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STATE BOARD OF HIGHER EDUCATION
MINUTES OF REGULAR MEETING HELD IN
ROOM 338, SMITH CENTER, PORTLAND STATE UNIVERSITY
PORTLAND, OREGON

February 16, 1990

Meeting #585

A regular meeting of the State Board of Higher Education was held in Room 338, Smith Center, Portland State University, Portland, Oregon.

ROLL CALL

The meeting was called to order at 8:30 a.m., Friday, February 16, 1990, by the Vice President of the Board, Mr. Mark Dodson, and on roll call the following answered present:

Mr. Robert Adams            Mr. Rob Miller
Mr. Bob Bailey              Mr. George Richardson, Jr.
Mr. Tom Bruggere            Mr. Les Swanson, Jr.
Mr. Gary Johnston           Ms. Janice Wilson
Miss Annette Matthews       Mr. Mark Dodson

Absent: Director Hensley was out of the state.

Chancellor Bartlett and Presidents Brand, Byrne, Cox, Edgington, Gilbert, Kohler, and Meyers were present.

OTHERS PRESENT

Chancellor's Office—Chancellor Thomas Bartlett; Secretary Wilma Foster; W. T. Leeman, Executive Vice Chancellor; John Owen, Vice Chancellor, OCATE; Larry Large, Vice Chancellor, Public Affairs; Robert Frank, Interim Vice Chancellor, Academic Affairs; Holly Zanville, Associate Vice Chancellor, Academic Affairs; Davis Quenzer, Associate Vice Chancellor, Budget and Fiscal Policies; George Fornstein, Associate Vice Chancellor, Facilities Division; Joe Sicotte, Associate Vice Chancellor, Personnel Administration; Steven Katz, Controller; Virginia Thompson, Executive Assistant to the Chancellor; Melinda Grier, Director, Legal Services and Compliance Officer; Roger Olsen, Assistant Vice Chancellor, OCATE; Ron Anderson, Assistant Vice Chancellor, Personnel Administration; Margie Sherman Frazier, Assistant to Executive Vice Chancellor; Virginia Boushey, Gary Christensen, and James Payne, Assistant Vice Chancellors, Academic Affairs; Jim Sellers, Director of Communications.

Eastern Oregon State College—President David Gilbert; James Lundy, Dean of Administration; James Hottois, Dean of Academic Affairs.
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Oregon Health Sciences University—President Peter Kohler; David Witter, Vice President, Administration; Lesley Hallick, Vice President, Academic Affairs; Henry Van Hassel, Dean, Dental School; W. C. Neland, Associate Vice President, Budget and Finance.

Oregon Institute of Technology—John Smith, Dean of Administration; Chris Eismann, Dean of Academic Affairs; Christine Somervill, Executive Assistant to the President.

Oregon State University—President John Byrne; Ed Coate, Vice President, Finance and Administration; Graham Spanier, Provost and Vice President for Academic Affairs; Mike Martin, President, Faculty Senate.

Portland State University—Interim President Roger Edgington; Frank Martino, Provost; Gary Powell, Acting Vice President, Finance and Administration; Armando Laguardia, Affirmative Action Officer.

Southern Oregon State College—President Joseph Cox; Ronald Bolstad, Dean of Administration; Stephen Reno, Dean of Academic Affairs.

University of Oregon—President Myles Brand; Dan Williams, Vice President, Administration; Norman Wessells, Provost; James Reimuth, Vice President, Public Affairs and Development.

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

Interinstitutional Faculty Senate Members Attending Meeting—Margaret Berroth, OHSU; Eugene Enneking, PSU; Ulrich Hardt, PSU; Herb Jolliff, OIT.

Others—Jerry Casby, Assistant Attorney General, Department of Justice; Jones Osborn, Arizona State Senator and Chairman of Executive Committee, WICHE; Dick Jonsen, Executive Director, WICHE; Viviane Simon-Brown, OCHE Director, Central Oregon Community College, Bend; Randy Petersen, President, Associated Students, Eastern Oregon State College; Melany Bailey and Bonita Davis, Veterans' Administration Medical Center, Portland; Lisa Turpel, Portland Parks & Recreation; Nena Strickland, Pacific Northwest Chapter, American Therapeutic Recreation Association.

The Board dispensed with the reading of the minutes of the last regular meeting held on January 19, 1990, and approved them as previously distributed. The following voted in favor: Directors Adams, Bailey, Bruggere, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Dodson. Those voting no: None.
The Chancellor said that Mr. Jones Osborn, the new chairman of
the Executive Committee of the Western Interstate Commission for
Higher Education, and Dr. Dick Jonsen, the new Executive Direc-
tor of WICHE, were present to comment on the activities of that
organization.

He indicated that Dr. Jonsen had been Deputy Director of WICHE
from 1979 until his appointment as Executive Director in January
of this year. Prior to that, he was a member of the staff of the
Education Commission of the States.

The Chancellor said Mr. Osborn had been a member of the Arizona
State Senate since 1973 and a former editor and publisher of the
Yuma Daily Sun from 1946-1983. He invited Mr. Osborn to present
his report.

Mr. Osborn said the WICHE representatives had just completed an
enjoyable and productive meeting with the presidents of the State
System institutions, and he extended greetings to the Board from
WICHE.

Mr. Osborn explained that the guiding philosophy of WICHE was
regional cooperation in higher education and the sharing of re-
sources to avoid costly duplication. In addition to the original
13 member states, WICHE has now been joined by North and South
Dakota as affiliate members of WICHE. Similar negotiations are
in progress with Minnesota. These requests for affiliate member-
ship are viewed as an endorsement of the work that WICHE is try-
ing to do in higher education.

Mr. Osborn said his own state of Arizona invested nearly $2 mil-
lion in student support fees to send its young men and women to
other WICHE states to receive the kind of education not offered
in Arizona. This is done despite the fact that sending states are
making approximately one-tenth of that investment for those
students going to Arizona. The money invested by Arizona is con-
sidered to be some of the best higher educational dollars spent
by the state because it makes it possible to avoid the costly and
continuing expense of operating expensive professional schools in
several fields.

Dr. Jonsen said WICHE had a long history of relationship with the
State of Oregon. Oregon played a key role in the establishment
of WICHE. Its first offices were on the campus of the University
of Oregon, and its first Executive Director was Dr. W. C. Jones,
the late Dean of Administration at the University of Oregon.

Dr. Jonsen stated that Oregon had continued to provide leadership
for WICHE. The student exchange mechanism is the cornerstone of
the organization. One of those student exchange mechanisms for
regional graduate programs was designed by Dr. Roy Lieuallen, a
former Chancellor of the Oregon State System of Higher Education. The late Dr. Richard Hill from the University of Oregon and former President Robert MacVicar of Oregon State University were very active in connection with the Northwest Academic Forum. Northwest Net, a computer network soon to involve four universities in Oregon, is chaired by Dr. MacVicar.

Dr. Jonsen said WICHE had initiated a new organization, the Western Cooperative on Educational Telecommunications. Oregon has provided leadership in its development through ED-NET and Ray Lewis.

Dr. Jonsen stressed the fact that WICHE continually tried to address problems and new needs and opportunities in higher education through the medium of interinstitutional and interstate cooperation. The constant ingredient is the concept of interstate cooperation. WICHE is the compact, legislatively established in 1953, for cooperation in higher education in the west. He said WICHE pledged to continue working with Oregon and with the Board in finding new ways to address problems through cooperation with other WICHE states.

The Chancellor thanked the WICHE representatives for their presentations and indicated he looked forward to a very close and productive participation in WICHE.

IFS Report

Mr. Herb Jolliff, Vice President of the Interinstitutional Faculty Senate, presented the report from that organization. He stated the meetings on February 2 and 3 had included discussions of the teacher education programs, higher education in the Portland area, faculty salaries and benefits (inflation, catch up, and salary compression), educational support, the fighting fund, and libraries. In the discussion with reference to the problem of raising salaries of a few faculty through the fighting fund method, it was mentioned that the morale of the faculties in general seemed to be hurt by this method of funding.

Mr. Jolliff reported further that the Interinstitutional Faculty Senate had adopted unanimously the following resolution with respect to libraries: The IFS urges that the Board recognize the need to improve funding for books, journals, software, and the electronic information systems, without which the Oregon State System cannot fulfill its fundamental educational mission.

The next meeting of the Senate will be April 6 and 7 at Southern Oregon State College, at which time there will be discussion of the following topics: Educational Support/Fighting Fund, Teacher Education, SB 618, and Higher Education in the Portland Area.

In commenting on the reference to the use of the fighting fund, the Chancellor indicated it was now being viewed as a recruitment rather than a retention tool.
The Chancellor said the budget process was the subject of the issues discussion later in the meeting and would serve as the background for the budget development process. He said the general strategy probably would concentrate heavily on strengthening the core resources of the institutions which have been depleted over the years, such as faculty salaries and certain parts of the institutional infrastructure which are central. The first priority will continue to be faculty salaries. It is also essential to concentrate on the fundamentals of core support as opposed to developing new programs and new capacity, even though they would be in the best interest of Oregon.

D. Witter, Acceptance of New Position

The Chancellor announced that Mr. Dave Witter, Vice President for Administration at the Oregon Health Sciences University, had accepted a new position as President of the Academic Consortium, a consortium of health science centers. The appointment will be effective on March 1, 1990, in Rochester, New York. The Chancellor congratulated Mr. Witter on the appointment.

C. Gilbert, Honored

The Chancellor reported that Mrs. Carolyn Gilbert had been named La Grande Chamber of Commerce Woman of the Year. He requested President Gilbert to congratulate Mrs. Gilbert on this honor which represented another indication of the kind of service and leadership the Gilbert family was providing in La Grande.

Requests for Authorization To Award Honorary Degrees: PSU, OSU, and OHSU

In accordance with Board policy, Portland State University, Oregon State University, and Oregon Health Sciences University request authorization to award honorary doctorates at their June 1990 commencements to the following persons:

Portland State University—Dr. Lee Brown

Dr. Brown took office on January 22 as the 36th police commissioner of New York City. He was the second black man and the first non-New Yorker in 25 years to head the nation's largest police force. He is a nationally-recognized proponent of community policing. During his four-year stay at Portland State beginning in 1968, Dr. Brown helped found the curriculum for criminal justice education on campus and became the first director of the university's criminal justice program.

Oregon State University—Mr. Jan Karski, Dr. Guri Ivanovich Marchuk, Mr. James De Priest, and Ms. Rosa Parks.

Mr. Karski was a leader in the Polish underground during World War II and has helped to provide testimony to the horrors of the Holocaust and the Warsaw ghetto. Since the war, Mr. Karski has been active in trying to gain independence for Poland.
Dr. Guri Marchuk has been head of the U.S.S.R. Academy of Sciences since 1986 and has played a key role in efforts to enhance scientific collaboration between the United States and the Soviet Union. He has a wide range of expertise that includes mathematics, atmospheric and ocean physics, immunology, and environmental protection. Three of his associates have visited Oregon State University in recent years and helped to establish a collaborative research program.

Mr. James De Priest has helped put Portland on the national music map with his orchestral conducting of the Oregon Symphony. Since he became conductor in 1980, the symphony has achieved a reputation as one of the most promising ensembles in the country. In addition to his conducting expertise, Mr. De Priest also has established himself as a composer, primarily of ballet scores.

Ms. Rosa Parks is known as "The Mother of Modern Civil Rights." She gained national attention in 1955 when she refused to give up her seat on a bus to a white passenger in Montgomery, Alabama. Her stand triggered a city-wide bus boycott that eventually led to the outlawing of segregation on city buses in Montgomery. She later joined Dr. Martin Luther King, Jr., in several protests, including the 1965 march from Selma to Montgomery.

Oregon Health Sciences University—Senator Mark Hatfield

Senator Mark Hatfield has served the State of Oregon as State Representative and Senator, Secretary of State, Governor, and, for the past 23 years, as U.S. Senator. Few can match his contributions to Oregon. Nowhere are his accomplishments more dramatically demonstrated than in the field of higher education where he has worked tirelessly to assure that higher education remained on the cutting edge of research, service, and teaching.

Staff Recommendation to the Board

The staff recommended approval of the requests from Portland State University, Oregon State University, and Oregon Health Sciences University to award honorary doctorates to the individuals listed above.

Board Discussion and Action

Mr. Adams inquired whether all of these institutions had criteria for the selection of candidates for honorary doctorates.
Dr. Frank replied that every institution that wished to award honorary doctorates had a selection process on file. It usually includes nominations to a group of faculty and often a review by a faculty senate with nominations to the provost or president. The proposed names then are forwarded to the Chancellor's Office.

The Board approved the staff recommendation, with the following voting in favor: Directors Adams, Bailey, Bruggere, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Dodson. Those voting no: None.

Mr. Dodson indicated he had received a request from Ms. Bonita Davis, President of the Oregon Therapeutic Recreation Society, to address the Board with respect to the potential loss of the therapeutic recreation program at the University of Oregon. He invited Ms. Davis to make the presentation.

Ms. Davis said that the program had 215 undergraduates, 189 graduate, and 10 doctoral students had graduated from the program in the past two decades. She said there were 11,718 certified therapeutic recreation specialists nationally, with an annual growth rate of 14%.

Ms. Davis said that funding for the therapeutic recreation program beyond the current academic year was uncertain now that the program was in jeopardy of being eliminated. She stated that, as concerned professionals, the members of the association believed it was vitally important to continue educating new therapeutic recreation specialists to serve the growing needs of Oregonians with disabling conditions. The purpose of therapeutic recreation is to restore, remediate, or rehabilitate in order to improve functioning and independence and to reduce the effects of illness and disease. The occupational outlook projection is for an estimated growth of 49% in the profession by the year 2000.

Ms. Nena Strickland, President of the Pacific Northwest Chapter of the American Therapeutic Recreation Association, indicated the various locations where the services are provided and the number of persons in various categories benefiting from therapeutic recreation services. Approximately 350,000 persons in the various groups received assistance.

Ms. Strickland said human beings have a higher order of needs related to freedom, dignity, and quality of life which are not precluded categorically by illness or disability. Therapeutic recreation specialists assist individuals to adapt to their environment and empower them to function as independently as possible in meeting their needs and values. Without trained therapeutic recreation professionals within the State of Oregon, the
quality of services provided to these Oregonians will be diminished. The result may be a decreasing of the degree of independence and overall satisfaction which persons with disabilities may achieve. When disabled Oregonians function independently in their communities, there is an overall decrease in cost of care. They can become contributing members of society rather than consumers of taxpayers' dollars.

Ms. Lisa Thomas Turpel from the Portland Bureau of Parks and Recreation said she employed both entry and advanced therapeutic recreation specialists for the bureau. The University of Oregon currently administers the only program in the state. It also administers the only graduate level therapeutic recreation program in the Pacific Northwest and is the only doctoral program in that field on the West Coast. She said that as an employer she had a professional and ethical responsibility to hire only the highest quality therapeutic recreation specialists. Without a program in Oregon, she said she would be forced to recruit and hire people from other states, even though she would prefer to hire Oregonians.

Ms. Turpel said the statement of purpose for the University of Oregon included the following "to provide the opportunity for students to obtain a high quality education serving the educational, cultural, and economic needs of all Oregonians." She said the therapeutic recreation program at the University of Oregon played a significant role in actualizing this purpose. She urged the Board to commit itself to the long-term continuance of the therapeutic recreation program at the institution, and she pledged that the therapeutic recreation specialists statewide would commit themselves to help with the viability of the program.

Mr. Dodson said he was always amazed at the impact that higher education programs had throughout the state and commented that it was very difficult under budget constraints to cut a program without having an enormous impact. He thanked the representatives for their presentations.

Emergency Board Faculty Salary Proposal

Staff Report to the Board

Part of the response of the 1989 Legislative Assembly to the Board’s request to provide funds for faculty salary increases was the adoption of HB 3262, which authorized the Oregon Lottery Commission to establish video poker games, $25 million of the proceeds of which were appropriated to higher education for the 1989-1991 biennium.
For a variety of reasons, the Lottery Commission has concluded that video poker is not financially viable under current law and ordinances. Although we do not dispute the conclusions of the Lottery Commission in this regard, the State System has, nonetheless, been deprived of up to $25 million for faculty salary improvement during the current biennium.

This circumstance has occurred at the same time faculty have been more difficult to recruit with existing resources, when retention of faculty has become more precarious because of competition from other institutions, and when the need to attract new people to the profession has become more acute as increasing numbers of present faculty plan to retire.

Institution presidents and the Chancellor believe that action must be taken promptly if we are not to fall further and seriously behind in our compensation of faculty. Further, in order to retain current staff and attract new people, faculty need concrete confirmation of the state's concern and intent to rectify the situation at the earliest time.

The first opportunity for the state to take corrective action is the March meeting of the Emergency Board. In order to place the matter before the Emergency Board, the Chancellor recommends that he be instructed to forward this Board's request that up to $10 million be allocated from the Emergency Fund for the purpose of faculty salary improvement in the second year of the biennium. Our request should be presented at the March meeting of the Emergency Board rather than at a subsequent time so that this Board can fashion an appropriate distribution plan and so that institutions may notify faculty of the state's decision before the recruiting season for faculty ends.

Staff Recommendation to the Board

The staff recommended that the Board instruct the Chancellor to forward to the Governor and the Emergency Board a request for an allocation of up to $10 million from the Emergency Fund for the purpose of faculty salary improvement in the second year of the biennium.

Board Discussion and Action

Although the authorization for the $25 million was not a commitment of General Fund money on the part of the Legislature, the testimony of the best-qualified professionals at the time indicated it seemed reasonable and likely that the State System would receive at least $12.5 million, and probably closer to $18 million, from the video poker lottery. On the basis of that advice and expectation, the $12.5 million was included for faculty salaries in the State System planning. It was deemed essential to take some risks in anticipating these funds because the faculty
salary situation represented a very serious problem. The decision by the Lottery Commission that video poker is not viable has left the State System with an urgent unfulfilled need.

The Chancellor said the institutions recruit nationally in a very competitive market. The national supply of people who at least have the initial qualifications of a Ph.D. is shrinking in relation to the number of positions that are open. In response to this increasingly competitive market, other states have been raising faculty salaries and raising them faster than Oregon, thus leaving Oregon in a position of falling farther behind instead of stabilizing or catching up. Oregon has become a very vulnerable raiding ground with good faculty at very low salaries.

The Chancellor said about one-third of the faculty would retire under normal circumstances during the present decade. When the normal mobility of academic life is added to these retirements, it will probably be necessary to replace more than half of the State System's entire faculty and academic senior leadership during the 1990s. He said approaching that environment in a situation of non-competitive salaries was an ominous outlook indeed as the institutions face the dual problems of holding faculty in competition with other states and of recruiting people from a position of weak salaries. He then cited the relative positions of the State System's universities and colleges near the bottom of the lists for comparable institutions. In addition, Oregon has now fallen behind all three of its neighboring states in its faculty salary position.

The Chancellor said Oregon did not need to buy faculty members because Oregon institutions were attractive places to be as members of the academic community. Oregon has good institutions and a good working environment, but people cannot stay or come to the state if the penalty is too great. The consensus is that people will stay if salaries are somewhere in the range of competition. As an example, engineering salaries in Oregon are about $8,000 below the western states' average; foreign language salaries are $10-12,000 below that average. In addition, there are indirect forms of support for faculty which enter into the competitive position.

The Chancellor said outstanding faculty members were crucial for the formation of the human capital which was going to be essential for Oregon's society, both socially and economically. These people teach Oregon's students and serve many publics. They also attract large amounts of outside research — at least $125 million last year in outside grants and contracts. This is a high value-added clean industry for the State of Oregon.
The Chancellor reported that the Governor, in one of his state-of-the-state speeches, had made two significant proposals. The first was that some emergency funding come from the Emergency Board appropriation. The second was that there be a dramatic first step undertaken in the 1991 Legislative Assembly toward improving the state’s competitiveness in faculty salaries. The Emergency Board request is essential because the state’s position in faculty salaries is deteriorating now and it is important to begin a reversal of that process immediately. Further, it is important for faculty to know that the State of Oregon recognizes the problem and is concerned. The Governor’s speech in January reflected both the psychological element and the practical impact of gaining funds immediately.

The Chancellor said for those reasons he was recommending that the Board instruct him to forward to the Governor and the Emergency Board a request for an allocation of up to $10 million from the Emergency Fund for the purpose of faculty salary improvement in the second year of the biennium. The request would be made to the Emergency Board at its next meeting to replace part of the money that would have come to the State System from video poker. The Chancellor said the staff had been advised the presentation should be made but the Emergency Board would not act on the request at the next meeting. Action could be expected at one of the two following meetings of the Emergency Board.

Mr. Adams inquired why the request was for "up to" $10 million instead of the specific amount of $10 million. The Chancellor said there were a number of large items which would be coming to the Emergency Board. The staff has been advised that there would be some trading, adjusting, and compromising to deal with all of these items.

Mr. Johnston commented that the current building fund of the Idaho Ways and Means Committee had included a 14% increase in the higher education budget for Idaho.

Mr. Bruggere said he did not think the Board should just authorize the Chancellor to request only $10 million when $25-30 million was more in line with what is needed. The Board should be sending the message to the Emergency Board and others that the State System is faced with a crisis situation which will do severe damage to higher education in the state over the next few years unless something is done to alleviate the crisis. He said he would move approval of the Chancellor’s recommendation with some strengthening of the message concerning the seriousness of the situation.

The Board approved the recommendation, with the following voting in favor: Directors Adams, Bailey, Bruggere, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Dodson. Those voting no: None.
The Chancellor commented that it is difficult to make people realize that higher education is dealing with a crisis and not a chronic problem. It is much easier to make people understand the needs when discussing prisons or social welfare problems because they can be more specific. In higher education, it is a matter of erosion and potential deterioration that take place invisibly; only later does it become clear what has occurred. The crisis, nevertheless, will affect the lives of Oregonians in all sorts of ways in the years ahead unless the problems can be alleviated.

Ms. Wilson said a recent conversation with President Brand had crystallized the issue for her. He pointed out that the infrastructure for the industrial revolution included roads, sewer systems, and transportation. The educational system is the infrastructure for the age of the information system. Faculty is at the heart of that educational system. The ability to attract and retain good faculty members is an essential element of the educational system, but it cannot be achieved without an adequate salary or compensation structure.

Increase in Other Funds

Limitation & Authorization

To Expend Funds for Casey Eye Institute, OHSU

Staff Report to the Board

Bids received in April 1989 for the construction of the Casey Eye Institute at Oregon Health Sciences University far exceeded the forecasts of the architect’s estimator. The Oregon Health Sciences University and the architect reworked many aspects of the project in an effort to reduce costs substantially. In addition, the Oregon Health Sciences University sought and received an exemption from competitive bidding for this project. The Oregon Health Sciences University conducted a competitive selection process for a construction manager on a total maximum price basis. This method was recommended by many of the larger construction firms in the Portland area as being the best way of controlling costs and of ensuring that the project could be built. An agreement was concluded for a total maximum construction price of $18.6 million.

Concurrently with these efforts, the Oregon Health Sciences University has raised additional gift money for this project and has recast the budget to place more dollars in the construction phase of the project and less in such areas as furnishings and equipment. The combination of these efforts has resulted in bringing the resources available for the Casey Eye Institute to $23 million.

The $2.8 million increase is funded by a $1 million grant from the National Eye Institute, an agency of the U. S. Department of Health and Human Services; a $1 million gift from the Murdock Trust; $400,000 of gifts from a variety of individuals and organizations; and $400,000 of Article XI-F(1) parking bonds authorized by the Assembly at the end of last year’s session.
The Oregon Health Sciences University has requested that the Other Funds Limitation for the Casey Eye Institute be raised by $2.8 million and that it be allowed to expend all available funds, to a maximum of $23 million, in order to complete the facility.

Staff Recommendation to the Board

The staff concurred in the request of the Oregon Health Sciences University and recommended that the Board authorize the staff to seek from the State Emergency Board an increase of $2.8 million in the Other Funds Limitation for the Casey Eye Institute and the authorization to expend up to $23 million for that project.

Board Discussion and Action

In response to a question concerning the source of revenue to repay the Article XI-F(1) bonds, Mr. Pernsteiner indicated it would come from a combination of parking fees and patient fees. He indicated this was a fairly small increment above what had been anticipated. The interest rates also have been lower than expected, so there should be no difficulty in repaying the extra $400,000. He said those fees otherwise would have been used for the operation of the facility and the parking program at Oregon Health Sciences University.

Mr. Adams said there had been a number of projects recently which exceeded the architects' estimates and asked Mr. Pernsteiner if the error was due to changes in the cost of construction or some other factor.

Mr. Pernsteiner replied several elements were involved. The most significant factor in cost escalation has been the reduction in the number of subcontractor bids that the prime contractors have received on individual jobs. Several things have been done in an effort to improve the accuracy of estimates. On large projects, the architects have been instructed to encourage subcontractors to bid to the prime contractors in order to make certain they are fully informed about the existence and requirements of the job. It also has been found that on construction management contracts, there is more interest from subcontractors because the construction manager breaks the project into small pieces and advertises for one particular craft or area at a time. A second independent cost estimate now is required for all reasonably-sized and large projects in addition to the estimate done by the architect. This procedure may reveal problems before they occur in the bid so that some of the redesign work can be done prior to bidding. The institutions have been asked to include a substantial contingency in the budgets submitted for projects so that those budgets are more realistic in the beginning.
Mr. Miller asked whether there were a number of construction managers so that one could be selected in a sense on the basis of a bid. He also asked whether any state systems had ever undertaken construction management themselves and indicated he was asking the question in the context of the fee charged by construction managers.

Mr. Pensteiner said the services of construction managers were required competitively by advertising requests for proposals. At least in the Portland area, there are a number of firms who can do this. The approach has not been tried outside of the Portland area. He said he did not know if other state systems managed construction projects directly, noting that it took a great deal of current construction expertise to manage a large construction project. The firms submitting construction management proposals must show that they successfully have done this kind of work before on projects of a similar scale.

The Board approved the staff recommendation, with the following voting in favor: Directors Adams, Bailey, Bruggere, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Dodson. Those voting no: None.

Repeal of IMDs re Cooperating Educational Agencies

Staff Report to the Board

The Board's Internal Management Directives contain references in Section 1, IMD 1.210 through IMD 1.214, to Cooperating Educational Agencies. The relationship of the State System to the agencies included in these Internal Management Directives is specified in Oregon statutes or other Board policies, or the agencies have been modified or abolished. The references in the Internal Management Directives are no longer needed.

Staff Recommendation to the Board

The staff recommended that the Board repeal Internal Management Directives 1.210, 1.211, 1.212, 1.213, and 1.214 shown below:

Cooperating Educational Agencies

1.210 Western Interstate Commission for Higher Education

The Department is authorized to take any necessary action to achieve the ends of the Western Regional Higher Education Compact.

1.211 Educational Coordinating Commission

The Department is authorized to cooperate with the Oregon Educational Coordinating Commission for purposes of coordinating the various educational functions of the State which are related to more than one area of education.
1.212 High School-College Relations Council

The Department is authorized to cooperate with the High School-College relations council to achieve Council aims and objectives.

1.213 State Scholarship Commission

The Department is authorized to cooperate with the State Scholarship Commission in matters relating to financial aid for students in institutions under the Board's control.

1.214 Community Colleges

The Department will cooperate with all Oregon community colleges to facilitate transfer of students desiring to enter four-year institutions following attendance at two-year institutions.

Board Discussion and Action

The Board approved the staff recommendation and repealed the Internal Management Directives listed above. On roll call vote, the following voted in favor: Directors Adams, Bailey, Bruggere, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Dodson. Those voting no: None.

Approval for Proof of Measles Immunization

Staff Report to the Board

As a result of recent measles outbreaks, the American Academy of Pediatrics, the Immunization Practices Advisory Committee and the Oregon Health Division recommend that all college students born after 1957 receive a second dose of measles vaccine. The Board's Administrative Rule OAR 580-10-005(3) allows institutions to require proof of immunization prior to admission, subject to Board approval. Oregon State University, the University of Oregon, Oregon Institute of Technology, and Oregon Health Sciences University request permission to require immunizations prior to enrolling new students. Specifically, the institutions request the following authorization for immunization requirements:

OHSU — Diphtheria-tetanus, polio, rubella, rubeola, tuberculin test or clearance. (The immunization requirements at Oregon Health Sciences University have been in place for some time. Because of the wording of the rule, it appears that they may, in fact, have been approved by the Board. However, because significant time has passed since that approval, staff recommends reauthorization.)
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OIT — Diphtheria-tetanus, tuberculin test or clearance, and, if born after 1956, rubeola and rubella.

OSU — Rubella, mumps, rubeola (immunization and reimmunization).

UO — Rubella, mumps, rubeola (immunization and reimmunization).

Currently, Board approval delays the institutions' ability to respond to epidemics or other immediate health needs. Thus, in addition to authorizing these requirements, the staff requests the Board's permission to draft amendments to this rule delegating authority to institution presidents to adopt immunization requirements and requiring institution presidents to notify the Board when they do so. If the Board receives notice of any changes, the Board can monitor requirements without unnecessarily delaying institutional actions.

Eastern Oregon State College, Portland State University, Southern Oregon State College, and Western Oregon State College also are considering immunization requirements. Because they have not yet decided if they want such requirements, they do not request approval of an immunization requirement if the Board intends to amend the rule.

Staff Recommendation to the Board

The staff recommended that the Board approve the immunization requirements for the Oregon Health Sciences University, Oregon Institute of Technology, Oregon State University, and the University of Oregon listed above.

The staff recommended that the Board direct the staff to draft amendments to QAR 580-10-005(3) which would delegate authority to require immunizations to the institution presidents.

Board Discussion and Action

Mr. Adams suggested that it might be appropriate for the Oregon Health Sciences University to make recommendations to all of the State System institutions. He noted there did not appear to be a great deal of consistency in the proposed requirements.

Ms. Grier explained that the Oregon Health Sciences University had stricter requirements because they were in contact with people who were ill. She said the institutions try to limit the requirements because the actual management of the immunization requirement is no small task. In setting the requirements, the institution must consider the desirability for the students to have the immunizations along with the ability of the institution to enforce the requirements. She also stated those institutions with more students living on campus usually wanted to require more immunizations.
In response to a question, Ms. Grier said there was no problem with respect to students who objected to the immunizations for religious reasons. Another part of the rule specifically exempts people who demonstrate their objections for religious reasons.

The Board approved the staff recommendations, with the following voting in favor: Directors Adams, Bailey, Bruggere, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Dodson. Those voting no: None.

Oregon State University officials have forwarded to the Board’s Office an option for the purchase of a parcel of land on the north end of the campus at 40 NW 27th Street. The property is owned by Bernice G. Adrion, and the option price of $47,500 is the average of two independent appraisals obtained by the University. The property has a total area of approximately 5,500 square feet of land, or about .126 acres. The property is in an area of campus that has a critical shortage of parking and has been designated for parking purposes.

The property has located on it an 89-year-old house which the University will rent as student housing on a short term basis. Then the building will be demolished and the parcel will be used for University parking.

With the purchase of this parcel of land, there will only be one other property for Oregon State University to acquire on the north side of Orchard Street, between 27th and 30th Streets. After the last parcel is acquired, the various buildings on this strip of land will be demolished, and University parking will be constructed.

Funds required for the purchase of the property and related costs are to be provided from balances available at the institution from parking revenues. The land would be purchased under authorization of Chapter 640, Oregon Laws 1985, as amended by the State Emergency Board.

It was recommended that the Office of Administration be authorized to purchase the Adrion property at 40 NW 27th Street on the northern edge of the Oregon State University campus at the option price of $47,500.

The Board approved the staff recommendation, with the following voting in favor: Directors Adams, Bailey, Bruggere, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Dodson. Those voting no: None.
Staff Report to the Committee

Introduction

In spring 1988, the Board indicated an interest in altering its program review policies. Two major areas of concern were identified: the need for follow-up review of programs approved by the Board and the need for external reviews of new graduate level programs. The Board asked staff to provide recommendations to the following two questions:

. Should the Board conduct follow-up reviews of all new graduate level programs approved by the Board to assure that the campuses did, in fact, implement programs as they were approved to do?

. With continuing concerns about duplication of effort among campuses at the graduate level as well as concerns about the adequacy of the Oregon State System of Higher Education's financial resources, how can the Board be certain that new graduate programs will meet a desired standard for quality and non-duplication of effort?

In response to these concerns, the staff began working in the summer of 1988 to collect data on graduate-level programs, to reexamine the Board's 1978 policy on the review of new program requests, and to survey other states' approaches to graduate-level program review.

Once drafted, the external review procedure was reviewed by faculty between June and November 1989. Revisions were made in the procedure as a result of this review. The recommended policy, which follows, and guidelines were approved by the Academic Council at its December 13, 1989, meeting.

Staff Recommendation to the Committee

1. The staff recommended that the Board require that any new graduate program request be accompanied by an external review report.

2. The staff recommended that the Vice Chancellor for Academic Affairs working with an OGSHE Council of Graduate Deans, determine if an external review will be required for a request for a new center or institute. An external review for a center or institute should be customary if there will be a significant and long-term state investment of resources and/or the center or institute involves a significant instructional component.
3. The staff recommended that the Board adopt the Guidelines for the External Review of New Graduate Programs as the procedure to be followed for all external reviews.

Discussion and Recommendation by the Committee

Mr. Johnston said he had seen nothing in the report that dealt with the issue of follow-up reports on degree programs which had already been granted. He also inquired what the cost would be to the State System for the external review.

Dr. Zanville said the institutions had recommended that the cost be covered out of the program on the assumption that, if funds were inadequate to cover the external review, they probably should not be implementing a full graduate program. The cost for the external review was expected to be about $1,500.

Dr. Zanville briefly reviewed the historical background as set forth in the staff report. She said a decision had been made to proceed first with the external review and then address the question of follow-up review. The Academic Council is currently reviewing some recommended procedures.

Mr. Dodson commented that Wisconsin had a mandated five-year review after the start of a new program. He said he would prefer to see the institution voluntarily establish a review at the institutional level. He inquired about existing review procedures on the campuses.

Dr. Frank said graduate-level programs were reviewed every three to five years at Oregon State University. External agencies are part of the review in some cases. The procedures vary among the State System campuses.

The Committee recommended that the Board discuss the staff recommendations as presented and place them on the Consent Agenda for final approval at the February Board meeting.

Board Discussion and Action (January 19, 1990)

The Board approved the Committee recommendation and placed the item on the Consent Agenda for February. The following voted in favor: Directors Adams, Bailey, Dodson, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Hensley. Those voting no: None.

Board Discussion and Action (February 16, 1990)

The Board approved the staff recommendations as forwarded by the Committee, with the following voting in favor: Directors Adams, Bailey, Bruggere, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Dodson. Those voting no: None.
Staff Report to the Committee

Introduction

Oregon Health Sciences University requests authorization to establish an interdisciplinary Institute of Interventional Therapy. The activities of the proposed Institute will be focused on interventional treatment of disease, research, education, and patient care.

Staff Recommendation to the Committee

The staff recommended that the Board authorize the Oregon Health Sciences University to establish the Charles Dotter Institute of Interventional Therapy, effective March 1, 1990.

Discussion and Recommendation by the Committee

Dr. Kohler commented that this was a very exciting new venture and an opportunity to reorganize some teaching and training programs in new ways. Dr. Rosch provided a visual display illustrating the techniques.

Mr. Johnston said he had noted in the library section that adequate library holdings were in place to initiate this program. He said he believed it was still important to improve the libraries because the resources are limited.

The Committee recommended that the Board discuss the staff recommendation and place it on the Consent Agenda for final approval at the February meeting.

Board Discussion and Action (January 19, 1990)

The Board approved the Committee recommendation and placed the item on the Consent Agenda for the February meeting. The following voted in favor: Directors Adams, Bailey, Dodson, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Hensley. Those voting no: None.

Board Discussion and Action (February 16, 1990)

Mr. Dodson requested President Kohler to provide some further clarification of this proposal, particularly with respect to how the Institute would be organized and the training activities which would take place there.
Dr. Kohler said the Institute represented an especially exciting opportunity to establish a world-class institute which would broaden training opportunities that are currently rather compartmentalized for people using this approach to disease, either for diagnosis or for treatment. He explained that interventional angiography was basically the insertion of catheters into the vascular system and approaching organs or tissues through that route rather than cutting into the body by a more traditional surgical approach.

The director of the institute will report directly to the dean of the medical school for administrative support as is presently the case with the division of emergency medicine. Currently, intervascular techniques are utilized by a number of specialists, primarily in radiology, but in medicine and various subspecialties. The Dotter Institute will be organized in such a way that it will be open to people from different medical specialties, thus allowing more people to be trained in areas that relate more directly to the type of patient they see. This approach has certain advantages, but it also raises several questions. The chairman of the American Board of Radiology has been called into consultation to assist in addressing these issues.

Dr. Kohler said the Institute would broaden the area of training, and this has caused some concern on the part of people who are devoted to and practicing in a particular narrow area of medical practice. Dr. Lesley Hallick distributed a letter of support for the proposed Institute.

Mr. Miller asked two questions pertaining to the opposition to the program from Dr. Richard Katzberg. First, was his opposition significant enough that there might be a problem with his staying. Second, in the context of the potential for his leaving, what was the rationale for having the Institute managed as an independent entity.

Dr. Kohler responded that he hoped Dr. Katzberg would not leave as a result of this proposal, but that his opposition was potentially that significant. The independent structure is essential because it would not be possible to accomplish the training with the broader scope under a single departmental chairman. The Institute proposal provides an opportunity to expand in other areas and disciplines in a way that would be unlikely to occur if the training were strictly under the chairman of radiology.

The Board approved the staff recommendation as forwarded by the Committee, with the following voting in favor: Directors Adams, Bailey, Bruggere, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Dodson. Those voting no: None.
Staff Report to the Committee

Introduction

Oregon State University requests authorization to establish a multi-disciplinary Marine/Freshwater Biomedical Sciences Research Center. The Marine/Freshwater Biomedical Sciences Research (MFBS) Center will serve as formal recognition of Oregon State University's marine/freshwater biomedical sciences research activity by the National Institute of Environmental Health Sciences.

The purpose of the proposed Center is to develop aquatic species, principally the rainbow trout, as experimental animals to be used in the study of human cancer. The main emphasis will be to determine and understand the effect of dietary components and environmental toxicants on human cancer.

Staff Recommendation to the Committee

The staff recommended that the Board authorize Oregon State University to establish a Marine/Freshwater Biomedical Sciences Research Center, effective April 1, 1990.

Discussion and Recommendation by the Committee

Mr. Adams inquired whether the work anticipated would include the subject of dioxins and the Department of Environmental Quality concerns. Dr. George Bailey, Professor of Food Science and the proposed Director of the Center, said one of the investigators had done some work with dioxin, but that work is done primarily with rodent models rather than fish models. The Center would have the capability of working with the compound.

In response to a question from Mr. Miller, Dr. Scanlan said the support for the Center would come from money derived from indirect costs from grants. No new funds were involved.

The Committee recommended the Board discuss the staff recommendations and place the item on the Consent Agenda for the February Board meeting.

Board Discussion and Action (January 19, 1990)

The Board approved the Committee recommendation and placed the item on the Consent Agenda for the February meeting. The following voted in favor: Directors Adams, Bailey, Dodson, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Hensley. Those voting no: None.
Board Discussion and Action (February 16, 1990)

The Board approved the staff recommendation as forwarded by the Committee, with the following voting in favor: Directors Adams, Bailey, Bruggere, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Dodson. Those voting no: None.

Staff Report to the Committee

Introduction

On November 16, 1989, the Oregon State Board of Higher Education was presented the report "Minority Student Enrollment and Graduation Trends." The report highlighted the Oregon State System of Higher Education's recent history relative to minority student enrollment and graduation trends as part of the Minority Student Enrollment Initiative. The Board accepted the report and approved the staff recommendations.

The Oregon State System of Higher Education "Minority Scholarship Program for Students with Junior Standing" is being established as a means of carrying out the following recommendation adopted by the Board:

... that the Board direct the staff to develop a program that would authorize the waiver of tuition and fees for up to nine quarter terms for academically-meritorious minority students who transfer to a State System institution at the junior class level or who have achieved junior class standing in an Oregon State System of Higher Education institution.

The goal of the proposed program is to provide support and recognition for minority students who have reached junior class standing while establishing an exemplary academic record. The program is designed to encourage minority students who have achieved at a community college or four year college or university to continue in a baccalaureate or five-year undergraduate professional degree program at an OSSHE institution.

The implementation of the proposed program will create another viable avenue for underrepresented minority students to gain access to the institutions of the State System at the upper-division level. It will also enhance the institutional capability to carry out the Board's directives to increase the number of minority students earning baccalaureate degrees in the State System.
Staff Recommendation to the Committee

The staff recommended that the Board approve the "Minority Scholarship Program for Students with Junior Standing" for underrepresented minorities, effective September 1, 1990.

Discussion and Recommendation by the Committee

In commenting on the data presented in the tables, Dr. Payne said the number of Black, Hispanic, and Native American students graduating was substantially lower than that of the Asian/Pacific Islander and White students. The proposed program is viewed as a means of ensuring that students who had the need and had established an exemplary academic record would have the opportunity to continue through junior standing to graduation.

Dr. Payne also pointed out this program was restricted to residents of the State of Oregon.

The Committee recommended that the Board approve the staff recommendation and place it on the Consent Agenda for final approval at the February Board meeting.

Board Discussion and Action (January 19, 1990)

The Board approved the Committee recommendation, with the following voting in favor: Directors Adams, Bailey, Dodson, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Hensley. Those voting no: None.

Board Discussion and Action (February 16, 1990)

The Board approved the staff recommendation as forwarded by the Committee, with the following voting in favor: Directors Adams, Bailey, Bruggere, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Dodson. Those voting no: None.

Staff Report to the Board

The Oregon Health Sciences University is seeking to enter into an agreement with a developer for construction and operation of a Medical Office Building (MOB) on top of the Oregon Health Sciences University patient parking structure. The Oregon Health Sciences University plans to issue a Request for Proposal (RFP) to solicit the interest of developers by the end of March 1990.

The primary purpose of the Request for Proposal is to ensure the successful development and operation of a Medical Office Building (approximately 65,000 gross square feet) in close proximity to
the OHSU Hospital and Clinics, intended to be leased only to practitioners affiliated with the Oregon Health Sciences University, to University Hospital operations; and, if necessary, to related supporting services.

The Medical Office Building is to be financed through private sources which the Developer will obtain.

The Medical Office Building site is located above the new patient parking structure on the Oregon Health Sciences University campus, in the center of an area bounded by University Hospitals North and South and the Outpatient Clinic. The site will be leased, as air rights, by the Oregon Health Sciences University to the Developer for purposes of facilitating the construction and operation of the Medical Office Building.

The Oregon Health Sciences University is seeking to enter into a master agreement with a Developer having the capacity to jointly plan and carry out the Medical Office Building development plan, including the capability successfully to finance, lease, and operate the Medical Office Building. The Developer is expected to have demonstrated experience in all aspects of medical office building development activities, including marketing, financial planning, construction, construction administration, tenant improvements, leasing, and ongoing operations.

The Oregon Health Sciences University will negotiate with the selected Developer the terms of a definitive development agreement which will detail the responsibilities of the Oregon Health Sciences University and the Developer, establish the economic relationship inherent in the transaction, and establish all other terms and conditions necessary to define the relationship between the Oregon Health Sciences University and the Developer, including the terms of necessary ground/air lease agreements.

Of primary importance in the selection of the Developer will be the quality of the development team proposed for consideration, as evidenced by:

(a) nature and quality of previously developed Medical Office Building projects;

(b) specific experience and success in leasing and operating medical office facilities;

(c) financial capability;

(d) experience in project management and compliance with budgets and time-schedules; and

(e) experience in developing joint public/private projects.
The primary objective of the Medical Office Building is to provide conveniently located, high quality office and examination space at a fair market price and in a configuration which will be attractive to both health care providers and their patrons. The development of the Medical Office Building is anticipated to help the competitive posture of the OHSU Hospital and Clinics and to have a positive effect on its on-going operation.

Based on the existing design, it is envisioned that the Medical Office Building will contain approximately 65,000 gross square feet and provide office and examination space for practitioners representing a mix of specialties.

The Medical Office Building will be developed above the OHSU patient parking structure. The patient parking structure will be operated separately from the Medical Office Building and will be in use during the construction of the Medical Office Building. The patient parking structure will serve all patients of the University, including the Medical Office Building, and, therefore, there will be pedestrian traffic through the main lobby, as well as through a 3rd floor connection from the Medical Office Building to the Outpatient Clinic. There is no staff parking planned for the patient parking structure.

Following receipt of qualifications and responses from proposing developers, one developer will be selected to begin to confirm faculty interest, economic requirements and feasibility, architectural requirements, and requirements of the final agreement to be developed between the Oregon Health Sciences University and the Developer.

Board Discussion and Action

The Board accepted the report as presented.

Report of Grievances

Filed under OAR 580-21-050

Staff Report to the Board

The Board's grievance procedures for unclassified employees with faculty rank set forth in OAR 580-21-050, require annual reporting of the number, basis, and outcome of all formal grievances filed under the institutional procedures required by the rule. The institutions reported as follows for the 1988-89 academic year:

BOSC  —  No grievances filed.

OHSU  —  One grievance was filed alleging failure to provide reasonable accommodation to a faculty member with a disability. Subsequent to the Affirmative Action Officer's investigation, an appropriate accommodation was provided.
OIT — Two grievances were filed.
   - One grievance, regarding denial of tenure, was dismissed as untimely.
   - One grievance, regarding denial of tenure, was denied upon the recommendation of the faculty hearing committee. An appeal to the Board was untimely.

OSU — Three grievances were filed.
   - One grievance alleged improper procedures had been used in preparing an evaluation which led to a tenure-track employee's letter of timely notice. Based on the faculty hearing committee’s recommendation, President Byrne withdrew the letter.
   - One grievance, regarding non-renewal of a fixed term appointment, was denied based on the faculty hearing committee’s recommendation. Both the committee and President agreed that the faculty member did not have tenure and that program reduction procedures did not apply in this non-renewal.
   - One grievance, regarding denial of tenure, was upheld. Materials which were not originally in the faculty member’s tenure dossier were made available to all parties involved in the review.

PSU — One grievance was filed by a faculty member alleging inequitable treatment by the department chair and failure to communicate between the chair and grievant. Although the grievance was filed before the Board adopted these rules, the Board considered the grievance under these rules. The grievance was denied by the institution. The Board adopted the recommendation of its designee and the institution implemented the recommendations.

SOSC — No grievances were filed.

UO — Two grievances were filed regarding promotion and tenure decisions.
   - One decision, regarding denial of tenure and promotion to associate professor, was upheld based on the hearing committee’s recommendation.
   - One decision, regarding denial or promotion to professor, was reversed based on the hearing committee’s recommendation.

WOSC — No grievances were filed. A grievance under the collective bargaining contract was settled.
Board Discussion and Action

The Board accepted the report as presented.

Staff Report to the Board

The Board’s Oregon Administrative Rule 580-50-028 requires a report each February on the prior calendar year’s participation by minority (MBE), disadvantaged (DBE), and women business enterprises (WBE).

During 1989, contracts were awarded for 83 projects, for a base contract value of $38,404,337. Of these awards, 29 contracts totalling $29,142,611 included the participation of MBE/DBE/WBE subcontractors.

MBE/DBE participation accrued to $1,049,885, or approximately 2.7%. The WBE participation accrued to $293,295, or approximately 0.76% of the awarded construction dollars. These lower percentages reflect the less strenuous compliance requirements instituted following recent actions in the U. S. District Court for Oregon and the U. S. Supreme Court.

Board Discussion and Action

Mr. Dodson noted that several Board members were concerned with the participation percentages shown for the various groups in the report. He said he knew the staff also was concerned, and asked Mr. Pernsteiner to comment.

Mr. Pernsteiner said the quantification of good faith was about one-half to two-thirds of what had been experienced under the previous program in which numerical goals were included in the construction documents. When numerical goals were no longer permissible under rulings of both the District Court and the U.S. Supreme Court, the Board adopted a rule on advice of counsel calling for good faith effort. This was the rule under which the State System operated throughout 1989, and the effect was a significant reduction in the participation by women- and minority-owned businesses in construction contracting.

Mr. Pernsteiner said the 1989 Legislative Assembly had adopted a race and gender neutral test for contracting and called it the Emerging Small Business. It is essentially a size/space test for which many, if not most, of the previously certified minority and women businesses would qualify along with many other firms. The rules to implement that legislation are being written.

Mr. Pernsteiner said the good faith effort was being continued on the strict competitive bids and in requests for proposals. More
stringent language is being included which allows people to demonstrate good faith by meeting numericals which can be used as a quantification of good faith in evaluation. The numericals are not barriers to getting contracts, but they become evaluation criteria in making awards. The first one will be received next week.

The staff also is pursuing efforts with legal counsel in cooperation with the Department of General Services to obtain additional tools to improve participation. The Departments of General Services and Higher Education are the two biggest building construction agencies in the state. Both are seeking some definitive guidelines which will allow them to achieve better records in the coming year; however, it is important to proceed cautiously because the litigation climate is still present.

Mr. Richardson said the Oregon Health Sciences University had been able to get an exemption on the competitive bidding process for financial reasons as reported in an earlier item on the agenda. He asked if the same approach could be used for trying to achieve the Board’s goal of improving MBE/DBE/WBE participation.

Mr. Farnsteiner said the request for proposal used in that project was circumscribed by rules of the Department of General Services. Those rules currently do not include such participation as a criterion. The request for proposal could be used in those instances where higher education projects meet the other criteria for exemption from competitive bidding. Then, it might be possible to include certain requirements which would be beneficial.

Mr. Adams said he felt the Board should state its dissatisfaction with present minority/disadvantaged/women participation and request the Attorney General’s Office to hurry the process of finding ways and methods to involve more participation. He moved that Mr. Farnsteiner be directed to convey this message to the Attorney General’s Office.

Ms. Wilson said she wanted the statement to make it clear to the general contractors that the Board was not satisfied with their performance in this respect.

The Board accepted the report and approved Mr. Adams’ motion, with the following voting in favor: Directors Adams, Bailey, Bruggere, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Dodson. those voting no: None.
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

Child Care Center, OSU

An Agreement was negotiated with Michael & Lakeman, AIA, PC, Architects, Portland, for architectural services not to exceed $103,990. Financing will be provided from building fees.

Engineering Consulting Services (Structural), UO

An Agreement was negotiated with Schaudt, Steinn & Wild, Inc., Engineers, Eugene, for engineering services not to exceed $50,000. Financing will be provided from state funds.

Consulting Services (Site/ Materials Testing), UO

An Agreement was negotiated with Professional Service Industries, Inc., Consultants, Eugene, for consulting services not to exceed $50,000. Financing will be provided from state funds.

Parking Structure No. 5, OHSU

An Agreement was negotiated with Mackenzie/Saito & Associates, Architects, Portland, for architectural services not to exceed $832,000. Financing will be provided from parking reserve funds.

Award of Construction Contracts

Mackenzie Hall, Suite 3184 Surgery Offices Remodel, OHSU

On January 24, 1990, John May Construction Co. was awarded a contract for this project in the amount of $71,043. Financing will be provided from state funds.

Acceptance of Projects

Oregon Police Academy, WOSC

This project is complete and was accepted on December 29, 1989. The estimated total project cost remains at $1,738,743. Financing was provided from state funds.

Accessibility—Removal of Barriers to Handicapped (Chapman Hall), UO

This project is complete and was accepted on December 29, 1989. The estimated total project cost remains at $256,333. Financing was provided from state funds.

Campus Reroofing Project Phase IV, (Law Bldg & PLC), UO

This project is complete and was accepted on January 8, 1990. The estimated total project cost remains at $132,242. Financing was provided from capital repair funds.
University Inn Freezer Installation, UO

This project is complete and was accepted on November 21, 1989. The estimated total project cost remains at $33,202. Financing was provided from housing funds.

Baird Hall East Entrance (Rebid), OHSU

This project is complete and was accepted on August 21, 1989. The estimated total project cost remains at $31,785. Financing was provided from state funds.

Dental School Laboratory 223 Remodel, OHSU

This project is complete and was accepted on July 31, 1989. The estimated total project cost remains at $22,251. Financing was provided from state funds.

Board Discussion and Action

The Board accepted the report as presented.

ITEMS FROM BOARD MEMBERS

Mr. Bruggere reported that the presidential search at Portland State University was on schedule. The field has been narrowed, and interviews will take place in the near future. The quality of the applicants appears to be very good, and minority and female candidates are very well represented.

Student Guests

Miss Matthews reported the Student Affairs Council had invited the student body presidents and a student guest from each of the institutions to meet with the Council and discuss student issues around the state. She said those students who could remain would be joining the Board for lunch for an informal discussion of the previous day’s conversations with the Student Affairs Council.

Appreciation to Dr. Gilbert

Mr. Miller thanked President David Gilbert for the work that he had done in terms of liaison between the Board’s Committee on Public Instruction and those involved with the economic development efforts of the state and higher education. The work involves a regional strategy effort, and is proceeding very well.

PRESIDENT’S REPORT

Next Meeting Dates

Mr. Dodson said the next regular meeting of the Board would be held in Portland on March 16 at Portland State University. It will be followed by a Board Renewal Session on the afternoon of March 16 and the morning of March 17.

Mr. Dodson reported that Board members had continued meetings with the Economic Development Commission and the Board of Education following the earlier joint session of the three groups. He said the Board of Education had begun to discuss an institute for teaching excellence which might need some State System input as it progressed.
He stated he had been asked in Mr. Hensley's absence to preview the Oregon Business Council's report to the Governor's Commission on Higher Education. He said he had found that report to be both a validation and a warning. It confirmed that most businesses view economic development as English, communication, and liberal arts, not as a $50 million research program. It also included a warning that a number of businesses indicated higher education was not meeting many of their perceived needs. There was a perception of inflexibility or difficulty in working with higher education.

Mr. Dodson commented on the Governor's meeting with Board and Commission members immediately following his announcement that he would not be an incumbent candidate for Governor. Many of those in attendance were questioning what effect that announcement would have on the work of the Governor's Commission or the work of the Board of Higher Education in supporting the Governor's Commission. He said those in attendance thought the Governor had answered that question when he stated he was going to concentrate on what he has always referred to as a short list. He pledged himself and his staff to that effort. Higher education, and education in general, was on that short list. In addition, Mr. Fred Miller, Director of the Executive Department, had stated he saw the next nine months as an opportunity to accomplish many of those things which have been proposed.

Mr. Dodson stated he would anticipate the next Governor would have the same commitment to higher education as the current one has. The Board also must work with the Legislature and build the most compelling case possible for the needed improvements for the State System.

COMMUNICATIONS

The Secretary of the Board reported that two communications had been received and copies had been distributed to the Board.

Recess and Reconvening as Committee of the Whole

Mr. Dodson recessed the Board meeting and announced that the Board would reconvene as a Committee of the Whole to hear a presentation on the process of budget development. He then requested Mr. Lemman to begin the presentation.

The Budget Process

Mr. Lemman said the issues discussion would focus on the budget process of constructing the biennial budget and the subsequent annual budgets. He said the presentation would cover the context in which the Department of Higher Education's budget requests are made in terms of the finances of the State of Oregon and the policies of the state. He said the material primarily would relate to the operating budget, but information also would be presented on the capital budget because these were the two budgets presented to the Governor and the Legislative Assembly.
Mr. Lemman indicated a distinction would be made between the two processes of acquisition and allocation. The acquisition process includes requesting and obtaining the funds; the allocation process involves the expenditure of those funds. He stated the budget would be discussed first from the State System standpoint. Representatives from Southern Oregon State College and Oregon State University then would address the institutional processes as examples respectively of a typical college process and a typical university process with statewide public services.

Copies of a document entitled, "Process of Preparing Budgets," was distributed. Mr. Lemman reviewed and commented briefly on the charts and information presented on pages 1-12 of the document.

Mr. Bruggere said there was a difference of $300 million between the total expenditures and the total receipts and expenditures for Education and General Services and the Statewide Public Services. Mr. Quenzer said the difference represented gifts and grants, auxiliary activities, continuing education, research, and similar activities. Ms. Wilson requested a breakout on budgets for the areas which were not included. Mr. Lemman said this information was available in the front of the operating budget book but it could be summarized more succinctly and mailed to Board members.

Ms. Wilson also inquired whether information was available from states comparable to Oregon on the percentages of the state budgets going to education and to higher education. Mr. Lemman said it was available for higher education. Comparisons including state appropriations and funding for elementary, secondary, and community college education must be done cautiously due to the variations in financing among the states. In addition, the information may be somewhat out-of-date because of the massive amount of data to be collected.

Mr. Swanson suggested it would be useful to have comparisons of the total expenditures on state university systems from a few comparable states. He proposed determining total expenditures made for higher education from a target group of five or six comparable states and analyzing the sources of funds for those expenditures.

Mr. Lemman and Mr. Quenzer then described the budget process and the various steps occurring during budget development and review. The role of the budget analysts was described. The Board and the Department of Higher Education, unlike other state agencies, has a great deal of flexibility in the use of the appropriation for higher education. With that flexibility comes accountability, however. In the allocation process to the institutions, the base
budget is allocated exactly as the Legislature approved it as are any requested adjustments. The Board, by virtue of its statutory authority, has the flexibility to allocate or reallocate the state appropriation, but it should have good reasons for varying from the purposes designated by the Legislature.

Mr. Quenzer explained that occasionally the budget approved by the Legislature may include a rather large sum of money without any restrictions attached to the approval. This was the case with the tuition money during the past biennium. Those funds were allocated without any restrictions to the institutions using the BAS Model, thus giving the institutions flexibility to do some of the things that needed to be accomplished. Mr. Lemmon continued the presentation with a description of the BAS Model and how it was used in the budget process.

Mr. Miller said he once had participated in a fairly active phase of the budget development process. He said he was aware of the kind of time commitment and thought which would be required in building the budget for the State System while at the same time realizing it would have the opportunity built into it of only a very minimal amount to move toward excellence because it remained under the expenditure limitation. Mr. Miller said the net result under the expenditure lid could be nothing but a high level of mediocrity.

He suggested that perhaps the Board should prepare the best possible budget as required and indicate it was not acceptable. At the same time, the Board could propose a budget which did not incorporate these artificial restraints. He stated he would prefer to support a budget which made sense because it defined the actual needs.

Mr. Lemmon said the Board probably would not be able to influence the Governor on the amount of the budget which would be within or without the expenditure limit. Later in the biennial budget process, the Board and the Chancellor will need to decide whether the Board should submit a budget request which it believed had a reasonable opportunity to be supported by the Governor and funded or one which reflected the Board's assessment of the needs of higher education in the State of Oregon without regard to whether it would be financially feasible.

Mr. Dodson said this subject could be pursued further at the Board renewal. He said he had sensed two issues during the discussion of the budget process. The first was the one raised by Mr. Miller with respect to the $760 million above the expenditure limit. The second was the continuation of the absence of Budget Notes attached to the budget appropriation by legislators. It was also stated that the Board's accountability increases along with the amount of discretion permitted in the use of its budget appropriation.
Mr. Quenzer briefly explained how tuition money was budgeted and included in the budget process. One of the budget guidelines from the Executive Department provides that when the General Fund money in the base budget increases, the Other Funds must increase proportionately to the General Fund increase. If the Board does not want tuition to increase at that rate, an exception must be requested. He also noted that tuition money belongs to the Board and not to the institutions and is viewed in the budget process as another "General Fund" resource along with the state's General Fund resource.

Mr. Pernsteiner described the budget request process for capital construction. The request follows the same calendar as the operating budget request, but the capital construction legislation is separate from the operating budget legislation. The request is developed from proposals submitted by the institutions.

In response to questions concerning maintenance, Mr. Pernsteiner said the base budget is increased by the maintenance dollars for new buildings. The Board also has placed a high priority on capital repairs for facilities which have already begun to deteriorate. He also explained the use of the building fee.

Mr. Lemman then commented briefly on the debt service for capital construction from Article XI-G bonds. He also described the statutory responsibilities and authority of the Emergency Board.

President Cox distributed a brochure entitled, "Budgeting and Planning at Southern Oregon State College," which showed the three areas of budgeting — the capital construction budget, the operating budget, and the incidental fee budget. He emphasized the budget process was an open one designed to surface needs, identify problems, and bring new programmatic initiatives forward. The process was designed to be interactive with input from all levels and to be driven by strategic goals. There is an emphasis on prioritization, reallocation, and redistribution of funds. No positions, lines, or resources are assigned permanently to any unit.

Vice President Coate distributed copies of a document entitled, "The Annual Budget Process at Oregon State University," which included the institution's financial statement. He indicated Oregon State also used a reallocation process to meet the needs of a dynamic university by dealing with problems internally. He explained the budget development process at Oregon State, stating that it was a modified zero-based budget process. He cited the seriousness of physical plant deterioration.

Dr. Coate emphasized the faculty involvement and program basis used in reaching budget decisions. He cited the difficulties which had been faced in meeting some of the budget reductions required recently.
Board members expressed their appreciation for the excellent presentation of a very complicated process.

The Committee of the Whole was adjourned and Mr. Dodson reconvened the regular Board meeting.

The Board recessed for lunch during the issues presentation. No business was transacted at that time.

Following the adjournment of the Board meeting, Board members were invited to meet in Room 326 of Smith Center for an informational discussion hosted by Vice Presidents Minot Nettleton and Michael Guido from The Common Fund.

The officers of The Common Fund explained new investment vehicles available, such as real estate investment trusts, energy-related investments, and venture capital. Board members discussed with The Common Fund officers the process by which investment decisions are made by the Fund's money managers.

Those in attendance at the information session were Board members Bruggere, Johnston, Matthews, and Richardson; Executive Vice Chancellor W. T. Lemman; Controller Steven Katz; M. Wayne Lowell, Director of Accounting, Controller's Office; Jim George and Jay Fewell from the State Treasurer's Office; Vice Presidents Nettleton and Guido from The Common Fund; and a reporter from the Portland State University Vanguard. Mr. George also represented the Oregon Investment Council.

The Board meeting was adjourned at 1:50 p.m.

Richard R. Hensley, President

Wilma L. Foster, Secretary
### APPENDIX

Pending Report Items

A summary of reports, requested information, or topics designated for future review or consideration is presented below:

<table>
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<tr>
<th>Topic</th>
<th>Original Presentation</th>
<th>Tentative Presentation Dates</th>
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<tr>
<td>Coordination &amp; Development of Higher Education in Portland-Governor's Comm.</td>
<td>2/17/89</td>
<td>March 1990</td>
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<td>Development of Strategy re Inadequate Resource Allocation for Operation and Maintenance of Buildings</td>
<td>2/17/89</td>
<td>March 1990</td>
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<td>Academic Progress of Student Athletes</td>
<td>March 1983</td>
<td>March 1990</td>
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<td>Selective Admissions</td>
<td>4/21/89</td>
<td>Periodic reports on effect at each campus</td>
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<td>Shortage of Student and Faculty Housing in Ashland</td>
<td>6/15/89</td>
<td>March-May 1990</td>
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<td>Scholarship and Athletic Funding from Sports Lottery</td>
<td>7-21-89</td>
<td>Report made in January; others to as needed</td>
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<td>Statement of Expectations re Expenditure of Unrestricted Funds</td>
<td>9-7-89</td>
<td>March 1990</td>
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<td>Law School, UO—Plan for adequate solution to resource problems</td>
<td>11-16-89</td>
<td>May 1990</td>
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<td>Administrative Information System</td>
<td>11-16-89</td>
<td>February 1990</td>
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<tr>
<td>Minority Education—Institutional Plans, including graduate education</td>
<td>11-16-89</td>
<td>April 1990</td>
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<tr>
<td>M.S. Degree in Health &amp; Safety Administration, OSU — Review along with statewide plan in three years</td>
<td>12-14-89</td>
<td>December 1992</td>
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Coordinated Plan for Delivery of Health Administration and Public Health Programs 12-14-89 July 1, 1991

Review of Women and Minorities in High Administrative Positions 1-19-90 Not specified