive Assistant to the President.

Portland State University--President J. C. Blume!; Margaret J. Dobson, Executive Vice President; R. N. Edgington, Vice President, Finance and Administration.

Eastern Oregon State College--President David E. Gilbert; James Hottois, Dean of Academic Affairs; James Lundy, Dean of Administration.

Oregon Institute of Technology--President Larry Blake; William W. Smith, Dean of Academic Affairs; John H. Smith, Dean of Administration; John Ward, Chair, Division of Business Technology; Dick Strohkirch, Department Head, Medical Radiologic Technology.

Southern Oregon State College--Ronald Bolstad, Dean of Administration; Ernest Ettlich, Dean of Academic Affairs.

Western Oregon State College--President Richard Meyers; Bill Cowart, Provost; Bill Neifert, Dean of Administration.

Others--Linus Pauling, Nobel Prize Winner and OSU Graduate; Ruth O. Daniels, former Board member; Jerry Freshour, Special Project Manager, Board of Police Standards and Training; T. K. Olson, Executive Director, Oregon Educational Coordinating Commission; Steve Forrey, Analyst, Legislative Fiscal Office; Carol Palmer, Executive Director, Foundation for Oregon Research and Education; Sherry Oeser, Executive Director, Oregon Student Lobby; Mark Shibley, Research Assistant, Oregon Student Lobby; David Tilton, Planning Coordinator, Oregon Educational Coordinating Commission; Dave Hyland, President, Hyland and Sons Construction; Larry Bruner, Manager, Hyland and Sons Construction; Phil Cass, attorney representing Hyland and Sons Construction; Harold Williams, President, Pen-Nor, Inc.; Larry Hill, State Representative, District 42; Jim Hill, State Representative, District 31, and Director of Marketing for Pen-Nor, Inc.; Karen Fink, attorney representing Pen-Nor, Inc.; Gary Neibert and James E. Cason, Vice Presidents with Pen-Nor, Inc.; Debbie Lincoln, Budget Analyst, Executive Department.
The Board dispensed with the reading of the minutes of the last regular meeting held on March 21, 1986, and approved them as previously distributed. The following voted in favor: Directors Chao, Crowell, Hensley, Nelson, Petersen, Schwab, and Batiste. Those voting no: None. Directors Adams and Clark were absent from the meeting at this time.

At the request of Mr. Batiste, Mr. Petersen introduced Mrs. Ruth O. Daniels, a former Board member. Mrs. Daniels was an early appointment to a student position on the Board and was visiting Western Oregon State College as a representative of the Silverton School District. Mrs. Daniels is a native of La Grande and a graduate of Western Oregon State College. Her late father was the wrestling coach at Eastern Oregon State College.

The Chancellor then indicated that President Byrne had requested the opportunity to introduce a very special guest to the Board.

Dr. Byrne introduced Dr. Linus P. Pauling, an outstanding alumnus of Oregon State University. Dr. Pauling graduated in 1922 from Oregon State and in 1933, before other honors had been bestowed on him, Oregon State University recognized the preeminence of Linus Pauling and awarded him an honorary doctorate of science. Others subsequently recognized the outstanding capabilities of this individual and awarded him many honors. Dr. Byrne said the most notable of these were the Nobel Prize in Chemistry in 1954 for his work on chemical bonding and the Nobel Peace Prize in 1962 for his efforts to bring about a moratorium of nuclear testing in the atmosphere.

Dr. Byrne said Dr. Pauling had seen fit to recognize and to honor his alma mater by depositing all of his papers, both science and peace related, and those of his wife, Ava Helen Pauling, to the Oregon State University library. He added that Dr. Pauling recently had established the Ava Helen Pauling Lectureship in World Peace at Oregon State University in honor of his wife. The program brings outstanding leaders who have made efforts in world peace to the campus. This was recognized in the request for the certificate in world peace studies which was presented to, and approved by, the Board earlier this year.

Dr. Pauling commended the Board and Oregon State University for the establishment of the program of peace studies. He said there is nothing more important in the world than this problem of world peace and the efforts to stop the waste of much of the world's wealth in war.
Dr. Pauling noted that he owed a great deal to the public schools in Oregon from the beginning of his education in Condon, Oregon, through his studies at Oregon State University. All of these public educational institutions provided him with a very good preparation for his later work. He said he hoped the school system was functioning as well now as it had some 80 years ago when he began his first studies.

Dr. Pauling expressed his appreciation to Oregon State University for the lectureship in honor of his wife and indicated he had heard a number of the lectures given. He said it was a pleasure for him to be present and meet the members of the Board and that he was pleased Oregon State University would be providing a repository for the papers, documents, and other materials which were associated with his work and that of Mrs. Pauling.

The Chancellor announced that Governor Atiyeh had appointed two new Board members, effective July 1, 1986. The new appointments are Mr. George E. Richardson, Jr., of Portland, and Mr. Michael W. Hermens of La Grande. Mr. Richardson is a Director of Corporate Budgets and Strategic Planning for Northwest Natural Gas and Mr. Hermens is a sophomore at Eastern Oregon State College.

The Chancellor welcomed them to the Board and indicated he hoped they would be able to attend one or more meetings during the spring. He also welcomed Mr. Perry who was returning to the Board to fill Mrs. Flanagan's unexpired term.

The Chancellor said President Sicuro had returned from a meeting of the American Council on Education in Washington, D.C. The organization includes private and public institutions and community colleges across the nation. The report from the meeting was distributed to the Board.

The Chancellor said the group had been addressed by both of the Oregon Senators in regard to the budgetary concerns and the threats, or perceived threats, to the financial aid packages of students. In addition, the group met with more than 40 of the Congressional leaders and passed the following resolution:

A Call to Conscience

Proposed reductions in federal support seriously threaten American higher education. Its future for decades to come will be affected by the decisions Congress makes in this budget and appropriations cycle. But the issue is greater than the future of higher education; the issue is the future of the nation.
America's best hope for economic prosperity is education. Growing competition in the international market place can only be met through more - not less - educational opportunity. Research and technological developments are needed to produce the jobs of the future, and quality education is needed to develop the talents of all the young people to meet the challenges of the future.

And yet, education is being held accountable for deficits which it did not create. From 1980 to 1986 the federal deficit doubled in constant dollars while education expenditures declined by 16 percent. Reductions in student aid include the elimination of social security education benefits and the decline of veterans' educational benefits.

We are troubled by the notion that the national defense can be strengthened while education is weakened. We remind the nation that education is an essential component of the national defense; there would be no military force without educated manpower, no technical military superiority without engineers and scientists trained on the nation's campuses.

Proposed federal cutbacks would affect an estimated 3 million out of 5 million students presently receiving aid, forcing them to drop out or change their college plans. Such cuts strike particularly hard at minority enrollments, which already have been losing ground; while more blacks and hispanics are completing high school, fewer are attending college.

Such losses are unacceptable to a nation committed for the last thirty years to making higher education available to every young person who has the ability and desire to pursue it. Such losses are unconscionable for a nation committed to racial equality and equal opportunity. Educational excellence is not possible without equal access; the federal role in guaranteeing that access is paramount, representing 75 percent of total national expenditures for student aid.

As college and university presidents and leaders of higher education, we represent millions of American students whose futures hang in the balance of federal budget and appropriations decisions. It is time we spoke out for them--clearly and forcefully.

It is time, too, that we remind the nation that education is fundamental to the quality of life in our democratic society, as well as to our economic security and our national defense.
It is time to bring education back to the forefront of our national priorities. We call for a reordering of federal responsibilities to recognize education as our best hope for the future.

This is nothing less than a call to conscience.

The statement was signed by 51 college and university administrators in attendance.

The Chancellor recommended that the Board endorse the statement in principle and communicate the endorsement to the American Council on Education. The Chancellor also commented that there has been tremendous support and leadership from the Oregon delegation throughout the discussion of the education priorities and the federal budget.

The Board approved the recommendation of the Chancellor and indicated its support of the statement. The following voted in favor: Directors Adams, Chao, Clark, Crowell, Hensley, Nelson, Petersen, Schwab, and Batiste. Those voting no: None.

The Chancellor said a portion of the agenda for the joint meeting of the Board of Education, the Board of Higher Education, and the Oregon Educational Coordinating Commission had been devoted to small group discussions of some of the critical issues. One of the discussion groups dealt with financial aid, and one of the conclusions of the group was for an aggressive effort to seek utilization of lottery funds to finance two types of student aid programs in Oregon. One would be a cooperative study program established between business, industry, and state government to provide cooperative work study opportunities, not just within the institutions but also within the public sector. The second would be patterned after the Colorado program in which the state would provide a significant number of waiver-of-tuition scholarships for a specified percentage of the top graduating seniors.

The Colorado program is an honor scholarship plan which has been in effect for at least 40 years and recognizes the top 10% of the graduating class in each of the high schools in the state by providing a waiver of tuition for them to attend any state institution in Colorado. These scholarships are renewable if the student maintains a B average in each academic year. The Chancellor said if Oregon were truly interested in taking a major step toward excellence, the program would be a fantastic motivator for high school students since the awards are based on merit and higher academic achievement.
He said he was in agreement with the proposal and would prepare a statement for the Board to consider in terms of its budget recommendations to the Governor and the Legislature. He said the staff would be working closely with the State Scholarship Commission in developing the terms for such a program.

The Chancellor said almost all of the federal and state financial aid programs were based on need. In order to recognize, stimulate, and reward excellence, there should be some need-free scholarships available which are based upon the achievement and performance of the individuals.

The Chancellor presented a request from President Laster to rename the Institute for Advanced Biomedical Research at the Oregon Health Sciences University. The institute would be designated the Jean and Howard Vollum Institute for Advanced Biomedical Research in recognition of their major contributions toward its development.

The Chancellor recommended that the Board approve the request.

Mr. Batiste said this was very appropriate and he was pleased that the Board had this opportunity.

Mr. Perry said he would like to be recorded as being supportive of the request, even though he was not able to vote officially yet as a Board member.

The Board approved the request, with the following voting in favor: Directors Adams, Chao, Clark, Crowell, Hensley, Nelson, Petersen, Schwab, and Batiste. Those voting no: None.

The Chancellor commented that the first donation was an anonymous contribution. The latest bequest to the institute will make it one of the premier programs of its type in the nation.

President Laster then described some of the exciting research being conducted at the institute.

The Chancellor said he had completed his visits to the campus of Oregon Institute of Technology in connection with his evaluation of President Blake. He indicated he had interviewed over 90 people in the process. Similar visits will be made to Western Oregon State College and Eastern Oregon State College in connection with the evaluations of the presidents of those institutions.

The Chancellor thanked President Meyers, Mr. Neifert, and all of the staff at Western Oregon State College for the warm and gracious hospitality extended to the Board and staff during the meetings.
He said that, as usual, the campus looked magnificent and was worthy of the national awards it had received for campus beautification.

The Chancellor said the University of Oregon had completed its search for the Vice President for Research. Following interviews with the finalists for the position, President Olum recommended the appointment of Dr. John T. Moseley. Dr. Moseley has been the Acting Vice President for Research since July 1, 1985.

The Chancellor concurred in the recommendation and indicated that Dr. Moseley was one of the outstanding leaders in the nation. He recommended that the Board approve the appointment.

The Board approved the recommendation as presented, with the following voting in favor: Directors Chao, Clark, Nelson, Petersen, Schwab, and Batiste. Those voting no: None. Directors Adams, Crowell, and Hensley were absent from the meeting at this time.

Dr. T. K. Olson, Executive Director of the Oregon Educational Coordinating Commission, thanked the Board for its participation in the joint boards meeting. He said he thought that the three board chairmen deserved a substantial share of credit for developing an agenda which made the meeting worthwhile and which addressed some important issues.

Dr. Olson commented on the planning task, indicating that he believed, when all of the plans were put together, there would be a rather fascinating and very positive short list of some new initiatives which would be a credit to the state. If the list can be packaged appropriately and perhaps narrowed somewhat, there should be a reasonable target of items to which the state can give priority, support, and funding.

Dr. Olson referred to the latest ECC Data Report which was distributed to the Board. This issue reviewed enrollment trends in Oregon over the last 25 years. He suggested that the Board might find it interesting in connection with the planning effort because the report reflects trends in other segments of education as well as in higher education.

Mr. Hensley said as a participant in the joint boards planning process, he wished to thank Dr. Olson and his staff for making the meetings convenient, to the point, and very productive. He said he believed Oregon was on the threshold of new ventures in education and the process was just the very beginning of a long term relationship.
Staff Report to the Board

In May 1983, the State Board approved "A Strategic Plan for the State System of Higher Education, 1983-87." For the past six months, the Board's Committee on Planning and the staff have been preparing a sequel to the Strategic Plan for the period 1987-1993. The longer six-year planning period was selected to be consistent with the Oregon Educational Coordinating Commission's six-year planning framework.

The new "Strategic Plan for the State System of Higher Education, 1987-93" establishes the missions of the System and its institutions, goals for the planning period, and policy recommendations. It is a strategic plan in that it sets the long-term policy framework within which each institution will develop its operational plans. It also outlines the Board's goals and objectives which will become a part of the Oregon Educational Coordinating Commission's comprehensive plan for education in Oregon.

This draft (the green draft) has been carefully scrutinized. The plan has been reviewed by the Board (April 11), the Board's Committee on Planning, the Presidents Council (March 20 and April 17), the Academic Council (at two retreats and numerous regular meetings), and various campus groups. The plan has been substantially revised and improved as a result of these reviews.

The Board is being asked to approve the current draft so that the Board fulfills its responsibility to submit a plan to the Oregon Educational Coordinating Commission by April 24, 1986. Before requesting Board approval of the final Strategic Plan, the Board's Committee on Planning will elicit additional comments on the plan from a wide variety of interested groups. The Committee proposes to conduct hearings on several of the college and university campuses and to further develop the major proposals in the plan, such as the five-year teacher education proposal and the educational television proposal. Adoption of the final Strategic Plan would come later, probably at the July 1986 Board meeting.

Committee Recommendation to the Board

The Board's Committee on Planning recommended that the Board accept and approve the draft of "A Strategic Plan for the Oregon State System of Higher Education, 1987-93" with the understanding that additional hearings will be held and revisions made before a final version of the plan is presented to the Board for its approval at the July Board meeting.
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The Committee also recommended that the Board direct the staff to provide a copy of this draft plan to the Oregon Educational Coordinating Commission no later than April 24, 1986, along with a report describing the relationships between the goals and recommendations in the Strategic Plan and goals and objectives outlined in the Commission's Planning Charge dated September 1985.

Board Discussion and Action

In presenting the report, Mr. Hensley said the plan was an addition and update of the 1983-1985 plan and encompassed the period from 1987-1993. He summarized the data presented in the staff report to the Board.

The Board approved the recommendations as presented, with the following voting in favor: Directors Adams, Chao, Clark, Crowell, Hensley, Nelson, Petersen, Schwab, and Batiste.

Those voting no: None.

The Secretary read excerpts from a letter addressed to Mr. Neland from Mr. Gary C. Neibert, Vice President of Pen-Nor, Inc. The letter stated that Pen-Nor, Inc., formally protested the award of the construction contract for the Professional Schools Building, Phase II, at Portland State University "on the ground that the bidder, Hyland & Sons Construction, Inc., did not meet the minority or women business enterprise goals as set forth in the specifications for the above-mentioned project." The letter further requested that the matter be brought before the Board of Higher Education for resolution.

At the request of Mr. Batiste, Mr. Lemman explained that the 1985 Legislative Assembly had adopted HB 2577, which requires that whenever a public contracting agency requires bidders to subcontract some or part of the contract or materials to be used on a project with minority- or women-owned business enterprises, the agency shall award the contract only under certain conditions. Compliance with or adoption of the law was voluntary. However, the Board was petitioned in late 1985 by persons associated with women and minority business enterprise associations asking that the Board adopt an Administrative Rule that would require compliance with HB 2577, embodied as Chapter 769, Oregon Laws 1985.

The Board subsequently adopted OAR 580-50-027. This rule specifies that for any capital construction project approved by the Board having an estimated value in excess of $500,000, the contractors would be required to make a good faith effort to subcontract to, or obtain materials to be used in performing the contract from, minority and women business enterprises in conformance with the following goals: 10% of the estimated
contract in bid dollars for minority-owned business enterprises and 2% for women-owned business enterprises, either in the form of subcontracts or purchase of materials.

For the purposes of the Board's rule, and also as required by law, it shall be determined that the women- or minority-owned business enterprises are appropriately identified as such from those who are so certified by the Department of Transportation, the agency to which this task was assigned by the Legislative Assembly.

Mr. Lemman said bids were opened a month earlier for the Professional Schools project at Portland State University and Hyland & Sons of Eugene had been the apparent low bidder. Evidence of their good faith effort in meeting the requirements of the law were provided. It showed that they had gone through the necessary steps, even though they might not have met the goal of 10%.

Mr. Lemman said it was understood that all of these efforts are supposed to be undertaken prior to the opening of bids. It now develops that even though there were not subcontractors identified at the time of the bid opening that were sufficient to meet the goal, subsequently the contractors, including the mechanical contractor, have provided Hyland & Sons with information concerning sub-subcontractors and persons where materials are being provided from certified minority business enterprises to the extent that they have exceeded the 10% goal of the Board.

Mr. Lemman indicated that one of the bidders on the mechanical portion of the contract was Pen-Nor, Inc., of Portland. Mr. Harold Williams, president of that company, and others were present to give information that Hyland & Sons did not fulfill the pre-bid requirement of the good faith effort and that its bid should be rejected. He added that representatives of Hyland & Sons were in attendance and would present their information. Mr. Lidz would advise the Board on legal matters to be considered.

Mr. Lemman added that the bids would expire at 5:00 p.m. and the contract must be awarded by that time unless the Board were to decide for good and sufficient reasons not to award contracts.

Mr. Williams said Pen-Nor, Inc., was a mechanical contracting firm which had been in existence since November 1984. He said Ms. Karen Fink of Merton & Fink, Attorneys at Law, would make the opening statement for his firm.
Ms. Fink presented the request of Pen-Nor, Inc., in which the charge was made that Hyland & Sons had not met the good faith requirement of the set-aside program for minority and women business enterprises as set out in ORS 279.059 and in the bid regulations and specifications. She also asked that the Board direct Hyland & Sons to award the mechanical subcontract to Pen-Nor, Inc. She said that Hyland & Sons had failed in several respects to meet the minimum requirements of good faith and failed to negotiate with bona fide minority business enterprises. She stated that because factual findings must be made, Pen-Nor was entitled to a contested case hearing within the Administrative Procedures Act.

Mr. Batiste said he was not aware the appearance was a formal hearing but understood that the purpose of the presentation was to bring a matter to the Board.

Mr. Lidz said the presentation most definitely was not a contested case hearing and did not fall within the definition of a contested case hearing under the Administrative Procedures Act. He said it was simply a request to appear before the Board to review a decision that is normally made by the Board's staff, and in fact, in this instance, had not been made yet.

Mr. Batiste said it was his understanding then that the presentation could be made but would not come within the provisions of the formal Board procedure for contested case hearings. In response to a question from Ms. Fink as to whether the Board would be acting as fact finders regarding the good faith requirements, Mr. Batiste said he did not perceive this to be a fact-finding session. The appearance would fall under the Board's provisions that any citizen, following the procedure of due notice, could appear before the Board for the purpose of making a presentation. Mr. Lidz concurred in this interpretation.

Ms. Fink disagreed, stating that under ORS 279.059(3) the agency was required to evaluate the good faith effort of the bidder consistent with the standards. That was the purpose of the hearing.

Mr. Batiste stated that staff would contend they have followed that provision.

Ms. Fink then presented further statements in support of the request relating to the good faith effort, failure to negotiate, and the Board's responsibility or duty to make a complete investigation. Ms. Fink said Representative Larry Hill had been requested to attend and explain the legislative intent during committee deliberations and preparation of the legislation.
Mr. Larry Hill, State Representative from District 42 and a resident of Springfield, said he appreciated the opportunity to attempt to address this problem and clarify it. Since the law is a new one and the Board recently adopted goals, the matter represents a new issue for the Board.

Mr. Hill explained his participation in the development of the legislation. He said the law was introduced to solve several problems. One was to have a one-step certification by designating the Department of Transportation to maintain the list of certified minority and women business enterprises. The single certification would make it easy for the business enterprises, the prime contractor, and the public entities seeking the participation of those business enterprises.

The second concern was to include a good faith test so that contractors who make an authentic effort to obtain participation of minority and women business enterprises will have a standard by which they can proceed. If contractors meet the standard and the good faith test, they would not be precluded from winning a contract.

Mr. Hill said that the law stated that prior to the opening of the bid there must have been a good faith effort which includes performing all of several different provisions in the law. He said two particular points are at issue in this case--did the prime contractor negotiate in good faith and did the prime contractor not, without justifiable reason, reject as unsatisfactory bids prepared by any minority or women business enterprise. Mr. Hill said the second point was the most important because it describes the quality of the good faith effort. He noted that the good faith effort requirements had been designed to parallel very closely the federal law.

Mr. Hill said efforts to obtain participation are not good faith efforts to meet the goal, even if they are sincerely motivated, if, given all relevant circumstances, they could not reasonably be expected to produce the level of minority and women business enterprise participation to meet the goals. The provisions of the law that the bidder must have made a reasonable effort and must have negotiated in good faith did not appear to have been met in this case. He said it was his opinion the contract could not be awarded under the law to any bidder who did not meet that test, unless that bidder actually had 10% participation.

Mr. Hill said the Board had several alternatives and that it should consider its action carefully because it would be setting a precedent. He also emphasized the requirement that negotiation must occur before the bids are opened. He indicated the certified businesses must be on the Department of Transportation list or the agency must have established its own certified list.
The Department of Higher Education has not established a list, Mr. Hill said, so it must use the certified businesses on the Department of Transportation list. He commented that half of the businesses contacted by Hyland and Sons were not on that list.

Mr. Hill urged the Board to ensure a strict test of good faith effort as intended by the law. The good faith effort must be intended reasonably to achieve 10% participation and must involve a strong effort to obtain 10% participation. He said he did not have evidence that those efforts occurred in this particular instance.

In response to a question from Mr. Batiste, Mr. Hill said the law requires that the good faith effort must be made prior to the time the bids are opened.

Mr. Batiste then asked whether contractors could not renegotiate after the bids, and Mr. Hill responded that this was irrelevant to the test under the law. He said the Legislature was attempting to create an equitable situation for the prime bidders. The Legislature had determined that it would be an undesirable and unfair policy decision to permit bid shopping to occur after the bids were opened by the state agency. The state agency would be accepting the low bid but requiring the low bidder to engage in bid shopping to obtain the minority and women business participation.

Mr. Batiste then asked whether Representative Hill was alleging that this had happened. Mr. Hill said he was not alleging that it had but was stating a policy decision by the Legislature.

Mr. Petersen asked whether the process would be unsatisfactory if the good faith effort were made but the goals of 10% and 2% were not reached.

Mr. Hill said the percentages were a target and the Legislature recognized it would not always be possible to achieve the target.

Mr. Petersen said the objectives of the Finance Committee had been to set standards for good faith to assure that these activities occur.

Mr. Hill responded that with regard to the present case, it appeared that good faith efforts were not actually exercised by the low bidder and this was the basis of his objection.

Mr. Clark commented that certification did not appear to be required prior to June 1, 1987. He also suggested that a 10% difference between the lowest bid and that of Pen-Nor, Inc., would seem to be justifiable reason to reject the Pen-Nor bid in a very tight economic climate.
Mr. Hill said since no negotiation apparently occurred, there was no effort to find a middle ground and encourage participation to reach the target. He said he believed a middle ground could have been reached. With respect to the deadline date mentioned by Mr. Clark, Mr. Hill said that the law provided for a transition period in which either a list developed by the agency or the certified list from the Department of Transportation could be used. After July 1, 1987, the only list would be the one from the Department of Transportation. He said the bid documents for this project had referred to the Department of Transportation list.

Mr. Clark then asked whether Pen-Nor was the only one of the mechanical contractors listed in the material presented who could have qualified as a certified minority or whether there could have been negotiations with others on the list of bidders.

Mr. Hill said he was only aware of mechanical bids of two authentic certified minority business enterprises that had submitted bids and there were no contacts or negotiations with either of them.

Mr. Jim Hill, State Representative from District 31 in Salem and Director of Marketing for Pen-Nor, Inc., was invited to present his testimony.

Mr. Hill said Pen-Nor was the only minority business enterprise certified by the Department of Transportation on the list for the mechanical portion of this project. He also commented that the letter of March 20, 1986, addressed to Mr. Dick Pecknbrock, had identified 15 firms which had been contacted as subcontractors by Hyland and Sons. Mr. Hill said only eight of those 15 firms were certified as minority or women business enterprises by the Department of Transportation.

Mr. Hill said during the last Legislative Session, he had chaired the Committee on Trade and Economic Development. The committee unanimously allocated some $30 million in lottery funds to higher education for buildings on the various campuses because it recognized the importance of the institutions, not only to the economy, but to the general well-being of the state. Mr. Hill said one of the reasons he had supported that legislation was because he looked upon the institutions of higher education as places working against discrimination and working toward equality.

He said he had supported the legislation in HB 2577 because the spirit of the legislation was clearly to help women and minority persons get into a field where they traditionally have been eliminated. He said he would never have supported a bill that was a sham and would allow people to go through some type of pro forma exercise and say they had met the goals. He said it
was remedial legislation. If institutions of higher education and higher learning do not enter into the spirit of the legislation, what can be expected of those whose intentions are less honorable. He said these projects are paid from public money and represent tax dollars from minorities as well as from others. He said that as an elected public official he expected a higher standard.

Mr. Lemman said his office, including his staff and himself, genuinely supported the spirit as well as the letter of the law and the Administrative Rule and policy adopted by the Board of Higher Education. It is intended to administer that policy fairly and in the spirit in which it was adopted. It is also required that the staff act lawfully with respect to the conditions set forth in legal documents, including bid specifications.

Mr. Lemman commented that with respect to the legislative intent, the Board would be advised by counsel that the Board and staff were to be guided by the wording of the law. If there were ambiguities in the law, then counsel would review the record of testimony and discussion among legislators during the floor debate to learn what that intent was. However, there is no requirement to be guided by what was in the minds of one, or even 90 persons, because it would be impossible to define that in terms of legislative intent.

Mr. Lemman noted that Representative Larry Hill had stated that the statute required performing all of the specified actions. He said the law states that performing all of the specified actions would constitute a rebuttable presumption that a good faith effort had been made to comply.

He commented that Representative Larry Hill also had referred to federal regulations and interpretations. There was no notice to state agencies in the statutes adopted by the Legislative Assembly directing state agencies to be guided by federal regulations or interpretations in this matter.

Mr. Lemman then referred to the statement that post-bid negotiations were not permitted by law. He said that was not a correct statement. The contractor can enter into post-bid negotiations, but this might not fulfill the good faith effort required of the contractor prior to the bid. However, in the estimation of staff, the bidder can enter into post-bid negotiations. Mr. Lemman said it was important to understand that the testimony was that no negotiation occurred with Pen-Nor, Inc., and that the comments referred to price, not to other factors.
Mr. Thomas Jones of the Oregon Department of Transportation had indicated to staff that the understanding was that negotiation was limited to items such as the time and scope of the work and whether assistance could be given in terms of insurance or bonding. Mr. Jones indicated specifically that, in his view, it would not include negotiations on price, again for the reason that it would appear to encourage bid shopping before and after the bid.

Mr. Lidz said he concurred in the statements made by Mr. Lemman. He said the Board could choose to make its own decision based on the information presented, it could adopt the finding made by Mr. Neland, or it could make a different finding. The Board could state that it was satisfied with the efforts of its staff and believed that it had adequate information, and perhaps greater expertise, and leave the delegation of authority with staff to make the decision.

Mr. Batiste said he did not view the Board's action as a vote of confidence for or against the staff but asked what other alternatives would be available to the Board in addition to leaving the decision with its staff.

Mr. Lidz said the Board could award the bid to the lowest responsible bidder or decline to award the bid. Since the bid would expire at 5:00 p.m. on the day of the Board meeting, it would be necessary to go through the bid process again if an award were not made.

Mr. Batiste then asked what the impact would be of delaying the decision because it was a very important policy decision and there had been no opportunity for advance notice to the Board.

Mr. Lemman said the bids would expire unless the low bidder and also the second and third low bidders concurred in an extension of the validity of the bids for a period of time. Assuming that one or more would not concur in the extension, the decision to award or reject the bids would still need to be made. He suggested that Mr. Lidz comment on the possible consequences or liability for rejecting the bid for what might be determined to be an inadequate reason.

Mr. Lidz indicated he would prefer to comment when all the evidence had been presented and that Hyland & Sons had not had an opportunity yet to give its testimony.

Mr. Batiste said he was trying to find an alternative which would allow more time for the Board to consider and review this very important issue.
Mr. Petersen said he shared Mr. Batiste's concern. He said he was not so interested necessarily in the fine points of the law but rather in the perception of the Board has having established a policy which it intends to follow in good faith. He said the Board clearly could tell the staff to make the decision but the Board would be abdicating its responsibility since the issue had been brought to the Board.

Mr. Petersen suggested that the three bidders be requested to extend the consideration period as an expression of their good faith in the bidding process. Otherwise, he would suggest starting over, not because the award would be wrong or right, but in order for the Board to be absolutely sure that in awarding the first contract under the new policy there is a clear understanding that the Board did intend to implement that policy in good faith.

Mr. Phil Cass, a Eugene attorney representing Hyland & Sons, said if an extension were requested, the firm itself did not know at this point whether it would be possible to extend because it would need to contact its subcontractors and suppliers about holding their quotations open for an additional time. This would also be true of the other two bidders.

Mr. Cass said the dispute seemed to center around an issue which would be perpetually endemic to the entire process. If, on or before bid day, a minority subcontractor made a bid at any price, the contractor would be obliged to negotiate with that subcontractor on price before knowing what its bid would be to be submitted to the State of Oregon as the cost of the project. The minority subcontractor would be assured of a contract if the company agreed to meet the best bid of any other company. He questioned what this would do to the bid process. He pointed out that the bid of Pen-Nor, Inc., was $48,000 higher than the lowest bid and ranked 9th out of the 13 bids. Mr. Cass said he did not think it was intended that a prime contractor or subcontractor must peddle all the other bids prior to bid opening whenever a minority contractor has submitted a bid.

Mr. Cass indicated that the information requested by the Board's staff had been submitted and it appeared the staff had made its investigation and was satisfied that a good faith effort had been put forth by Hyland & Sons. The minority subcontractor was not the low bidder.

Mr. Cass commented that he understood the second low bidder had not met the 10% requirement either and questioned whether it would be necessary to go through this entire process again if an attempt were made to get an extension from the second low bidder.
Mr. Dave Hyland, President of Hyland & Sons, said his firm was an equal opportunity employer and equal opportunity subcontractor. He stated that there had been a tremendous effort to meet the requirements for this project and to be certain that the good faith effort was made.

He said a bid on a project of this size involved substantial expense and he would be concerned about the possibility of a rebid. The firm was the apparent low bidder by 1% and was aggressive, eager, and waiting to build the project. He said if contractors must become involved in bid peddling, it will destroy the spirit of competition. In submitting the bid, Hyland & Sons stated that it had met the good faith effort but had not met the goals.

Mr. Petersen said that the substance of the new law requires that the bidders identify selected, specific, economically-feasible units of the project to be performed by minority and women business enterprises in order to increase the likelihood of their participation. He asked how the company had accomplished this.

Mr. Hyland said the company sought anyone available for any phase of the work.

In seeking further clarification, Mr. Batiste asked how this project was handled differently than it would have been as a private project.

Mr. Hyland said on a private contract, the drawings would be made available through the Builders Exchange and bids would be accepted from anybody who qualified. In this project, the extra effort of a special mailing and special advertising was made.

Mr. Petersen referred to a statement in the latter of March 20, 1986, which indicated that negotiations were still continuing at that time, a day after the bid opening.

Mr. Larry Bruner, Portland Area Manager of Hyland & Sons Construction, described the negotiations, both before and after the bid, with Pitre & Sons. This firm claims minority status and submitted a bid prior to the bid opening. However, Mr. Bruner indicated that Hyland & Sons had relied on its own figures for that portion of the work in submitting its bid. After the bid opening, the two firms reviewed the entire bid package so that everyone understood the portions of the project covered by the bid from Pitre & Sons. They also discussed other items of work which it might be possible for Pitre & Sons to perform, and the firm was given a set of construction documents to determine whether it wished to submit a bid for any other parts of the project. This firm, therefore, was involved in the project prior to the bid and also after the bid.
Mr. Perry said the Board had placed itself in the position where it was willing to hear both sides. This is important, especially when there are concerns about unfairness and the interpretation of rules that might not be in accordance with the Board's policy or intent when they were adopted. It was also possible that there might be some litigation regardless of the Board's decision. Mr. Perry said the staff also had had the opportunity to hear the same arguments. He indicated he could see no way in which the Board could reach a decision at that time. If it were to do so, it would tend to repudiate the Board's staff. He said he would suggest that now that both sides had been heard, the decision should be delegated back to the staff to reach a conclusion and proceed.

Miss Schwab concurred and moved that the Board approve Mr. Perry's suggestion.

Mr. Batiste requested the motion be deferred until Mr. Williams had had an opportunity to make his closing statement.

Mr. Harold Williams, President of Pen-Nor, Inc., a mechanical contracting firm in Portland, said he was not seeking lesser standards for minority contracting firms. He indicated his firm was viable and bondable, and had the best professional people representing all ethnic groups.

Mr. Williams said the bid from his company was not extravagant. It was in the middle range of bids from recognized, viable contractors. However, his company had no opportunity to negotiate. He said his purpose was to see that his company and other women and minority firms have a fair chance when they are qualified, competitive, and able to do the work. He said Pen-Nor, Inc., was asking that everybody be required to follow the Board's standards.

Mr. Batiste said there had been a very good discussion of the matter. He then asked Mr. Lemman what might be done differently in a similar situation.

Mr. Lemman said his office would make sure that every person or prime contractor who drew plans and specifications was instructed carefully by the Board's staff in the Board's policy and rules. The staff would not rely on the interpretation by the contractor of the bid document. The purpose of the instruction would be to make sure that the policy was followed in both the spirit and the letter of the law. This was the conclusion reached after discussions with both parties. It is necessary to make certain that all prime contractors understand their obligations and the interpretations made on each of the good faith effort requirements, as well as the absolute and urgent intention that the prime contractors meet the objectives of the Board.
Miss Schwab then moved again to delegate to the staff the final decision with the request that Mr. Lidz work with them in reaching the decision. The motion was seconded.

Mr. Petersen said he was going to vote against the motion but did not want his vote to be viewed as a repudiation of the staff. He said his vote against the motion was because the matter was brought to the Board for an interpretation of a policy it developed. He said it was incumbent upon the Board to discuss that policy and see if indeed it was implemented and carried out properly. He said he was not comfortable with referring it back to staff when the request was made to the Board and it had received the information. He expressed regret that the time constraints required an immediate decision on awarding the contract.

Mr. Chao said he regretted the time constraints also but had no problems at all with the Board's policy because it was perfectly clear and had been reaffirmed many times. The question was the execution of the policy. He indicated staff had had ample opportunity prior to the presentation, and would have the remainder of the day, to make the appropriate decisions. He said he thought the Board must delegate certain operational issues and this was one instance where it must do so.

Mr. Crowell said he was uncomfortable with delegating the matter back to the staff because he felt a moral obligation to look into the issue further. For that reason, he would vote against the motion.

Mr. Adams said time was short and some decision must be made. He concurred with Mr. Lemman's plan for further information to prospective bidders to help clarify the issues on this new policy. Both sides presented information and mentioned items very important to the Board. Even though the Board might be setting a precedent, he said it should proceed. He said he did not feel particularly uncomfortable in referring the matter to staff as long as they understood that the Board had not completed its efforts to clarify this kind of situation and that additional work would be required.

Mrs. Nelson concurred. She indicated she was uncomfortable with the area of pre-negotiation and would like further work on that subject. She said she would vote in favor of the motion but was concerned that the Board continuously address the spirit of the issue.

Mr. Clark said his concern was similar but somewhat the reverse of that expressed by Mr. Petersen and Mr. Crowell. If the Board were to make a decision, it would be acting as a fact-finding committee and would have to evaluate all of the evidence.
and reach a decision. He said he was uncomfortable that the Board had heard all of the issues in the shortness of time and the decision would have no value. The staff, on the other hand, had had ample time to evaluate the issues. The Board has reaffirmed clearly its policy and desire to make things as equitable as possible and to implement the policy as quickly as possible. With that reaffirmation, Mr. Clark said he believed it would be appropriate to send the matter back to the staff with the knowledge of the Board's commitment.

Mr. Lidz said two matters needed further clarification. The first was the difference between creating policy and applying it to facts before the Board. The Board could give staff further direction as to its concept of the meaning of the policy. That would be fully consistent with Miss Schwab's motion and Mr. Perry's statement. Further direction to the staff would be a different matter than taking that policy and examining the facts of the question and then deciding whether a good faith effort had been made.

The other concern was related to whether the decision would set a precedent. Mr. Lidz said it would set precedent in only a very limited way because it rests on the facts in front of the Board or the staff. The policy is there. The fact that an examination of the facts results in a certain decision does not create a precedent for or against the Board's policy.

He said there was no question that the rules adopted last fall by the Board were to be taken very seriously and be given the highest priority.

The Chancellor said each case is based on the facts that apply to that case. This would vary in each instance. He noted that Mr. Neland and both parties, together with their attorneys, had been reviewing the matter since the original complaint was made in an attempt to resolve the difficulties. The Board had not yet had an opportunity to hear the results of Mr. Neland's findings after reviewing all of the information.

Mr. Petersen said there were two kinds of precedents, the legal precedent and the perception of the public of how the Board intends to pursue these issues.

Mr. Batiste said he had proposed to the Chancellor that the Executive Committee discuss how Board policy is implemented.

The Board approved the motion by Miss Schwab, with the following voting in favor: Directors Adams, Chao, Clark, Nelson, and Schwab. Those voting no: Directors Crowell, Petersen, and Batiste. Director Hensley was absent from the meeting at this time.
BA/BS in Art, EOSC

Staff Report to the Committee

Eastern Oregon State College requested that the baccalaureate degree program in Art be reinstated. The program was suspended by the Board in the Fall term 1982, at the request of EOSC. The suspension was requested to continue until such time as financial resources were available to provide adequate instructional staffing for a major program. Sufficient staff did remain in order to continue to offer service and general education courses in art and the basic endorsement program for secondary teachers. The institution views the reestablishment of the baccalaureate degree program as an important step in the college's goal of developing model curricula for regional colleges. The presentation of the request prepared by the institution was included in the document entitled, "Requests for Authorization of Program Changes," dated April 18, 1986. A copy is on file in the Board's Office.

Resources to Offer the Program. The degree program has been redesigned to offer course selections entirely within the limits of the staff and physical resources already available at the institution. In fact, there is an overall modest decrease in course credits to be offered.

Staff Recommendation to the Committee

It was recommended that the Board authorize reinstatement of the Eastern Oregon State College baccalaureate degree program in Art, effective Fall term 1986-87.

Discussion and Recommendation by the Committee

Dr. Pierce described the procedure for new program requests and the guidelines used in evaluating proposals. He indicated that there were various kinds of program requests. Some are requests to establish a center and others are to redesign a program. He said the ones being presented to the Committee were relatively simple in that they were basically adjustments to current programs that now exist or have existed at one time. He indicated that a new program request which expands the mission of the institution or puts substantial demands on the resources of the institution would require a more lengthy review process. In commenting on the assessment of resources, Dr. Pierce said that to some extent it was an institutional decision concerning the reallocation of resources to a program that has a priority. The staff attempts to determine whether the level of resource allocation appears to be reasonable.

Mr. Hensley then inquired about the resources for the program proposed at Eastern Oregon State College because it was eliminated for the financial problems of recent years.
Dr. Pierce said it had been suspended earlier and a suspension permits an institution to reestablish a program when the necessary resources can be provided.

Mr. Adams referred to the statement that the suspension was requested to continue until financial resources were available. He said the proposal would reinstate the program without additional financial resources. He indicated he was trying to understand why the program was suspended if it could be continued without any additional cost.

Dean Hottois said the program offered earlier required a certain expertise which was not available on the faculty. The program subsequently has been redesigned so that it is a program which could be offered with the expertise now available with the three full-time faculty members on campus. The previous program was a very extensive program requiring approximately 90 credits for the art major. The proposal before the Committee is in line with the requirements usually offered at a regional college and would not need new faculty.

In response to a question from Mrs. Nelson, Dean Hottois indicated that a student with a major in art would have three terms of art history.

There was some discussion of the grade point average specified for admission to the program in which it was stated that part of the reason was to be certain students had some proven ability in art before undertaking the upper-division work. Further, grading is different because it is difficult to grade creativity and diversity is permitted.

Dr. Pierce said he had visited the facilities and conferred with the artists who teach in this program. He said he had been impressed with the level of activity at Eastern Oregon State College and mentioned the program which provides art experience throughout the public schools across the entire eastern part of the state.

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

Board Discussion and Action

Mrs. Nelson presented the staff report and recommendation.

The Board approved the Committee recommendation as presented, with the following voting in favor: Directors Adams, Chao, Clark, Crowell, Nelson, Petersen, Schwab, and Batiste. Those voting no: None. Director Hensley was absent from the meeting at this time.
Staff Report to the Committee

Oregon Institute of Technology is seeking Board approval to retitle the Medical Radiologic Technology specialization of the BS degree in Allied Health Technology. The new title of Medical Imaging Technology would be accompanied by expanded coverage in the academic areas of computerized axial tomography (CAT), medical resonance imaging (MRI), ultrasound imaging, and nuclear medicine imaging. The new title is necessary to convey the breadth of this rapidly expanding profession. The presentation of the requested prepared by the institution was included in the document entitled, "Requests for Authorization of Program Changes," dated April 18, 1986. A copy is on file in the Board's Office.

Resources to Offer the Program. Existing library and support staff resources are adequate to support the program. Facilities are currently adequate although relocation of some equipment and addition of a small amount of classroom and storage space are desirable. The new laboratory-classroom building may make other space available on campus.

Classes necessary to cover the four imaging areas to be added will be offered by the present faculty, plus one full-time and one part-time faculty member. The part-time position would primarily be involved in managing the externship portion of the program.

Relationship to Possible Future Developments. Advances in the general area of medicine lead faculty to predict the continued development of additional new imaging methods. The institution intends to incorporate any such future developments into the program as they become known. The institution expects to phase out the BS degree program in Allied Health with a major in Medical Radiologic Technology over the years 1988-1990. This will allow those presently enrolled to complete their degree. The changes are designed to continue to permit graduates of other associate degree programs in radiologic technology to transfer to OIT and complete requirements for a BS degree.

Program Review. The institution sought comments and advice from a wide variety of educators and practitioners during the development of the program proposal. Reaction has been very supportive and congratulatory. The department chair of the Portland Community College Radiologic Technology program, the only other associate degree program in Oregon, is very supportive of the proposal.
The program proposal has also been reviewed by the Academic Council of the State System. The Council concurs with the development of a program which extends beyond the limited scope of the traditional emphasis on radiologic technology.

Staff Recommendation to the Committee

It was recommended that the Board authorize Oregon Institute of Technology to offer a program leading to a BS in Medical Imaging Technology, effective Fall term 1986-87.

Discussion and Recommendation by the Committee

President Blake commented that the request represented a substitute degree program. For many years, the institution has offered a degree in allied health which covered the field of medical imaging technology, but allied health was a meaningless degree which was not generally understood. For this reason, it would be appropriate to change the title to a more meaningful degree to represent the area in which the degree is being offered. He also called attention to the modifications in the curriculum to reflect recent changes in technology.

It was stated the allied health degree had covered both radiology and dental hygiene. The institution has requested both a bachelor of science degree in medical imaging technology and one in dental hygiene. The latter request is expected to come to the Committee and the Board in the near future.

There was a general discussion of the available opportunities for clinical experience and licensure. A full twelve months of externship will be necessary for licensure. Mr. Dick Strohkirch, Department Head of Medical Radiological Technology, explained that both associate and bachelor's degree candidates would be enrolled in the program. Students in the bachelor's degree program would be assigned to hospitals that have more of the special imaging areas available. This does not mean that students will be required to have medical resonance imaging because they are expected to have three of the four specialty areas. Students will have the academic background but not necessarily the clinical experience. Mr. Strohkirch said the CAT scanner and medical resonance imager were basically the same piece of equipment but the method of obtaining the information was different.

In response to a question concerning the potential need for a medical resonance imager to be located on the campus, it was stated that this would not be essential at this point but there had been some conversations concerning the possible donation of an imager within the next three or four years.
President Blake commented that the present worth of donated equipment in this area alone was about $2.5 million. He also said that either partial or full maintenance agreements often come with the donated equipment.

Mr. Hensley said he was very much in favor of the curriculum but he was concerned about the investment involved. He said the statements relating to the capacity of the CAT scanner versus the medical resonance imager would suggest that many of the same procedures could be done with the CAT scanner at substantially less cost to the patient.

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

**Board Discussion and Action**

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

The Board approved the Committee recommendation as presented, with the following voting in favor: Directors Adams, Chao, Clark, Crowell, Nelson, Petersen, Schwab, and Batiste. Those voting no: None. Director Hensley was absent from the meeting at this time.

**Staff Report to the Committee**

Oregon Institute of Technology is seeking Board approval to offer a program leading to a BS in Office Automation Technology. The program would combine technical preparation in integrating data, text, graphics, voice and image processing with human relations skills and general education. Graduates would principally assist medium- and large-sized organizations, and hardware/system vendors in analyzing, planning, evaluating, and implementing cost effective office information systems and procedures.

This is the only program at Oregon Institute of Technology that currently has no baccalaureate option. The proposed program would reorganize and increase the technical focus at the associate level and would move the office systems analysis and design reference to the junior level to facilitate community college transfer. Interest in the baccalaureate level program comes from more than one-half the currently enrolled students, but also primarily from prospective employers.

The presentation of the request prepared by the institution is included in the report entitled, "Requests for Authorization of Program Changes," dated April 18, 1986. A copy is on file in the Board's Office.
Resources to Offer the Program. Implementation of the program will require an addition of 1.4 faculty FTE in the first year, growing to 3.8 FTE by the fourth year. While some additional library materials and office service and supplies will be needed, the area of greatest need after faculty is in the addition of equipment for the office automation laboratory. The institution is confident that a "significant portion" of the required equipment can be obtained through donations and grants.

Program Review. The program proposal has been extensively reviewed throughout its development. Both automation equipment vendors and firms hiring technically trained office personnel have communicated their needs, desires, and concerns. The proposal was presented for review to the Office Automation Society International and the Office Automation Research Forum and has been endorsed by each. There was general support for the program proposal when it was presented to the Academic Council of the State System during its March meeting.

Staff Recommendation to the Committee

It was recommended that the Board authorize Oregon Institute of Technology to offer a program leading to a BS in Office Automation Technology, effective Fall term 1986-87.

Discussion and Recommendation by the Committee

President Blake indicated that approval of this request would make the institution truly a fully polytechnic institution with no associate degree programs which did not lead to a baccalaureate degree. He said this type of program did not exist elsewhere in the United States to his knowledge.

There was a brief discussion of the senior project, the present source of personnel for positions of this type, and the funding for the increased staff.

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

Board Discussion and Action

Mrs. Nelson presented the report and recommendation from the Committee. She commented that the program was believed to be the first of its kind in the nation and should meet a real demand and experience rapid enrollment growth.

Mr. Chao inquired about the employment prospects for graduates of the program.
President Blake said there presently appeared to be a totally unmet need and relatively unlimited demand for these graduates. Mr. John Ward, Division Chair of Business Technology, said surveys showed that staff ratios expected for this kind of specialty varied from one for every 50 employees to one for every 200, depending on the particular type of firm. He then mentioned some of the conversations with prospective employers of these individuals.

Efforts are being made to obtain equipment grants to assist this program.

Dr. Pierce said this was the only one of the four programs presented to the Board which was a new program and must be submitted to the Oregon Educational Coordinating Commission.

The Board approved the Committee recommendation as presented, with the following voting in favor: Directors Adams, Chao, Clark, Crowell, Nelson, Petersen, Schwab, and Batiste. Those voting no: None. Director Hensley was absent from the meeting at this time.

Ed.M. in Adult Education, OSU/WOSC School of Education in Cooperation with OIT

Oregon State University requested approval, on behalf of the OSU/WOSC School of Education, to offer an off-campus Master's degree (Ed.M.) in adult education in the Klamath Falls area. The primary objective of the program is to meet the professional development needs of educators at Oregon Institute of Technology, schools, non-profit organizations, and local businesses and industries. All of the coursework, the degree program, and the administrative structure are now in place at Oregon State University.

The Oregon State University proposal was prepared in response to a direct appeal from the administration and faculty of Oregon Institute of Technology and several individuals in Klamath Falls. Specifically, the administration of Oregon Institute of Technology has notified the entire faculty that they must begin work toward advanced degrees. The degree will be offered for a limited period of time, with admissions expected to be only in 1986-87. The admission requirements for the proposed program will be identical to those of the campus-based program. All students enrolled in the program will be part-time students.

The presentation of the request prepared by the institution was included in the report entitled, "Requests for Authorization of Program Changes," dated April 18, 1986. A copy is on file in the Board's Office.
Resources to Offer the Program. The program will be offered on a cost-recovery basis. Oregon Institute of Technology will provide classroom facilities and equipment, basic library services (a portable library has been developed to provide instructional and research materials for use through the Oregon Institute of Technology library), and other support services. Also, Southern Oregon State College coursework that is related to the proposed program may be included as part of each student's program. Up to 15 hours of coursework may be transferred. A minimum of 50% of the courses included in the proposed program will be taught by Oregon State University resident faculty. Oregon Institute of Technology faculty may be appointed as adjunct faculty to assist with instruction and advising.

Program Review. The development of the proposal to offer the Ed.M. degree in Klamath Falls has involved the full participation of Oregon Institute of Technology. The proposal has been reviewed by the Academic Council, which supports the proposal.

Staff Recommendation to the Committee

It was recommended that the Board authorize the OSU/WOSC School of Education to offer a program leading to a Master's degree in adult education in the Klamath Falls area, effective Fall term 1986-87.

Discussion and Recommendation by the Committee

In response to a question concerning the content of the degree program, Dr. Ettlich explained that the degree to be offered was the standard degree from Oregon State University in adult education. It meets national as well as local accrediting requirements. It is not a specially designed degree but is the extension of an existing degree program to a new site.

In discussing the impact of personnel assignments to the program, it was stated the time assigned to instruct in this program would be included as part of the regular faculty load for an individual. The fee income must cover the cost of the program because it is a continuing education activity.

President Blake expressed his appreciation to the other State System institutions involved in this program. He said it was an excellent example of interinstitutional cooperation.

The Committee recommended that the Board approve the staff recommendation as presented.
Meeting #536

April 18, 1986

Board Discussion and Action

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

The Board approved the Committee recommendation as presented, with the following voting in favor: Directors Adams, Chao, Crowell, Nelson, Petersen, Schwab, and Batiste. Those voting no: None. Directors Clark and Hensley were absent from the meeting at this time.

1987-1989 Capital Repair Recommendations

Staff Report to the Committee

As an item of support for the 1987-1989 budget request, the Board will be required to submit a recommended list of capital repair projects, which make use of the $6,750,000 (as adjusted by inflation allowances) which was appropriated by the 1983 and 1985 Legislative Assemblies.

In preparation for determining the needs of the several institutions, a method allocating the resources equitably among the institutions was sought. The intention was to determine an objective formula which would be continuous year-to-year, thereby enabling the institutions to develop longer-range plans for the application of capital repair resources. An algorithm was developed out of the facilities maintenance section of the Budget Allocation System model, and, having been accepted by the institutions, will be the ongoing basis of funds distribution.

After determining the 1987-1989 allocation for each institution, capital repair projects for 1987-1989 were solicited and have been submitted to the Facilities Division. In addition to requesting projects within the allocations, institutional physical plants were requested to submit projects beyond the available funds, to approximately 50% of the biennial allocation of $7,000,000. This served to provide us with a view into the future requirements, as well as to provide specific needs should additional funds be requested of the 1987 Legislative Assembly to supplement the current funding.
Table I sets out the total institutional requests, the anticipated available funds to be allocated to each institution, and the unfunded residual.

**TABLE I: 1987-1989 CAPITAL REPAIR REQUESTS**

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<th>INSTITUTION</th>
<th>TOTAL REQUESTED</th>
<th>ALLOCATED</th>
<th>UNFUNDED</th>
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The 143 projects which have been requested cover the entire spectrum of capital repair, including repair or replacement of roofs; replacement of worn and defective electrical equipment; replacement of corroded domestic water piping systems; repair of broken walks and roads; repair or replacement of defective swimming pool piping systems; repair or replacement of rotten window sash, sills and frames; cleaning and re-balancing ventilation distribution systems; repair and refinish of gymnasium floors; repair or replacement of roof and surface drainage systems; etc. Specific projects range in estimated cost from a few thousand to over $700,000.

**Staff Recommendation to the Committee**

It was recommended that the Committee approve and recommend to the Board approval of the 1987-1989 Capital Repair Project Request for each institution within an anticipated funds availability of $7,000,000.

**Discussion and Recommendation by the Committee**

In response to questions during the discussion, Mr. Neland presented the following additional information;

1. The projects included represent approximately a three-year program.

2. If additional funding could be made available, it would be possible to complete the work in about two years.
3. A decision package will be presented to the Board with respect to seeking an additional allocation, and the decision package will be in the range of $3.5 million so that the projects can be completed within two years.

4. It will be necessary to consider various alternatives to accomplish the very large roofing project on Cornett Hall at Oregon Institute of Technology. The replacement will cost almost $500,000, which is nearly twice the allocation for that institution.

5. The staff reviews very carefully with institutional personnel the items which qualify for the capital repair program.

6. The institutions will now be able to count on this range of money every two years so that they can plan more effectively for the needed projects.

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

Board Discussion and Action

Mr. Petersen presented the Committee report and recommendation.

The Board approved the Committee recommendation, with the following voting in favor: Directors Adams, Chao, Crowell, Nelson, Petersen, Schwab, and Batiste. Those voting no: None. Directors Clark and Hensley were absent from the meeting at this time.

Staff Report to the Committee

The 1985 Legislature provided $4 million ($2 million per year) for 1985-1987 as an additional allocation to the base budget for equipment. The Board had requested $10 million to move toward the goal of a twenty-year replacement cycle on the existing equipment inventory.

The 1985 Ways and Means Subcommittee on Education, in a budget note, recognized that $4 million was $12 million short of achieving the Board's stated equipment replacement goal and expects the Board to present future budget requests consistent with achieving the goal.

The 1987-1989 budget proposal for additional equipment replacement funds achieves the Board's stated goal of a twenty-year replacement cycle in two biennia. Equipment budgets are currently $12.9 million short of a twenty-year replacement cycle plan. Therefore, the 1987-1989 proposed program improvement request is $6.5 million in Phase I of a two-phase funding plan to achieve the desired twenty-year replacement cycle.
The 1985 Legislature provided $3.5 million from lottery proceeds for equipment and remodeling associated with the high technology and economic development centers of excellence. These funds were nonrecurring to serve as start-up resources, and thus are not included in the base when calculating funds necessary to meet the goal of a twenty-year replacement cycle.

The following table displays the equipment replacement needs:

<table>
<thead>
<tr>
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<tbody>
<tr>
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<td>Restoration Fund Appraised Value</td>
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<td>$23,576,000</td>
<td>$10,699,578</td>
<td>$12,876,422</td>
</tr>
</tbody>
</table>

1987-1989 Replacement Request Phase I 6,500,000

Amount Needed Phase II 6,376,422

The need for additional equipment funds is not only affected by the necessity to replace existing inventories on a regular schedule, but also by changing curricular and student demands. Equipment shortages have become more acute in recent years due to such factors as increasing upper division and graduate student enrollments, increasing emphasis upon professional training programs, and development of new curricula.

1. Upper Division and Graduate Enrollments. Since the early 1970's, upper division enrollment has increased approximately 8% while graduate enrollments have increased nearly 14%. This is in contrast to a decline in lower division enrollment of nearly 15%. This change in mix creates a heavier demand for laboratory equipment because upper division and graduate programs place more emphasis upon laboratory courses and student research. These advanced instruction programs also require more accurate and, therefore, more expensive types of equipment.
2. Professional Training Programs. The explosive growth in the professional and industrial use of automated information systems has dictated the development of an entirely new higher education curriculum not only in the computer sciences, but in the natural and physical sciences, engineering, agriculture, business, social sciences, etc. Employment qualifications emphasize the need for graduates with substantial instrument operating experience. The problem goes beyond obsolescence and protracted replacement schedules. The equipment necessary to prepare the new population of students for professional employment simply does not exist in adequate quantities to service basic classroom and laboratory instruction.

3. New Curricula. The 1980's have ushered in an era of scientific expansion and discoveries in the areas of surface physics, vertebrate neurophysiology, hydraulic engineering, solid state electronics, alternative energy technology, and laser optics for which modern instructional equipment is not present in our institutions. Therefore, substantial dollars on a recurring basis are needed to provide a sufficient start-up inventory to meet the demands of faculty and students in these new and rapidly changing fields of study.

In response to the changing student mix, growth in professional training programs, and new curricula, it is proposed that $3.5 million be requested in 1987-1989 on a nonrecurring basis to address the unmet needs in these areas.

Staff Recommendation to the Committee

It was recommended that the Board instruct the staff to include in the 1987-1989 Biennial Budget a program improvement request of $10.0 million for equipment replacement ($6.5), and equipment for new and expanding programs ($3.5). It was further recommended that the $3.5 million to purchase equipment for new and expanding programs be presented to the Governor as a nonrecurring program improvement request. The $6.5 million for equipment replacement is to become a part of the permanent base budget as Phase I of a two-phase program to fund completely a twenty-year replacement cycle by 1989-1991.
Discussion and Recommendation by the Committee

After a brief discussion of the way in which the request would be presented, it was agreed that two decision packages would be prepared for consideration. One would cover the 20-year equipment replacement figure, and the other would indicate new equipment for expanding programs. The Committee and the Board then would have an opportunity to consider the proposals and the priorities.

The Committee recommended that the Board approve the staff recommendation, with the understanding that two decision packages would be prepared.

Board Discussion and Action

Mr. Petersen presented the Committee report and recommendation.

The Board approved the Committee recommendation as presented, with the following voting in favor: Directors Adams, Chao, Crowell, Nelson, Petersen, Schwab, and Batiste. Those voting no: None. Directors Clark and Hensley were absent from the meeting at this time.

Staff Report to the Committee

Over the last several months the Office of Administration has been studying the debt service and repair reserve requirements as presently stated in Board Directives. The three subjects under review have been the required debt service reserve balance, the building repair reserve minimum, and an excess debt service reserve policy.

Internal Management Directive 6.306 provides that the activity responsible for annual debt service shall provide and maintain debt service reserves equal to the debt service for the ensuing two years. The Oregon Health Sciences University has an exception to this requirement for equipment bonds with only a half year's debt service needed. The initial debt service requirement is based on the actual interest of the bond issue rather than the composite interest rate of the category to which the activity is assigned. The Oregon Constitution states in Section 2 of Article XI-F(1) that bonds are to be issued only for structures "...as conservatively shall appear to the constructing authority to be self-liquidating..." (emphasis supplied).

The review process included research regarding what other state agencies do, Federal Internal Revenue Code implications, and practices of other educational institutions in the United States. In general, the debt service requirements of other Oregon agencies are not as conservative as the policies of the
Board of Higher Education. In many instances no reserves are required. With reference to the Internal Revenue Service rules and regulations, there is a private letter ruling stating that a reasonably required reserve is 125% of average annual debt service or 125% of the greatest annual debt service. Practices vary greatly among other educational institutions. Of the fifteen institutions contacted, the most common debt service reserve requirement was one year. A number of schools also require building repair and replacement reserves in addition to the debt service reserves.

Bond counsel for the State Board of Higher Education for the 1985-1987 biennium is the firm of Ragen, Roberts, Tremaine, Krieger, Schmeer, O'Scannlain and Neill. They have commented that they see no legal reason that the Directives related to debt service reserves could not be changed "for bonds issued after the Directives are revised." Reservation was expressed concerning making Directive revisions retroactive to all currently outstanding bonds.

Internal Management Directive 6.350(2) provides that building repair reserves are to be maintained for auxiliary enterprise buildings "at not less than 1% nor more than 2% of building replacement values..." Parking facilities are required to maintain a 1/10 of 1% reserve. As of June 30, 1985, on a systemwide basis, repair reserves exceeded the required levels by approximately $1.5 million. This is due primarily to a substantial adjustment made to the replacement values of buildings in 1984-85. This correction was made after it was discovered that the Department of General Services had provided increased building valuation adjustment rates which were not reflective of actual inflationary conditions in the construction industry in a number of years. If a policy revision is deemed advisable, this would be an opportune time to increase the required reserve level. A number of the activities already have the required amounts on hand. Virtually all activities have some money available for repairs. Current Directives permit accumulation of reserves greater than the basic requirements when unusual circumstances are identified by the institution.

The accumulation of debt service reserve funds in excess of the Board's specified minimum requirements has recently come under scrutiny from the legislative branch of Oregon government and from concerned and interested students. Early in the fiscal year, that portion of the debt service reserve funds identified with the building fee source of income was projected as exceeding the immediate requirements of the Board by approximately $6 million. Some of these funds have been allocated to capital construction or repair projects so that this "excess" is being estimated to be about $3.5 million at June 30, 1986. Based upon the Board's approved capital construction budget for the
1987-1989 biennium only and assuming the Board's adoption of a one-year required reserve, it is projected that this "excess" will disappear by fiscal year 1997-98. Building fee increases will be required to fund any capital construction supported by building fees between 1989 and 1998.

Staff Recommendation to the Committee

It was recommended that the Board amend its policy relative to all future bond issues to require only a one-year debt service reserve. It was proposed that IMD 6.306(1) be amended as follows:

The auxiliary enterprise or other activity responsible for annual debt service shall provide and maintain debt service (principal and interest) reserves equal to the average annual debt service [for-the-ensuing-two-years], except that for bonds issued prior to July 1986 a two-year debt service reserve is required. Oregon Health Sciences University patient services equipment bonds shall require a reserve equal to one-half the average annual debt service [for-the-ensuing-year].

It was recommended that the building repair reserve requirements will be changed to a minimum level of 1.5% and the reference to 1/10% for parking be deleted. IMD 6.350(2) would be changed as follows:

The Building Repair Reserve is normally maintained at not less than [one] 1.5 percent [nor-more-than-two-percent] of building replacement value for each category of auxiliary enterprise [except-parking,-which-maintains-a-one-tenth-of-one-percent-reserve]. Exceptions to this policy may be granted by the Office of Administration, where age or condition of facilities warrant either a greater or smaller reserve balance. Deficiencies at fiscal year-end are recovered over the following [five] seven years.

It was recommended that a new Internal Management Directive subsection be added to establish the Board's policy relative to a reasonable balance to maintain in an excess debt service reserve. It is proposed that IMD 6.306(4) be adopted as follows:

Debt service funds are available for transfer to other funds and accounts as authorized by ORS 351.450(4) to the extent that excess funds exist after projecting debt service fund balances taking into consideration the Board's approved capital construction project for the ensuing two biennia and any other factors affecting the available funds.
Discussion and Recommendation by the Committee

Miss Schwab asked whether the proposed change would affect the bond rating. Mr. Ross Hall indicated that it would not. He said most of the state agencies in Oregon do not have two-year reserves. Most institutions across the country have a one-year reserve at most.

Mr. Lemman stated that bond counsel had advised that it was not expected the Department of Higher Education would be disadvantaged. The Oregon bond rating is based on the fact that the full faith and credit of the state are pledged. These are General Obligation bonds, even though they are revenue bonds in form because they are repaid from revenues rather than from taxes. In the event of default, the State of Oregon is required by the Constitution to assess a statewide property tax to pay for them.

Mr. Hall commented that the rating agencies seem to be more concerned about the Veterans' Department when bonds are sold than about the Department of Higher Education.

In commenting further on the bond rating, it was stated that there is a new rating every time there is a bond issue and the rating would probably be the same for the state at a given time for bonds issued by either the Department of Veterans Affairs or the Department of Higher Education. Bonds issued by higher education represent a very small percentage of the total bonding for the state and would be unlikely to affect the state's rating.

Mr. Petersen then read the following letter from Ms. Sherry Oeser, Executive Director of the Oregon Student Lobby, in which she commented on the excess student building fees:

"Last fall members of the Board of Higher Education expressed concern over the accumulation of over $6 million in excess student building fees and the use of those excess fees. We share those concerns.

We have conducted our own research into the accumulation of excess fees. The Building Fee Sinking Fund can vary significantly depending on student enrollment levels, interest rates, and the cost of capital construction projects. The current excess is due primarily to high interest rates and a legislative halt of capital construction in recent biennia. I should point out that the Board has the statutory authority to decrease the building fees paid by students. ORS 351.170(2) states that the "Board shall charge and collect from each regular student a building fee at a rate not to exceed $12.50 for each regular term." While we are not advocating a reduction in the rate, we believe that in
the future the Board may want to consider a reduction if the excess accumulates to such high levels.

We have also examined the permissible uses of excess student building fees. We have found that as long as the Board maintains adequate funds in the Building Fee Sinking Fund to cover debt service on outstanding bonds, the Board has the statutory authority to use excess building fees for any purpose the Board wishes. Over the past several months, the Board has approved funding a variety of institutional projects totaling approximately $2 million through excess student building fees. Approximately $4 million in excess student building fees remain.

Excess student building fees are an easy source of money when other sources of funding are not available. We hope the Board uses its discretion judiciously when approving such funding."

The Committee recommended that the Board approve the staff recommendations as presented and adopt the changes proposed in the Internal Management Directives.

Board Discussion and Action

At the request of Mr. Petersen, Controller Ross Hall explained the proposal and recommendations to the Board.

Mr. Batiste said students had expressed a great deal of interest about the accumulation of excess student building fees and asked whether students had commented on the recommendations. Mr. Petersen referred to the letter from Ms. Oeser recorded in the Committee discussion.

The Board approved the Committee recommendation, and on roll call vote adopted the amendments to IMD 6.306(1) and IMD 6.350(2) and the additional IMD 6.306(4). The following voted in favor: Directors Adams, Crowell, Nelson, Petersen, Schwab, and Batiste. Those voting no: None. Directors Chao, Clark, and Hensley were absent from the meeting at this time.

Staff Report to the Committee

The Administrative Services Building at Oregon State University consists of a tower section of six stories above grade and a low section of two stories above grade. Offices of the Controller, Internal Audit Division and System Support Services (SSS) of the Board's staff occupy the second floor and a portion of the basement of the low section of the Administrative Services Building.
For some three years, System Support Services, which is the data processing unit of the Centralized Activities, has been under serious facilities pressure, with no expansion room available. Systems analysts and related personnel are crowded into a "bull pen" area which seriously diminishes productivity. Additionally, the machine space available is presently totally allocated and cannot support additional disk drives or other hardware required immediately to support present workloads.

The prospect of the Total Information System and the resultant need to operate a dual system for some period of time during implementation, as well as other requirements of the conversion period, have brought the present deficiencies into ever sharper focus, although a demonstrated need exists without the requirements of the Total Information System.

Concurrently, Oregon State University has evidenced a need to provide some additional space for administrative support units, particularly offices for Student Housing and International Education Services.

The first approach to solving the System Support Services facilities needs was to explore existing space which might be acquired. Primary among these was the building formerly housing the engineering consulting firm, CH2M/Hill Northwest at 15th and Western Avenue in Corvallis. An analysis of the cost of acquisition, together with the costs of renovation and remodeling to accommodate the SSS requirements proved excessive to the benefits.

A more cost effective solution, which addresses both the SSS needs as well as the University requirements, is to add a partial third level to the low wing of the Administrative Services Building. An investment of an estimated $1,200,000 will provide 10,900 gross square feet of new space as a partial third level, which will be divided essentially equally between System Support Services and International Education Services, and 6,300 net square feet of remodeled and renovated facilities for SSS at the second level. Architect James Atkinson has prepared a schematic design of this solution.

The third floor expansion will essentially provide office and related work spaces, conference areas and modest employee lounge facilities (which are not now available to about 110 Centralized Activities employees convenient to their work areas). A mechanical penthouse will be required to provide additional cooling required for SSS machine spaces, as well as to serve the expanded facilities.
The second floor renovations will include work within the existing machine area (1,633 NSF); expansion of the raised flooring system to complete the spaces dedicated to data processing equipment (2,482 NSF); and renovation of the present analyst/programmer room (1,832 NSF). Other work on the second level will include extension of the stairwell to reach the third floor.

Oregon State's need to relocate International Education Services from the ground level of the Administrative Services Building to the expanded third level is required by a lack of space into which to expand the program, and the difficulty of maintaining a functional operating unit in divided space. This solution for International Education Services forestalls a need to relocate the Student Housing offices from the second floor, adjacent to SSS. It is anticipated that funding for the OSU share will be taken from surplus housing reserves, which were contemplated for a new site for Housing. In the net of this expansion project, OSU believes it will have solved its space needs for these programs at less cost than proceeding independently.

Funding for the project will be shared between Oregon State University and the Centralized Activities on an approximate one-third-two thirds basis. Oregon State's share will come from auxiliary enterprise balances available to that institution, in the amount of approximately $400,000. The Centralized Activities share is proposed to be allocated from excess building fee sinking funds in the amount of approximately $800,000.

It is expected the design work can be completed by mid-summer and the space constructed and occupied by March 1987. Concurrence of the State Emergency Board will be required.

Summary
Project - OSU Administrative Services Building Expansion
Architect - James Atkinson, Portland
Board's priority - Not applicable
Legislative authorization - Pending
Estimated total project costs $1,200,000

Tentative schedule:
Begin construction - September 1986
Completion - March 1987
Financing plan:

Excess building fee sinking funds $800,000
Excess auxiliary enterprise balances, Oregon State University 400,000

Total $1,200,000

Staff Recommendation to the Committee

It was recommended that the Committee accept the schematic design for the Administrative Services Building Expansion at Oregon State University and recommend that the Board authorize appropriate Board officials to acknowledge acceptance of the schematic design and to instruct the project architect to proceed to design development and construction of the facility, pending approval of the State Emergency Board for authorization to expend approximately $400,000 of auxiliary enterprise balances from Oregon State University and approximately $800,000 of excess building fee sinking funds.

Discussion and Recommendation by the Committee

Mr. Petersen said each biennium the Board considers carefully its capital construction request to the Legislature. He said he did not object to this project but asked what effect it had on the careful consideration given to capital construction projects when something like the present recommendation occurred and circumvented the regular process.

Mr. Lemman said when unexpected projects arise after the normal review process, the project is reviewed to determine whether it warrants special attention or could wait until the next biennial process. In this instance, the special problem was recognized earlier and external possibilities were considered. The proposed solution developed during the consideration of the alternatives.

Mr. Chao inquired how projects which appear as exceptions are reviewed and ranked by staff.

Mr. Neland said the staff considers the nature of the emergency in terms of the alternative of deferring the project to a future biennium. The staff then looks at the funding proposed. If General Fund monies are involved, the project would be deferred because it would be impossible to obtain General Funds.

Mr. Neland explained that the Emergency Board must authorize the project because no expenditure limitation has been established. The Emergency Board has authority to approve a project upon the recommendation of the Board of Higher Education, if the
funding is legal in accordance with established procedure. Many projects are not proposed to the Board because they are not financially feasible. It was indicated the exceptions would constitute a very small percentage of the total projects both in number and cost.

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

Board Discussion and Action

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

The Board approved the Committee recommendation as presented, with the following voting in favor: Directors Adams, Chao, Clark, Crowell, Nelson, Petersen, Schwab, and Batiste. Those voting no: None. Director Hensley was absent from the meeting at this time.

Staff Report to the Committee

At the meeting of May 17, 1985, the Board adopted a recommendative authorizing submission to the Executive Department of a request to be included in the 1985-1987 Capital Construction Program for the $2,000,000 addition to Arbuthnot Hall (including related remodeling), and an increase in the Article XI-F(1) bonding authority in the same amount for the purpose of accommodating a proposed long-term lease under the terms of which the Board of Police Standards and Training and State Police would continue to operate the Oregon Police Academy on the campus of Western Oregon State College.

After considerable deliberation, a task force recommended to Governor Atiyeh, and the Governor determined that the appropriate site for the permanent location for the Oregon Police Academy would be the campus of Western Oregon State College. For 12 years the Academy has operated on the WOSC campus.

With the Governor's decision, Western Oregon State College and the Board on Police Standards and Training and State Police, which operates the Oregon Police Academy, must negotiate a 30-year lease, which will require substantial capital improvements on the Western Oregon campus to accommodate the Academy.

The primary project planned is a 22,500 gross square foot addition to Arbuthnot Hall, consisting of three above grade levels and a basement. The secondary project involves Maple Hall, and includes a small addition, and substantial renovation. The gross area of this project is 5,500 square feet. Upon completion of these facilities, offices presently located in the existing Arbuthnot Hall will be converted back to sleeping rooms to accommodate Academy trainees.
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The total cost of these improvements will be $2,000,000, to be financed from Article XI-F(1) bond proceeds. The debt service on these bonds will be repaid from assessments as a part of the lease costs to the Academy.

The $2,000,000 of bonds was reserved by Ways and Means during the 1985 Session, pending resolution of the siting question. It is now necessary to return to the State Emergency Board to establish an expenditure limitation of $2,000,000 to permit these improvements to proceed.

In addition to the improvements to Arbuthnot and Maple Halls, and as a condition of the lease, BPST has agreed to pay to WOSC an accommodation fee of $1,400,000 during the 1986-87 fiscal year. It is Western Oregon's intention to apply these funds to the renovation and remodel of the present Campus Elementary School building as it is converted into the Instructional Technology Center and an all-weather track. An expenditure limitation for this work is also required of the State Emergency Board.

When the lease agreement has been completed and the State Emergency Board has established expenditure limitations, architectural planning will be immediately undertaken. It is our intention to return to the Board with schematic designs at the earliest opportunity.

At this time, however, we believe it is necessary to have the Board's reaffirmation of the permanent siting of the Oregon Police Academy at Western Oregon State College, and that it is appropriate to develop a long-term lease agreement which includes, among other requirements, the capital improvement factors described above.

**Staff Recommendation to the Committee**

It was recommended that the Committee pass on to the Board a recommendation that appropriate Board and Western Oregon State College officials enter into a lease agreement with the Board on Police Standards and Training and the State Police for the siting of the Oregon Police Academy on the WOSC campus; that the lease agreement permit the carrying out of capital improvements at Arbuthnot and Maple Halls on the WOSC campus to accommodate programs of the Academy, using Article XI-F(1) bond proceeds; that the lease agreement include a plan for service of the debt of those bonds by payments from BPST, without cost to Western Oregon State College; and that, as an accommodation for the lease, BPST pay to WOSC $1,400,000. It was further recommended that the Board authorize appropriate Board officials to seek approval of the State Emergency Board, at its May 8-9, 1986, meetings, to establish expenditure limitations.
of $2,000,000 for the capital improvements to accommodate the Oregon Police Academy, and for $1,400,000 of Other Funds to permit Western Oregon State College to carry out capital improvements in converting the Campus Elementary School building into the Instructional Technology Center and an all-weather track, and to request the State Emergency Board to authorize expenditure of those funds as appropriate.

Discussion and Recommendation by the Committee

At the request of Mr. Petersen, President Meyers commented on the importance of the proposed lease to Western Oregon State College.

President Meyers said this permanent element would save money for the state in contrast to the alternative site and would solidify the cooperation between the academy and the campus. It increases the professionalization of police training because they have requested that their work be a part of their future degree programs in public administration. The accommodation fee will enable the college to proceed with projects which could not have been accomplished as quickly without this arrangement. This will benefit both the academy and the regular students.

Mr. Neland explained that the $1.4 million is for the long-term accommodation of the policy academy, which is a combination of the Board of Police Standards and Training Academy and the Oregon State Police.

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

Board Discussion and Action

The Board approved the Committee recommendation, with the following voting in favor: Directors Adams, Chao, Clark, Crowell, Nelson, Petersen, Schwab, and Batiste. Those voting no: None. Director Hensley was absent from the meeting at this time.

Approval of Interim Siting for Magnetic Resonance Imager, OHSU

Staff Report to the Committee

On November 22, 1985, the Board approved a revised plan for University Hospitals and Clinics Rehabilitation and Alterations for the Oregon Health Sciences University. Included in that plan was the acquisition and installation of a magnetic resonance imager (MRI), one of the two major equipment system acquisitions proposed in the plan. (The other was a lithotripter.)
Simply stated, a magnetic resonance imager is a system which focuses non-ionizing radiation particles into a subject. The quantification of these particles produces an electronic image of targeted internal structures of the body which can be photographically reproduced. The MRI is particularly useful in the imaging of brain parts and similar neurological structures.

Because of a potential joint venture with the Portland Veterans Administration Medical Center, the Health Sciences University proposes to proceed with the acquisition of the MRI and installation of the system in an interim location by the use of modular, prefabricated units to be placed in a parking area north of the University Hospital North Emergency wing. Ultimately the system will be permanently located within the University Hospital complex. However, provision of a permanent site could be one to two years in the future, and those portions of this proposed investment which would not be recoverable are a small portion of the total program.

The interim siting includes the erection of two modular units, one identified as the procedures module, which will house the MRI, and one identified as the ancillary module which will house supporting equipment and facilities. Architects Peterson, Kolberg and Associates have completed schematic design of the interim facilities.

Site improvements, including provision of utility services from the Medical Research Building for power and University Hospital North for domestic water and fire sprinkler support, is estimated to cost $325,000. The magnetic resonance imager will cost $2,200,000 and ancillary equipment is estimated at $410,000. The total cost of the enterprise is $2,935,000.

The Veterans Administration is expected to participate to a cost sharing of $1,000,000. The balance will be underwritten by the University Hospital.

As indicated in the November 1985 plan, it is expected the MRI will be acquired from the VAMC funds and a five-year lease/purchase contract, with service of the contract to come from fees derived from use of the MRI.

The tentative financing plan calls for the facilities costs ($325,000) and the ancillary equipment costs ($410,000) to come from proceeds of Article XI-F(1) bonds.

Staff Recommendation to the Committee

It was recommended that the Committee on Finance, Administration and Physical Plant recommend to the Board that it authorize the
staff to acknowledge acceptance of the schematic design of the interim siting and facilities for the Magnetic Resonance Imager and to direct University officials to proceed with final design and construction of the interim facilities within a budget of $325,000; and to seek authorization of the State Emergency Board to expend up to $735,000 of Article XI-F(1) bond proceeds for construction of the interim facilities and for ancillary equipment.

Discussion and Recommendation by the Committee

Mr. Petersen referred to the problem of the rising cost of medical care due to the proliferation of identical expensive equipment. He asked how many hospitals would be getting this type of equipment.

Mr. Witter said it was the judgment of the Northwest Oregon Health Systems Agency that six magnetic resonance imagers would be appropriate in the Portland area. With this joint venture, the Veterans Administration would not proceed with plans to install a separate machine in about two years. The Veterans Administration is not subject to the certificate of need law.

President Laster said the installation of the equipment at the Health Sciences University also would encompass research activities.

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

Board Discussion and Action

The Board approved the Committee recommendation, with the following voting in favor: Directors Adams, Chao, Clark, Crowell, Nelson, Petersen, Schwab, and Batiste. Those voting no: None. Director Hensley was absent from the meeting at this time.

Staff Report to the Board

On November 22, 1985, the Board approved a sub-lease of approximately one acre of land at the Hatfield Marine Science Center in Newport to the Oregon State University Foundation for the purpose of constructing housing for 42 students within three structures. The cost of construction was to be borne by a gift from the Winton family, with an investment value of $340,000.

In honor of the gift, the facilities will be known as Winton Housing.
Oregon State University officials report the construction is complete and that the Winton family and OSU Foundation are prepared to transfer ownership of the residential structures to the Board as a gift and to terminate the sub-lease of land.

Staff Recommendation to the Board

It was recommended that the Board accept the gift of student housing units at the Hatfield Marine Science Center from the Winton family and the OSU Foundation at a value of $340,000, and direct the staff to make appropriate acknowledgments to the donors. The staff will also terminate the sub-lease of land between the Board and the Foundation.

Board Discussion and Action

The Board approved the staff recommendation as presented, with the following voting in favor: Directors Adams, Chao, Clark, Crowell, Nelson, Petersen, Schwab, and Batiste. Those voting no: None. Director Hensley was absent from the meeting at this time.

SUMMARY OF FACILITIES DIVISION ACTIVITIES, OFFICE OF ADMINISTRATION

Staff Report to the Board

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

Contracts for Professional Consulting Services

Millar Library Addition, PSU

Skidmore, Owings & Merrill, Architects, Portland, will provide necessary architectural services at a cost not to exceed $73,000. Funding will be taken from the planning advance.

Award of Construction Contract

Baird Hall & Mackenzie Hall, University Relations Alterations, OHSU

On March 17, 1986, The Commercial Group, Inc., was awarded a contract for this project in the amount of $30,623. Financing will be taken from institutional funds.

UHS, Hydrotherapy Pools Installation, OHSU

On March 17, 1986, Pacific Crest Construction, Inc., was awarded a contract for this project in the amount of $39,500. Financing will be provided from hospital funds.

UHS X-Ray Reception & Waiting Room, OHSU

On March 26, 1986, The Commercial Group, Inc., was awarded a contract for this project in the amount of $23,000. Financing will be provided from hospital funds.
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Medical Research Building, Neurology Alterations, OHSU

On March 26, 1986, Cloyd R. Watt Construction Co., Inc., was awarded a contract for this project in the amount of $156,625. Financing will be provided from institutional funds.

Bid Package I, Institute of Marine Biology, Charleston, UO

On March 17, 1986, Wildish Building Company was awarded a contract for this project in the amount of $1,130,000. Financing will be provided from NOAA funds.

EMU Bowling Alley Conversion, UO

On March 14, 1986, Jensen-Coleman Builders, Inc., was awarded a contract for this project in the amount of $69,446. Financing will be provided from Excess Sinking Fund Reserves and Commingled Student Building Fees.

Poling and Hawley Halls Lounge Remodel, OSU

On March 14, 1986, Isaac Construction, Inc., was awarded a contract for this project in the amount of $28,590. Funding is from funds made available to the institution.

Animal Physiology Surgery, OSU

On March 21, 1986, McAllister Construction Company was awarded a contract for this project in the amount of $53,809. Financing is provided from a Restoration Fund Insurance.

Acceptance of Projects

Oceanography II - Room 382 Remodel, OSU

This project is complete and was accepted on March 18, 1986. The estimated total project cost remains at $28,999. Financing was provided from funds made available to the institution.

Oceanography WA 224 Remodel, OSU

This project is complete and was accepted on March 21, 1986. The estimated total project cost remains at $42,268. Financing was from funds made available to the institution.

Board Discussion and Action

The Board accepted the report as presented.

ITEMS FROM BOARD MEMBERS

Mr. Chao reported that the OCATE Committee was basically in an execution and monitoring phase. Spring enrollment was higher than expected for the six technical courses offered, and the Oregon MBA Program, held steady at 29 enrollments. The success of the OCATE programs attests to the wisdom of keeping the standards high.
Mr. Chao commented that the distinguished visitors lecture program developed by the University of Oregon had drawn about 37 people for the entire series with another five taking individual lectures. Workshops and conferences also have been held.

Mr. Adams said he had noticed that the Board's Strategic Plan was complying with the position statement with regard to the State System of Higher Education prepared by the League of Women Voters in January of 1985.

Mrs. Nelson reported she had attended the ground-breaking ceremonies for the University of Oregon Institute of Marine Biology at Charleston and that it was a very happy occasion for the staff.

Mr. Chao reported that the presidential search committee for Portland State University had met twice. It reviewed the mission of the institution and had some initial discussions on the characteristics desired in the new president, particularly those specific to the Portland region and the issues of the day.

There have been affirmative action discussions, and the committee has adopted a fairly aggressive affirmative action posture. There will be solicitations of appropriate candidates from minorities.

There will be several meetings devoted to hearing invited speakers and then a public hearing on qualifications. Following these sessions, the committee will prepare the statement of qualifications against which the candidates will be measured.

Mr. Chao stated that the entire committee will screen all of the applicants. It is anticipated the list of applicants will be reduced to about 50 candidates by the middle of May and to a shorter list for campus visits by the middle of June. The final candidates will be presented in mid-July to the Board pursuant to the Chancellor's recommendation.

Mr. Chao said in addition to affirmative action, the committee will be stressing confidentiality so that the very best candidates will be retained up to the final pool.

Mr. Batiste expressed his appreciation to President Meyers and his staff and thanked those in attendance for their patience during the delays.

Mr. Batiste appointed Mr. Perry to serve as chairman of the nominating committee to present a slate of officers and executive committee members to the Board at the June meeting. Mr. Adams and Mr. Crowell will serve with Mr. Perry on the committee.
Next Meeting Dates Mr. Batiste announced that the next regular Board meeting would be held on May 16, 1986, on the campus of Oregon Institute of Technology. It will be preceded by a visit to the institution on May 15.

ADJOURNMENT The Board meeting was adjourned at 2:55 p.m.

Alvin R. Batiste, President Wilma L. Foster, Secretary