MINUTES OF REGULAR MEETING OF THE
STATE BOARD OF HIGHER EDUCATION HELD
JUNE 14, 1990

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Meeting #589

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

June 14, 1990

Meeting #589  A regular meeting of the State Board of Higher Education was held in Room 338, Smith Memorial Center, Portland State University, Portland, Oregon.

ROLL CALL  The meeting was called to order at 8:30 a.m., Thursday, June 14, 1990, by the President of the Board, Mr. Richard Hensley, 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. Richard Hensley

Absent: Director Dodson was out of the country.

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

OTHERS PRESENT

Chancellor’s Office—Chancellor Thomas Bartlett; Wilma Foster, Board Secretary; W. T. Leman, Executive Vice Chancellor; Larry Large, Vice Chancellor, Public Affairs; John Owen, Vice Chancellor, OCATE; Robert Frank, Interim Vice Chancellor, Academic Affairs; Davis Quenzer, Associate Vice Chancellor, Budget and Fiscal Policies; George Perstein, Associate Vice Chancellor, Facilities Division; Holly Zanville, Associate Vice Chancellor, Academic Affairs; R. S. Perry, Associate Vice Chancellor, Administrative and Information Systems Services; Melinda Grier, Director, Legal Services and Compliance Officer; Peter Hughes, Director, Internal Audit; Gary Christensen, Assistant Vice Chancellor, Academic Affairs; Roger Olsen, Assistant Vice Chancellor, OCATE; Ron Anderson, Assistant Vice Chancellor, Personnel Administration; Virginia Thompson, Executive Assistant to the Chancellor; Susan Weeks, Director, Institutional Research Services; Jim Sellers, Director, Communications; Shirley Clark, Vice Chancellor-designate, Academic Affairs; Weldon Ihrig, Vice Chancellor-designate, Finance and Administration.

Eastern Oregon State College—President David Gilbert; Jim Lundy, Dean of Administration; James Hottois, Dean of Academic Affairs.
Oregon Health Sciences University—President Peter Kohler; Lesley Hallick, Vice President, Academic Affairs; H. J. Van Hassel, Interim Vice President, Administration; Thomas Fox, Vice President, Development and Public Affairs.

Oregon Institute of Technology—President Larry Blake; Chris Eismann, Dean of Academic Affairs; Doug Yates, Acting Dean of Administration.

Oregon State University—President John Byrne; Graham Spanier, Provost; L. E. Coate, Vice President, Finance and Administration; Ernie Smith, Director, Cooperative Extension Service.

Portland State University—Interim President Roger Edgington; Judith Ramaley, President-designate; Frank Martino, Provost; Gary Powell, Acting Vice President, Finance and Administration.

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

University of Oregon—President Myles Brand; Dan Williams, Vice President, Administration; Norman Wessells, Provost; Sherri McDowell, Director, Business Affairs; James Reimnuth, Vice President, Public Affairs.

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

Interinstitutional Faculty Senate Members Attending the Meeting—Margaret Berroth, OHSU; Eugene Enneking, PSU; Ulrich Hardt, PSU; Herb Jolliff, OTT; Bonnie Staebler, WOSC; Charles Wright, UO.

Others—Jerry Fisher, Manager, Public Affairs, Hewlett-Packard; Lynn Pinckney, Executive Director, and Kate Menard, Executive Assistant, Oregon Student Lobby; Peggy Archer, Legislative Analyst, Legislative Fiscal Office; Deborah Kaeser, Student, Portland State University; James Mattis, Assistant Attorney General.

MINUTES APPROVED

The Board dispensed with the reading of the minutes of the last regular meeting and approved them as previously distributed. The following voted in favor: Directors Adams, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Hensley. Those voting no: None. Directors Bailey and Bruggere were absent from the meeting at this time.

CHANCELLOR'S REPORT

The Chancellor indicated the issues discussed for the present meeting would vary from the usual in-depth exploration of a major topic in that it would be necessary for the Board to reach some kind of decision.
Welcome to New Staff Members

The Chancellor introduced and welcomed three new staff members whose appointments had been made within the last month. They were Dr. Judith A. Ramaley, President-elect of Portland State University; Mr. Weldon Ihrig, Vice President for Finance and Administration; and Dr. Shirley M. Clark, Vice Chancellor for Academic Affairs. All will begin their new assignments within the next few weeks.

Dr. Ramaley said she was already enjoying the opportunity to work with the Board and to become acquainted with Oregon and the Portland community.

Dr. Clark said she was looking forward to coming to Oregon with a great deal of excitement. She said she had been seeking a new set of intractable problems during the past year. She said she was pleased to have found them and was anticipating the challenge of working with the Board and staff for a resolution to those problems.

Mr. Ihrig commented that the staff in the Chancellor's Office was an extremely talented and hard-working group. He said he had been meeting with staff during the past week and also was looking forward to the challenges he would face in Oregon.

J. Byrne Invited To Serve on National Colloquium

The Chancellor reported that President John Byrne of Oregon State University had been invited to serve on a national university colloquium to examine American funding for academic research. The topic has major consequences for all of higher education. Dr. Byrne will be one of the members of a very small and select group of individuals who will consider how to fund and support one of the major strengths of the country, the effectiveness of its university research.

Business Higher Education Forum Report

The Chancellor called attention to a report entitled, "Three Realities: Minority Life in the U.S.," which had just been published by the Business Higher Education Forum.

Internationalization of Higher Education

The Chancellor said on his recent trip to Japan he had visited with Mr. Dodson and found that he seemed to be doing very well and having a very significant experience in that country. The Chancellor stated he would anticipate that Mr. Dodson would be an instant resource for Oregon with respect to the insights he was gathering and the experiences he was having at a very high level in Japanese business and society.

The Chancellor also reported he and others had attended a conference at Washington State University on internationalizing universities. Those who attended felt a great sense of challenge while at the same time recognizing the enormous task of trying to do
what needs to be done in the colleges and universities. They also recognized the institutions represented were among those which had attacked the problem most effectively so far. Oregon has progressed farther in its policies and leadership than others at the conference, but others are now devoting more resources to this priority.

The Chancellor invited Dr. Charles Wright, President of the Interinstitutional Faculty Senate, to present the report from that organization. Dr. Wright commented on the discussions of the Interinstitutional Faculty Senate at its meeting on June 1 and 2.

Dr. Wright said the group discussed with Senator Joyce Cohen the direction likely to be taken by the Governor's Commission on Higher Education in the Portland Area. She is a member of the Commission. Dr. Wright said the Senate was generally supportive of the Commission's efforts but any Portland plan must have the backing of faculty to be successful. He indicated a final draft of the Senate's response to the Commission's concept paper was nearing completion and would be sent to members of the Board of Higher Education and to the Chancellor's Office and the Commission. The response calls attention to a number of human and academic issues that must be resolved in any radical restructuring of the delivery of higher education in the Portland area. He said the Interinstitutional Faculty Senate hoped to act as a resource for providing a systemwide faculty perspective as the Portland Commission's plans become more definite.

Dr. Wright stated that the Interinstitutional Faculty Senate strongly opposed the draft statement on drug testing proposed by the Executive Department in April and voted unanimously to reject strongly the policies contained in that draft. He said the Senate adopted the following resolution with respect to the drug testing policy:

The Interinstitutional Faculty Senate of the Oregon State System of Higher Education condemns the drug testing policy outlined by the Executive Department memoranda of April, 1990. Not only does this policy constitute a clear violation of state and federal constitutional rights, it also manifests a gross form of disrespect toward employees and citizens of the state. On a practical level, the policy threatens to undermine and destroy recruitment efforts in a period already marked by severe competition for faculty, and also constitutes an egregious misuse of public funds. Most importantly, however, this policy is predicated upon the presumption of guilt, an idea antithetical both to the ideals enshrined in the American system of justice and to the respect for civil rights so characteristic of the people of Oregon.

A copy of Dr. Wright's report was distributed to the Board.
Authorization
To Expend
Other Funds
To Construct a
Family Studies
Center, OSU

Staff Report to the Board

In July 1989, the Legislative Assembly authorized a project to
construct a Family Studies Center at Oregon State University.
This academic facility will be financed entirely with $2 million
of gifts. The 14,000-square-foot building will be located on
College Drive and will house classrooms, child development labs,
conference space, faculty offices, and support space for the Col-
lege of Home Economics.

The schematic design for the facility was accepted last August.
Oregon State University expects to advertise the project for bids
in July of this year, with construction scheduled to begin in
September and to be completed before the start of the 1991–92
school year. The project’s budget remains at $2 million. Oregon
State University officials are requesting approval to seek re-
lease of the funds to permit construction.

Staff Recommendation to the Board

The staff concurred in the request of Oregon State University and
recommended that the Board authorize the staff to request the
Emergency Board to release for expenditure $2 million of Other
Funds to construct the Family Studies Center at Oregon State Uni-

Board Discussion and Action

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

Establishing
Limitation &
Authorization
To Expend Funds
for Campus
Lighting Up-
grade, OSU

Staff Report to the Board

Students at Oregon State University, concerned about campus safe-
ty, approached Oregon State University officials last year about
the location and adequacy of campus exterior lighting. Campus
administrators worked with the students and a lighting consultant
to determine appropriate lighting levels and placement along fre-
quently used pedestrian corridors. The conclusion of this effort
was that the current "lighted corridors" which Oregon State Uni-

Preliminary engineering efforts have identified 100 critical lo-
cations for new lights. These would be placed along the existing
lighted corridors and in other locations throughout the core of
campus and around residence halls. The students and administra-
tors have selected a fixture which will reinforce the historical
architecture of the Oregon State University campus.
The students, through the ASOSU, have recommended the use of $100,000 of incidental fees toward the cost of the lighting upgrade project. The OSU Foundation has pledged another $100,000. The remaining $170,000 would come from institutional resources, including both educational and general funds and auxiliary funds. Oregon State University officials and students both believe that the safety and appearance of the campus would be improved by this undertaking.

**Staff Recommendation to the Board**

The staff concurred with the request of Oregon State University and recommended that the Board authorize the staff to seek from the Emergency Board a limitation of $370,000 and the authorization to expend that amount for the Campus Lighting Upgrade Project at Oregon State University.

**Board Discussion and Action**

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

**Increase in Appropriation & Limitation for Kerr Library, OSU**

At the time the Legislative Assembly’s Joint Committee on Ways and Means approved Oregon State University’s project to plan and design the expansion and remodeling of Kerr Library, its members approved a budget note authorizing the Emergency Board to allocate $600,000 from the Emergency Fund for additional planning and design work for the library project. The note stated that the allocation of these funds was to be contingent upon receiving a report that $1.2 million of private gifts had been committed to the project.

Oregon State University officials have advised that $1.2 million of gift money had been pledged or received as of June 1, 1990. Therefore, Oregon State University wishes to request the allocation of the $600,000 of Emergency Fund monies discussed in the budget note.

The present project appropriation and limitation amounts include a General Fund appropriation of $180,000 and an Other Funds limitation for gifts of $900,000. If the Board approves, the staff will request the Emergency Board to appropriate an additional $600,000 from the Emergency Fund and to increase the Other Funds limitation by $400,000 to take account of gifts already pledged or received. This would increase the total limitation for the planning and design of the Kerr Library Expansion Project from $1,080,000 to $2,080,000. The latter amount should permit Oregon
State University's design consultants to complete all design work and to bid the construction of the project. A bid date has not yet been set since the design consultant has been selected only recently.

The designers are working with a tentative size of 140,000 square feet of new space and the minor renovation of virtually all of the existing 188,000 square foot facility.

Staff Recommendation to the Board

The staff concurred in the request of Oregon State University and recommended that the Board authorize the staff to request the Emergency Board to allocate $600,000 of Emergency Fund for the planning and design of the Kerr Library Expansion Project and to increase the Other Funds Limitation for that project by $400,000.

Board Discussion and Action

Mr. Johnston inquired whether there would be a construction manager on this project or whether it would actually go to bid.

Mr. Perstein said at the present time it appeared the project would be a traditional bid.

In response to questions concerning gift funds, Dr. Coate said one of the pledges was part of a will which was in probate and should be resolved by the end of next month. All of the cash would be in hand. Mr. Perstein said that in the event some of the donated funds were not received, the scope of the project could be reduced. He also said gift funds sometimes increase as planning for a project nears completion.

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

Authorization for Emergency Board Request for Tractor Safety Certification, Cooperative Extension Service, OSU

Staff Report to the Board

Beginning in 1989, the Oregon Wage and Hour Commission passed new administrative rules requiring youths 16 and 17 years of age to have a certificate before they can work for farmers by operating or riding power-driven farm machinery. This new ruling extended the Tractor Safety Certification age provisions beyond the 14 and 15 years of age required by federal law.

The Extension Service, along with the Farm Bureau, farmers, and the State Department of Education, attended the Oregon Wage and Hour Commission's public hearings on this rule change to express
their concerns about the additional costs and logistics of implementing the new rules. Nonetheless, the new rules for 1989 will continue into 1990 and beyond with some minor changes that incorporate a "35 mile rule" allowing farmers to do some training.

This action places increased pressure on Extension Service agents and vocational agriculture instructors in Oregon to train and certify significantly greater numbers of youth (estimated at 3,400 statewide). Not all areas of the state have vocational agriculture instructors covered by tort liability to conduct this training and certification. The Extension Service could serve the anticipated additional number requiring training and certification, if additional resources were provided.

Although some of the expenses could be covered by fees charged to the course participants, additional courses to train instructors, new materials packets, hands-on tractor and equipment needs, new instructional video tapes, liability insurance provisions, etc., would require an additional $97,150 General Fund annually.

Although the Extension Service has no obligation to perform this service, it wishes to be responsive to the needs of Oregon's agricultural community and youth. Further, the Extension Service is the only logical organization to perform this service. The staff concurs with Oregon State University that the Governor and the Emergency Board should have the opportunity to decide whether the program should be offered by the Extension Service.

Staff Recommendation to the Board

The staff recommended that the Board of Higher Education authorize the staff to seek, on behalf of the Cooperative Extension Service, $97,150 from the State Emergency Fund to finance additional costs associated with training and certification of youth to operate or ride on power-driven farm machinery.

Board Discussion and Action

Mr. Johnston inquired whether the services would be offered if the Emergency Board did not grant the request. Mr. Lemmon said it was his understanding they would not.

In response to a question concerning the likelihood of favorable Emergency Board action, Dr. Ernie Smith, Director of the Cooperative Extension Service at Oregon State University, said there had been some interaction with legislators in relationship to testimony before the Oregon Wage and Hour Commission hearings. Some response may develop in terms of changing the rulings, but in the meantime an interim solution for this year and next is essential. He said he could not predict the Emergency Board action.
Mr. Bailey indicated some of the high schools presently were offering courses to satisfy these regulations through their vocational agriculture programs. He asked whether there would be a coordinated effort with those programs.

Dr. Smith said the intention was to coordinate. The requested funds would be used to hire six temporary instructors for a three-month period during the early spring and to develop videotape educational materials which could be used by vocational agriculture instructors and others.

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

**Staff Report to the Board**

In November 1989, the Board approved the establishment of a project to construct a new arterial, called the Westerly Bypass, at Western Oregon State College. This $435,000 project was to be financed by $70,000 of parking monies and $365,000 from a 1987 General Fund appropriation for improvements to Western’s campus. The Westerly Bypass was to be constructed in order to permit Western Oregon State College to petition for the closure by the City of Monmouth of Monmouth Avenue, a busy arterial which cuts through the heart of the campus. An additional $68,250 of General Fund appropriated in 1987 was not used in the Westerly Bypass project. Western Oregon State College officials indicated that they would survey the needs of the campus and determine an appropriate use for these remaining funds at a later date. The State Emergency Board approved the Board’s request to spend the funds on the Westerly Bypass project. Bids for the construction of the roadway were scheduled to be opened in early June 1990.

Western Oregon State College officials now have requested that the remaining $68,250 be allocated to work ancillary to the Westerly Bypass project. This includes adding seven additional light standards along the roadway in order to improve security, improving the quality of the roadway lighting and the appearance of all the standards, adding irrigation and an outfield fence to the ball field being relocated by the construction of the roadway, installing drinking fountains and bleacher pads adjacent to the relocated ball field installing power and control cabling for a scoreboard which Western officials are hopeful will be donated, and grading and seeding an area to the south of the relocated ball field for use as an intramural recreation field.
The proposed work, if done in conjunction with the construction of the roadway, will cost less than if these improvements were attempted later. For example, the dirt removed during the excavation of the roadway and parking lots can be used to help level the new intramural field. Western wishes to improve the relocated ball field in order to meet NAIA requirements for hosting tournaments. All fields will continue to be used for physical education classes and intramural activities as well as for intercollegiate athletics purposes.

Staff Recommendation to the Board

The staff concurred in the request of Western Oregon State College and recommended that the Board authorize the staff to seek the approval of the Emergency Board to increase the limitation established for the Westerly Bypass project from $435,000 to $503,250 and to release for expenditure an additional $68,250 of General Fund monies appropriated in 1987 for campus improvements at Western Oregon State College.

Board Discussion and Action

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

Staff Report to the Board

Three institutions, Oregon State University, University of Oregon, and Oregon Health Sciences University, have requested that postdoctoral fellows be allowed to participate in the State Employees' Benefit Board (SEBB) group insurance plans. Participation would be voluntary without any Oregon State System of Higher Education employer contribution.

ORS 243.107(1) allows fellows to enroll in SEBB health insurance plans if "the State Board of Higher Education determines that funds are available." Counsel advises that the phrase "funds are available" means that funds are available to administer the program and for premiums either on an employee-pay or employer-pay basis. Postdoctoral fellows receive funds directly from the granting agency, and the grant often includes funds for medical insurance. However, fellows must currently attempt to find insurance coverage from a private carrier because they are not eligible to participate either in student health insurance plans or the State Employees' Benefit Board plans.

There are fewer than 100 postdoctoral fellows within the Oregon State System of Higher Education. Providing access to the group health insurance plans available to employees would result in only slight administrative cost.

Meeting #589

June 14, 1990
Staff Recommendation to the Board

The staff recommended that the Board find that "funds are available" within the meaning of the statute and approve participation of postdoctoral fellows in State Employees' Benefit Board group insurance plans. The participation is to be voluntary without an Oregon State System of Higher Education premium contribution.

Board Discussion and Action

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

Policy Statement on Substance Abuse

At its May 1990 meeting, the Board adopted minimum standards for institutional comprehensive drug and alcohol abuse plans. In response to the Oregon Student Lobby's testimony on that topic, the Board directed staff to draft a policy statement on substance abuse indicating the Board's preference for education, prevention, and treatment programs. The staff proposes the following:

The Board recognizes that substance abuse is a serious problem currently facing society and, likewise, affecting students and employees of the Oregon State System of Higher Education. It is the policy of the Board to encourage current efforts which each institution is making to eliminate this problem. The Board believes that the State System's most effective response to these problems is through education, prevention, and treatment programs, relying on punishment as a last resort.

Staff Recommendation to the Board

The staff recommended that the Board adopt the above policy statement.

Board Discussion and Action

Mr. Swanson asked whether the last line of the policy statement, "relying on punishment as a last resort," might present a problem in the event of a disciplinary action for a serious drug offense on campus. He suggested individuals might take the position that they could not be found guilty because they had not been through an education, prevention, and treatment program. Mr. Bailey subsequently moved that the policy statement be adopted with those words deleted.
Mr. Richardson suggested the words "current efforts" be deleted. Ms. Grier explained the institutions have already adopted fairly substantial programs within existing resources. There is a real concern that there will be pressure to do more, particularly when there also is a substantial amount of federal legislation in this area. The institutions do not have resources to increase their programs beyond what they already have established. The purpose for inserting those words was to commend them for the efforts which have been made and not to require them to do more. With that explanation, Mr. Richardson indicated he was satisfied with the policy as presented in Mr. Bailey's motion.

The Board approved the staff recommendation and adopted the proposed policy as amended by Mr. Bailey's motion. The following voted in favor: Directors Adams, Bailey, Bruggere, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Hensley. Those voting no: None.

Mr. Hensley commented that he had been very pleased with the responsible attitude of the student presentation at the May Board meeting. He said he was very disappointed with the attitude expressed in the resolution of the Interinstitutional Faculty Senate presented earlier in the meeting because it did not recognize this tremendous problem in American society as the students did.

Statement on Grievance of D. White, OIT

It was reported that Mr. Hensley had received correspondence from David White, Coordinator of the Academic Support Center at Oregon Institute of Technology. Oregon Institute of Technology does not intend to renew Mr. White's fixed term employment contract for the upcoming academic year. Mr. White appeals President Larry Blake's decision upholding the decision not to renew Mr. White's contract to the Board under the Board's grievance procedure in OR 580-21-050 and 580-21-055.

Mr. White filed a grievance alleging that his non-renewal was based on the personal prejudice of his supervisor. The OIT faculty committee which heard the grievance found that personal prejudice was not the basis for the non-renewal but recommended that Mr. White's contract be renewed for a specified period of time subject to further evaluation since Mr. White did not have negative evaluations. President Blake accepted the finding of no personal prejudice but declined to implement the recommendation to renew Mr. White's contract because non-renewal need not be "for cause".

Mr. White's appeal cites his disagreements with the committee's findings, his displeasure with President Blake's failure to accept the committee's recommendation and reasserts the original basis for his grievance. Mr. Hensley was advised by the Board's counsel, Melinda Grier, regarding two problems with this appeal.
First, the Board rules limit the scope of grievances regarding reappointment which the Board will consider to those regarding employee "rights". A fixed term contract may not be renewed for any reason or no reason, except a prohibited reason. Personal dislike by one's supervisor is not a prohibited reason. Thus, Mr. White's grievance does not involve a right of reappointment and is not reviewable by the Board.

Additionally, the Board may reverse a president's decision only for: (1) Procedural error, (2) lack of substantial evidence, or (3) inconsistency with law. Mr. White alleges none of these in his appeal. Thus, the Board would have no basis upon which to overturn President Blake's decision.

Under the Board's procedure, the Board President initially responds to grievance. Mr. Hensley said that unless the Board disagreed, he proposed to write to Mr. White informing him that the Board cannot hear his appeal.

Authorization To Expend Other Funds To Construct Parking Improvements, OIT

Staff Report to the Committee

Students, faculty, staff, and visitors going to and from the campus of Oregon Institute of Technology's Klamath Falls campus are heavily dependent on the automobile for transportation. The present daily demand is for up to 3,000 parking spaces. Oregon Institute of Technology presently has 1,000 paved spaces and 600 unpaved spaces.

In 1989, the Legislative Assembly approved the Board's request for $500,000 to construct 800 additional paved parking spaces at Oregon Institute of Technology. This project, ranked sixth by the Board among 1989-1991 auxiliary projects, is financed by Article XI-F-(1) bond proceeds whose debt service is paid by OIT parking funds. The bonds were sold last fall.

Staff Recommendation to the Committee

The staff concurred with the request of the Oregon Institute of Technology and recommended that the Board authorize the staff to request the Emergency Board to release for expenditure $500,000 of Other Funds to construct Parking Improvements at the Oregon Institute of Technology.

The request should be discussed by the Board at the May meeting and placed on the Consent Agenda for final action at the June meeting.

Discussion and Recommendation by the Committee

The Committee recommended that the Board approve the staff recommendation and place it on the Consent Agenda for final approval at the June Board meeting.
Board Discussion and Action (May 18, 1990)

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

Board Discussion and Action (June 14, 1990)

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

Increase in Limitation and Authorization To Expended Funds for KSOR Satellite Station, SOSC

Staff Report to the Committee

KSOR, the campus-based public radio station operated by Southern Oregon State College, was encouraged last year to apply for a federal grant to expand its service area to over 100,000 residents of northern California not previously served in an adequate way by public radio. A grant to accomplish this was discussed with the Board in February 1989, with the request that the Board approve the grant application and authorize staff to seek the approval of the Oregon State Legislature to receive and expend funds up to a limitation of $280,000 and to proceed with the design and construction of needed facilities. The request was approved by the Board and the Assembly; however, subsequent negotiations with the National Telecommunications and Information Administration (NTIA) prompted withdrawal of the application by KSOR.

Southern Oregon State College is now requesting approval for an amended NTIA application in the amount of $492,275. NTIA has been asked to fund $369,206, with the remaining costs to be paid by the KSOR Listeners Guild. No state funds are being sought.

Southern Oregon State College is also requesting Board approval for a second NTIA application to construct a consolidated master control room for the KSOR network (6 stations and 34 translators) in Central Hall on the Ashland campus. NTIA is being asked to provide $89,718; the KSOR Listeners Guild would be committed to provide $30,007 of matching money. Again, no state revenues are being sought.

In order to meet the filing deadline of January 17, 1990, staff filed both applications, subject to the subsequent approval of the Board. The two limitations would be combined into a single project for state purposes. The total Other Funds Limitation sought for establishment and release is $612,000. This represents a $332,000 increase.
Staff Recommendation to the Committee

The staff recommended that the Board approve these two grant applications and authorize staff to seek approval of the Emergency Board to receive and expend the funds up to a limit of $612,000 for the KSOR Satellite Station project.

The request should be discussed by the Board at the May meeting and placed on the Consent Agenda for final action at the June meeting.

Discussion and Recommendation by the Committee

Mr. Richardson noted that the staff report indicated the initial negotiations had broken down and asked Mr. Pernsteiner to comment on those problems.

Mr. Pernsteiner said California State University at Chico had thought it might want to serve the area. This matter is being worked out with the federal agency now, and the grant will not be approved unless all of those issues are resolved.

In response to a question about funding, Mr. Pernsteiner said most of KSOR's funding either was donated or subscribed in some manner. Only little General Fund money is used, and it relates to the curricular aspects of the program.

The Committee recommended that the Board approve the staff recommendation and place the item on the Consent Agenda for the June Board meeting.

Board Discussion and Action (May 18, 1990)

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

Board Discussion and Action (June 14, 1990)

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

Staff Report to the Committee

In 1987, the Legislative Assembly approved the construction of a new classroom and laboratory building for the College of Agricultural Sciences. The budget established for the facility of about 190,000 square feet was $25,085,000. This included a federal grant of $10 million, which subsequently was reduced to $9.7 million. The remainder of the funding is from the General Fund.
and Article XI-G bonds. The bonds were sold in the fall of 1989. The Emergency Board has released for expenditure the sum of the bonds, the General Fund, and the actual federal grant, for a total of $24,785,000.

Oregon State University had intended to request construction bids for this facility last fall. However, the second independent cost estimate, which was required due to the size of this project, indicated that bids could be expected to exceed available funds by $6 million to $8 million. Therefore, rather than bid the project, Oregon State University undertook a variety of cost-cutting measures to bring the expected costs into line with the budget.

The cost-reduction measures were successful enough that the project has been advertised for bids, with a scheduled opening date of May 17. However, even if the lowest responsible bid is affordable, the project’s budget will be much tighter than had been expected in 1987. Therefore, Oregon State University has attempted to secure additional funds to permit the proper outfitting of this facility.

Three sources are being pursued by Oregon State University officials. The first is a $650,000 State Energy Loan Program (SELP) loan to permit the purchase of a direct digital/energy management control system. Oregon University has applied for the loan but will not know whether or not the State Department of Energy has approved the application for several weeks.

The College of Agricultural Sciences intends to spend $125,000 from its 1989-1991 operating budget to purchase needed equipment for the new building.

Finally, Oregon State University is seeking donations amounting to $800,000 to finance two improvements which had to be cut from the base project. Because the donation-funded improvements need not be constructed until later in the project, they are being bid as alternates. This will permit them to be added later in the construction period if monies become available. If sufficient donations do not materialize in time, the improvements will not be made.

Staff Recommendation to the Committee

The staff recommended that the Committee concur in the request from Oregon State University to accept and expend a SELP loan and to authorize the staff to seek from the Emergency Board an increase in the limitation for the Agricultural Sciences II project from $25,085,000 to $26,360,000 and the authorization to expend that amount to construct and equip the facility.
The request should be discussed by the Board at the May meeting and placed on the Consent Agenda for final action at the June meeting.

Discussion and Recommendation by the Committee

The Committee recommended that the Board approve the staff recommendations and place the item on the Consent Agenda for the June Board meeting.

Board Discussion and Action (May 18, 1990)

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

Board Discussion and Action (June 14, 1990)

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

Establishment of Limitation & Authorization To Expend Funds for the remodeling of space at the Portland Center for Advanced Technology (PCAT).

No remodeling was done when the building was first acquired. Faculty offices are scattered throughout the building. Phase I of this project, slated to get underway this summer, will consolidate faculty offices into a single 12,000-square-foot complex. The $120,000 for Phase I would come from institutional resources, including indirect cost recovery from grants and contracts.

Phase II, also expected to cost $120,000, will finish the remodeling effort and will include the creation of two new instructional spaces. Portland State University has applied for a National Science Foundation grant for Phase II and expects to know whether the grant has been approved by Fall 1990.

Staff Recommendation to the Committee

The staff concurred in the requests of Portland State University and recommended that the Board authorize the staff to accept a grant from the National Science Foundation and to request that the Emergency Board establish a limitation of $240,000 and authorize the expenditure of $240,000 for the remodeling of the Portland Center for Advanced Technology Building.
The request should be discussed by the Board at the May meeting and placed on the Consent Agenda for final action at the June meeting.

Discussion and Recommendation by the Committee

Miss Matthews asked what happened if the National Science Foundation grant were not received, and Mr. Fennsteiner indicated only Phase I would be constructed if that occurred.

Mr. Johnston moved that the staff recommendation be changed to authorize the expenditure of only $120,000, with expenditure of the remaining $120,000 authorized subject to receipt of the grant. The Committee recommended that the Board approve the staff recommendation as modified by Mr. Johnston's motion and place the item on the Consent Agenda for the June Board meeting.

Board Discussion and Action (May 18, 1990)

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

Board Discussion and Action (June 14, 1990)

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

Authorization
To Dissolve
Lawrence H. Pierce Quasi-Endowment Fund, OHSU

Staff Report to the Board

The Oregon Health Sciences University has requested authorization to dissolve the Lawrence H. Pierce Quasi-Endowment Fund which has a balance currently in excess of $140,000.

The quasi-endowment was established on March 27, 1990, based upon misinformation that the funds received were the corpus of the trust. It was determined subsequently that the corpus resides with the Oregon Community Foundation, which distributes earnings periodically to be spent in ways "most beneficial to the institution" in accordance with instructions in the Pierce bequest. The funds transferred were actually accumulated earnings rather than the corpus. Even though the quasi-endowment was established erroneously, it is necessary for the Board to approve the dissolution.

Staff Recommendation to the Board

The staff recommended that the Board approve the dissolution of the quasi-endowment so that the funds may be made available for the use of the Oregon Health Sciences University for current expenditure in accordance with the terms of the bequest.
Board Discussion and Action

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

Salary Adjustments for 1990-91 House Staff, OHSU

Staff Report to the Board

The Oregon Health Sciences University is requesting that a salary adjustment for house staff of 5.6% be approved by the State Board of Higher Education, effective July 1, 1990.

There is evidence that highly-qualified individuals are no longer applying for house staff positions at the Oregon Health Sciences University because of relatively low salary levels. In 1989-90, the Board of Higher Education approved a salary increase of 4.5% at University Hospital, which was 1% above the average increase granted at other western university hospitals. In approving the 1989-90 salary increase, the Board established the principle of setting annual salary adjustments at a rate 1% higher than the average increase at western university hospitals until the competitive level of University Hospital is restored.

The average increase of the western university hospitals for 1990-91 is estimated at 4.6%. Therefore, Oregon Health Sciences University is requesting an increase of 5.6% for house staff in 1990-91. The cost of the increase estimated at $316,000 is included in the 1990-91 budget, and, therefore, would have no detrimental effect on the Hospital's current financial position.

Staff Recommendation to the Board

The staff recommended that the Board approve a salary adjustment of 5.6% for the house staff at the Oregon Health Sciences University to be effective July 1, 1990.

Board Discussion and Action

The Board approved the staff recommendation, with the following voting in favor: Directors Adams, Bailey, Bruggere, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Hensley. 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

Baird Hall, Upgrade, OHSU
An Agreement was negotiated with Manfull Curtis, Inc., Plumbing Engineers, Beaverton, for engineering services not to exceed $19,200. Financing will be provided from state funds.

Campus Services Building, Plumbing Upgrade, OHSU
An Agreement was negotiated with Manfull Curtis, Inc., Engineers, Beaverton, for engineering services not to exceed $14,700. Financing will be provided from state funds.

Central Steam Curtailment, OHSU
An Agreement was negotiated with Pacific Energy Systems, Inc., Engineers, Portland, for engineering services not to exceed $6,700. Financing will be provided from state funds.

Emma Jones Hall, Plumbing Upgrade, OHSU
An Agreement was negotiated with Van Gulik/Oliver, Inc., Engineers, Lake Oswego, for engineering services not to exceed $14,500. Financing will be provided from state funds.

Parking Improvements, OIT
An Agreement was negotiated with Adkins Consulting Engineers, Inc., Engineers, Klamath Falls, for engineering services not to exceed $29,000. Financing will be provided from parking reserve funds.

Awards of Construction Contracts

UHS, 5C Medical/Surgical Unit, OHSU
On May 7, 1990, OITM Construction, Inc., was awarded a contract for the Hospital and Clinics Rehabilitation & Alterations (University Hospital South, 5C Medical/Surgical Unit) project in the amount of $456,619. Financing will be provided from hospital funds.

Acceptance of Projects

Computer Science Reroof, Upper Roof, OSU
This project is complete and was accepted on April 30, 1990. The estimated total project cost remains at $29,900. Financing was provided from state funds.

Forest Research Laboratory Electrical Service Improvements—Rebid, OSU
This project is complete and was accepted on April 30, 1990. The estimated total project cost remains at $48,225. Financing was provided from state and gift funds.
Gilbert Hall Remodel—Rooms 203/205, 208 & 214, OSU
This project is complete and was accepted on April 30, 1990. The estimated total project cost remains at $69,920. Financing was provided from departmental funds at the institution.

Seed Laboratory, OSU
This project is complete and was accepted on April 30, 1990. The estimated total project cost remains at $373,448. Financing was provided from state funds.

Weniger Hall Room 635 Growth Chamber Installation, OSU
This project is complete and was accepted on April 30, 1990. The estimated total project cost remains at $92,094. Financing was provided from gift funds.

Earl Hall—ECMs, USDOE/ICP, UO
This project is complete and was accepted on March 15, 1990. The estimated total project cost remains at $24,200. Financing was provided from 50% housing and 50% federal funds.

Mackenzie Hall, Suite 3184 Surgery Offices Remodel, OHSU
This project is complete and was accepted on March 27, 1990. The estimated total project cost remains at $74,442. Financing was provided from state funds.

Board Discussion and Action
The Board accepted the report as presented.

ITEMS FROM BOARD MEMBERS
Board representatives to Commencement exercises at the various institutions in the State System reported on those events. All expressed their appreciation for the hospitality extended to them.

Mr. Johnston said he had commended Eastern and Southern Oregon State Colleges at the last Board meeting for increasing their library resources. He learned subsequently that Western Oregon State College had increased its base library budget by $110,000. He said these efforts should be applauded because library holdings are a fundamental element in increasing the quality of the institutions.

Mr. Miller thanked President Gilbert who had agreed on behalf of Eastern Oregon State College to help in the regional strategy efforts regarding Baker County. He said the work that Eastern Oregon State College would be doing on behalf of the state was very important to Oregon's economic development efforts. He noted that Eastern would not do this without great financial sacrifice.
Miss Matthews said at the invitation of Senator Hatfield she had been privileged to testify before the United States Senate on SB 2114 with respect to promoting science education. The bill supports many different programs from those for the very young to the college graduate level in both new and existing programs.

Mr. Hensley announced this was his last meeting as President of the Board although he would be remaining on the Board until the appointment and confirmation of his successor. He said it had been a pleasure to serve on the Board of Higher Education and to be associated with the quality of individuals serving on it.

Mr. Hensley then introduced his four grandsons—the four best reasons he knew for having contributed his time and effort to the State Board of Higher Education.

**ELECTION OF OFFICERS**

Mr. Hensley requested Mr. Miller, Chairman of the Nominating Committee, to present the Committee’s report with respect to Board officers for the coming year.

Mr. Miller said the committee, which also included Miss Matthews and Mr. Swanson, recommended the following individuals as Board officers for the coming year:

Mark S. Dodson, President
George E. Richardson, Jr., Vice President
Executive Committee Members—Robert R. Adams, Richard F. Hensley, Rob Miller

The Board elected the officers as recommended by the nominating committee, with the following voting in favor: Directors Adams, Bailey, Bruggere, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Hensley. Those voting no: None.

**PRESIDENT’S REPORT**

Mr. Hensley welcomed former Board member, Kasey Brooks Holwerda, to the meeting. He said Mrs. Holwerda was now a very successful practicing attorney in Portland.

**Next Meeting Dates**

Mr. Hensley announced that the next regular Board meeting would be held at Portland State University on July 20, 1990. He said the primary purpose of that meeting would be discussion of the 1991-1993 budget. The meeting is expected to be lengthy and to require a major part of the day. The budget must be submitted by September 1, and the Board does not meet in August. For that reason, action must be completed at the July meeting.

Mr. Bruggere expressed the Board’s appreciation to Mr. Hensley for his fantastic job as President in organizing a motley group of people into a unit that moved forward for the benefit of higher education. He said he hoped the Board would be able to call on Mr. Hensley for guidance when difficult issues occurred in the future.
Mr. Hensley said he recognized there had been tremendous change during his seven years on the Board. There were 14 presidents, three chancellors, and nine vice chancellors during that period. Perhaps the Board has now reached a point where there will be less change. He complimented the staff in the central office, and particularly Mr. Lemman, for their efforts during the time between chancellors.

Mr. Hensley said he did not foresee major funding increases. He said he appreciated the sacrifices individuals have made during this period and had indicated that to the Interinstitutional Faculty Senate because they are the core of higher education. He expressed confidence that the Board and staff would maintain the level of quality that has existed over the past years.

Recess and Reconvening as Committee of the Whole

Mr. Hensley recessed the Board meeting and announced that the Board would reconvene as a Committee of the Whole to hear a presentation on "Intercollegiate Athletics: A Fiscal and Educational Status Report." He then requested Mr. Lemman to begin the presentation.

Intercollegiate Athletics: A Fiscal and Educational Status Report - Background Information

Staff Report to the Committee

I. Preface

A. Board of Higher Education policy as contained in Section 8 of Internal Management Directive's had its origin in prior reviews.

1. Board requested Chancellor Lieuallen November 25, 1975, to:
   a. Clarify Board's role in intercollegiate athletics.
   b. Recommend whether additional financial support is needed for non-revenue sports and activities stipulated by Title IX.
   c. Review of financing the maintenance of athletic facilities.
   d. Review admission requirements at UO-OSU.

B. In July 1976, the Board adopted a policy which contained these principal points:

1. Intercollegiate athletics are important in achieving institutional goals in that they:
   a. Contribute to the instructional programs by providing highly competitive opportunities for those students who excel in the various physical education activities.
b. Provide many students opportunities, especially in football, basketball, and baseball, to prepare for careers in professional sports.

c. Provide many students with spectator satisfaction and with an opportunity to identify with their institutions outside the classrooms and laboratories.

d. Enable the institutions to involve many persons, not otherwise related to the institutions, in the lives of the colleges and universities.

2. Board authorized use of state General Funds appropriated for Education and General purposes for salaries in other than "major revenue producing athletic activities" and for appropriate physical plant costs.

3. The Board requested $986,480 new General Funds for the 1977-1979 biennium, but no appropriation was made.

4. In September 1980, the UO reported the first substantial deficit amounting to $369,954 for the year ending June 30, 1980. A loan from auxiliary reserves was authorized to be (and was) repaid with interest by June 1986.

C. Reductions in forecast state revenues caused the Governor to recommend in May of 1981 a 10% reduction in Higher Education appropriations, including a 1981-82 reduction in expenditures for intercollegiate athletics of $611,753 (the biennial effect was $1,934,054). In spite of the Board’s request for reconsideration, the Legislature imposed the cut.

D. In August 1981, the Board instructed the three universities not to use General Funds for support of intercollegiate athletics.

E. In September 1981, the Board adopted a comprehensive policy statement which, among other things, instructed OSU and UO to work within the PAC-10 and NCAA to seek cost containment measures such as "grants based only on need, fewer grants (-in-aid), reduced recruiting efforts, smaller coaching staffs, and other appropriate measures."
F. In 1982 and 1983, the Board amended its policies in intercollegiate athletics, adopted a code of ethics and a policy on Academic Progress and Degree Attainment, all of which now constitute the Board's Internal Management Directive on this subject.

G. In 1989, the Legislative Assembly recognized the need for external funding by establishing the Sports Action lottery, the proceeds of which were to be allocated by the Board to those institutions having athletic programs. The legislation required that at least half the funds go to women's athletics, and that 30% be allocated to revenue sports (thus 70% to non-revenue sports). The legislation had another provision which required the earnings of the Sports Action games to be transferred to the "regular" lottery in any quarter in which that lottery did not meet its revenue estimates. As a result of this provision, only about $400,000 is available for athletics and the additional $1.6 million (+ or -) has been transferred to the regular lottery.

H. OSGHE institutions' athletic budgets in order of magnitude -- 1989-90:

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<tr>
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OSU and UO have the minimum number of sports to maintain membership in the NCAA Division 1 or the PAC-10 - 7 women and 7 men - total 14. The University of Oregon has 7 men's and 7 women's sports, and Oregon State University has 7 men's and 8 women's sports. By contrast, USC has 20 sports, UCLA 23 and Stanford 29. Stanford's intercollegiate athletic budget is $21.3 million, including $5.7 million of grants-in-aid, 40% of which is endowed.

I. The Presidents' Commission of the NCAA will meet later this month to consider the Commissioner's proposals concerning cost reduction, membership structure and revenue distribution.

Among the financial issues are:

A. Reduction in size of coaching staff.
B. Restrictions in earnings of coaches.
C. Limitations on financial aid.
D. Reduction of recruiting contacts.
E. Reduction in the number of contests per sport.
F. Reduction in squad size limitations.

Other proposals relate to time demands and other student life issues including reducing the number and length of practice sessions, requiring "day off" each week, no missed class time except traveling, etc.

II. Policy Alternatives

A. Resolving current operating deficit problems.

1. Review of the expenditure budgets of the three universities strongly suggests that there is little or no room for reduction under current conditions of competition and conference affiliations. We therefore must look to the resource side if the current level of competition is to be maintained.

2. Resource assumptions
   a. Support from incidental fees should not be increased more than proportionate to inflation.
   b. Contributions can be increased only marginally.
   c. Admission charges for athletic events are at or approaching the maximum.
   d. Television, conference shares, and concession income are likely to increase only marginally or not at all.
   e. The only remaining resources for 1990-91 are tuition waivers and the use of other institutional funds as permitted by the original 1976 decision.

B. Recommendations for temporary response to the emergency conditions:

1. Authorize tuition waivers at OSU and UO in a sum sufficient that, in combination with recommendations 2 and 3, will permit a balanced budget.

2. Permit at OSU, UO and PSU the use of institutional funds for coaches' salaries in non-revenue sports (5 men's and all women's) as is now permitted at the colleges.

3. Authorize the use of institutional funds for academic support and the operation and maintenance of facilities.
4. Beginning in 1990-91 and continuing during the period of temporary funding authorization, universities shall submit to the Chancellor for approval, budgets for intercollegiate athletics which are in balance. The budgets, while sustaining current programs, must not provide for additional sports or the improvement of current program levels.

5. Urge the 1991 Legislature to amend the Sports Action Lottery statute to uncouple Sports Action from the regular lottery and remove other conditions relating to the use of Sports Action funds, or to take such other action as may be required. Universities should use their share of lottery proceeds exclusively for the reduction of the cumulative deficit until its elimination.

6. Institutions shall report to the Chancellor at least semi-annually regarding athletic finances and the Chancellor shall report to the Board at least annually on the same matter.

C. Allocation of Sports Lottery Funds.

1. Existing statutory provisions:
   a. At least 50% of the funds are to be made available to women's athletics.
   b. Nonrevenue producing sports are to receive 70% of the funds and revenue sports 30%.
   c. In allocating funds among the institutions, the Board is to give due consideration to "(a) The athletic conference to which the institution belongs and the relative costs of competing in that conference" and "(b) The level of effort being made by the institutions to generate funds and support from private sources."

2. Recommended allocations (see chart attached).
### Sports Lottery Allocation Options

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Discussion and Recommendation by the Committee

Mr. Lemman said the recommendations were based upon the assumption of continuing current conference affiliations and levels of participation. The levels of participation would be: seven men's and seven women's sports at the University of Oregon, seven men's and eight women's sports at Oregon State University, and the current number at Portland State University. The revenue and expenditure budgets of these institutions have now been examined. The recommendations are based on the fact there are no substantial opportunities either to raise increased revenues or to reduce expenditures, assuming the same number of sports and level of competition. Therefore, it is necessary to look at other resources to meet the deficit position which now exists.

Mr. Lemman emphasized that the 1989 Legislative Assembly acknowledged the problem when it adopted legislation establishing the Sports Action Lottery. This solution to the continuing dilemma of underfinancing of athletics did not materialize because the legislation included a requirement that, if the general lottery did not make its quarterly estimates, the money earned by the Sports Action Lottery would be transferred to the general lottery.

Ms. Wilson asked the amount of the 1989-90 deficit by institution and also the cumulative deficit.

Mr. Lemman said the colleges were not in overdraft. There might occasionally be a nominal overdraft of $5,000-$10,000 at those institutions due to the difficulty of forecasting either revenues or expenditures that closely, but it is always made up within the following year. The colleges do not present a problem and are not addressed in this report for that reason other than in the allocation of the Sports Action Lottery funds at the end. He then asked the presidents of the three universities to respond concerning the deficits.

President Byrne reported the 1989-90 deficit at Oregon State University was $755,350 and the cumulative deficit beginning in 1986-87 was $1,972,964.

President Brand said the cumulative deficit for the University of Oregon at the end of the 1989-90 reporting year was estimated to be $1.3 million. The 1989-90 deficit is expected to be $200,000. He said the projections were better than estimated a year ago because of an enhanced revenue situation resulting from better ticket sales.

President Edgington said the 1989-90 deficit at Portland State University was approximately $161,000 and the cumulative deficit was approximately $1.4 million.
Mr. Bruggere inquired what it meant to have a deficit and asked where the money came from to cover the deficit.

Mr. Lemman responded that auxiliary enterprise funds include the money from intercollegiate athletics, residence halls, student unions, health services, food services, parking, and similar activities. The money is intermingled on a cash basis, but not on an accounting basis, and expenditures are paid from one cash account. The deficits in these intercollegiate athletic accounts are being financed from balances in the other accounts, which include reserves for residence halls, parking, equipment replacement, and capital repair. The intercollegiate athletic budgets are being charged interest on those borrowings — the amount of their overdrafts — at the rate those funds are earning that are invested. The cash reserves to finance overdrafts are being depleted and there is no other resource to cover them because the Oregon Constitution prohibits the Department of Higher Education to issue debt except on the express authority of the Legislature.

The Chancellor emphasized that the reserves being used to finance the overdrafts carried specific obligations and must be replaced.

Mr. Bruggere asked what would happen if the funds were not replaced and what was not being done as a result of using those reserve accounts.

Mr. Lemman said the funds required to repair, refurbish, and maintain the other auxiliary activities would not be available. The Board legally could eliminate the reserves and use them for intercollegiate athletics, but it would have an extremely serious impact on a number of very important other activities.

Mr. Bruggere inquired whether the maintenance was deferred and the equipment not replaced or whether the use of the funds was only depleting the positive balance.

Mr. Lemman said required maintenance and replacement was being done. However, the Oregon Health Sciences University is planning an additional parking structure and must have a two-year debt service reserve at the very beginning of that project. The debt service reserve is accumulated by having a surplus in the parking account. The borrowing for athletic deficits comes from that and other auxiliary accounts.

In response to a question, Mr. Lemman indicated he believed the total amount of the reserve was about $7 million but he would get a more precise number from the Controller. He said this was the aggregate of many balances and reserves. He also said the negative amounts for the deficits would offset about $5.4 million of the reserve amount, leaving a balance in the reserve of approximately $1.6 million if no one else has a problem.
Mr. Hensley noted that he had studied the audit reports during his years on the Board and had found minor inconsistencies between the University of Oregon and Oregon State University in the format of the reports. This makes it difficult to match the reporting and accounting techniques used internally in athletics.

Mr. Lemman said this criticism was justified and he hoped the problem had been repaired in the report for June 30, 1989. He said Mr. Peter Hughes, Director of Internal Audit, had developed with the athletic directors and business officers of the institutions a standard format and set of accounts for reporting athletic income and expenditures.

Mr. Bruggere asked what would happen when the $1.6 million was exhausted. Mr. Lemman responded the invoice would be returned to the institution with instructions to pay it from some other source or make other arrangements. He added that it was not just a matter of dividing some sports lottery dollars but a matter of being out of money to cover any deficits or expenditures in other accounts in a very short period of time.

Mr. Bailey asked what items were included in the athletic budget, and Mr. Lemman said grants-in-aid, staff, facility support, and other expenses attributable to athletics were included. Grants-in-aid consist of the tuition paid by the athletic departments on behalf of student athletes is included.

Mr. Bruggere asked Mr. Lemman whether he or anyone else had been able to envision a structure which would allow the universities to operate the athletic programs so that they would break even without outside support as presented in the proposal. Mr. Lemman said he did not think there was.

President Byrne said intercollegiate athletics are operated as a totally separate unit from the rest of the institution so that there are no General Fund dollars of any sort, either real or in terms of service, used to support the program. This is in conformance to Board policy. Oregon State University, therefore, is managing two enterprises without letting resources flow from one to the other.

President Byrne said contributions from the Beaver Club and from ticket sales constitute a substantial portion of the revenue. Funds received as a member of the PAC-10 are also very significant. The elimination of one women's sport is the only remaining action which could be taken. Other sources of support have been considered but do not have sufficient stability. Unless some sort of continuing stable support can be achieved, the institutions will be faced with the same problems that leave them at the mercy of ticket sales, television participation, and the number of contributions which can be secured.
President Byrne said revenue from basketball, football, private gifts, and miscellaneous sources of income provide $8.5 million used to support the entire athletic program. Basketball and football are the two money-making sports which finance the rest of the athletic program. Private contributions have increased as a result of adjustments in the way they are acquired throughout the institution.

The difference in the use of student incidental fees at Oregon State University and the University of Oregon was discussed, with Mr. Hensley indicating the difference in the allocation made it difficult to analyze where the losses were occurring from a managerial standpoint. Mr. Lemman explained the University used the incidental fees in lieu of ticket sales and had a different admissions policy for students than the one at Oregon State. It was also noted the University of Oregon applied all of the incidental fees to other sports. Oregon State University included them as indirect revenue.

President Byrne commented that basically there was no real difference. The incidental fees can be designated for a specific purpose, but they will offset whatever income is available from other sources for that purpose. The incidental fees are determined in negotiation with the student body leadership, which in a sense sets the level at which each student's incidental fee will contribute to intercollegiate athletics. Once those fees are in intercollegiate athletics, the decision on the allocation of the money is made by the athletic department.

Mr. Miller said Board and legislative mandate appeared to accept the principle that intercollegiate athletics was an important and integral part of the scholastic environment. The legislative action which basically stripped the funds for support of athletics appears to be inconsistent with that principle. He inquired as to the consequences if the Board were to revoke the August 1981 policy on use of General Funds.

Mr. Lemman said the recommendation to the Board was to revoke that policy on a temporary basis. The Chancellor explained the temporary basis was recommended because the Legislature thought it was solving the problem of deficits through the Sports Action Lottery. In the process, it also recognized the intercollegiate athletic programs ought to be maintained. The Chancellor said the two universities should stay in the PAC-10. Sports Action Lottery money did not materialize to resolve the deficit. The recommendations to the Board are for temporary measures through this biennium in order to raise the issue again with the 1991 Legislature. Once the Legislative Session is over, the Board will then discuss the issue and decide whether to continue or discontinue current intercollegiate athletics programs or to take other appropriate action.
Mr. Bruggere suggested the Board perhaps should discuss the policy issue of spending General Fund money for athletics and not make the decision on a temporary basis. He also questioned whether the Board would want to eliminate its options of using General Fund money for any purpose it deemed to be appropriate.

The Chancellor pointed out there was a symbolic psychological concern involved because many people are very uncomfortable with the use of funds for athletics when they are so desperately needed to support academic programs. Those individuals would be reassured if the Board simply made it clear General Fund money would not be used for intercollegiate athletics. The Chancellor said that he was prepared to support the use of General Funds to some extent, based on his understanding of the assumptions the Legislature made and his understanding of the views of a majority of Oregonians.

Mr. Bruggere said the Board should decide what its priorities and values were for the institutions under its control. Once that has been determined, the Board should have the ability to spend the money allocated in order to accomplish the entire picture.

Mr. Hensley cautioned that there was a risk of micro-management of the Board’s budget by the Ways and Means Committee and the Legislature if the Board were to divert General Fund monies for athletics.

Mr. Richardson asked about the rationale for designating the use of General Fund dollars for coaches’ salaries rather than for any expense incurred.

The Chancellor said the recommendations really were identifying the principal categories of support available to the presidents. The language gives the presidents a broad range and substantial flexibility in using all kinds of funds. The institutions have different circumstances, and the presidents can get maximum advantage in using different management and budgeting processes at the different campuses. It is also stipulated that a balanced budget must be submitted which does not expand current levels of activity during the time when General Funds are used.

In response to a further question from Mr. Richardson, Mr. Lemman explained the recommendations referred to the Education and General portion of the budget. This category includes General Fund money and also fines, fees, tuition, and other charges or revenues which are accessible to the institutions for these purposes. The term "institutional funds" is used in the generic sense for any funds which are appropriately used for this purpose.
The Chancellor emphasized that the flexible reserve possibilities were very limited. The issue is one of dealing with the problem until all of the variables are known at the conclusion of the next Legislative Session and without the allocation of funds that are now committed for academic purposes. The proposal is to deal with the problem on a temporary basis by allowing institutions to increase their student bodies to the extent of their athletic programs, thereby maintaining tuition levels. He said he found this very difficult to accept because of his concern to limit enrollments to the students who could be served adequately with the finances available.

Mr. Miller said the intercollegiate athletics policy statement at the beginning of the staff report and other arguments presented in the past would not indicate a clear differentiation between athletics and academia. In fact, there would appear to be quite a bit of relationship between the two. If that argument is correct, there would be a valid assumption for the use of academic funds.

The Chancellor said the policy statement made a great deal of sense but did not deal with the technical problem of NCAA Division I and PAC-10 requirements concerning the number of sports and kind of program. These factors affect the clarity of the analysis in the policy statement. The Chancellor said he began with the assumption that the NCAA Division I and PAC-10 requirements should be maintained as a service to the state. That objective then transcends simply general policy issues about the educational environment and leads into a situation where expenditures cannot be reduced. There would be no budget problems if the non-revenue sports were eliminated.

Mr. Miller said he could not accept that rationale.

Mr. Lemman suggested there were many other aspects of university life, including residence halls and even parking structures, that are important to the academic enterprise but are not financed from Education and General Fund resources. The fact that the policy statement says intercollegiate athletics are important to the academic enterprise would not mean they had to be financed in the same manner.

Mr. Miller pointed out that it also did not mean intercollegiate athletics could not finance them in that way.

The Chancellor said the recommendations proposed not keeping the academic and athletic enterprises completely separate. They state that before accepting the implications of a lower level of competition, General Fund resources would be used. Because of
the academic pressures on those funds, they should be used as little as possible and under the strictest limitations. The proposed action is based on the principle that those funds would be used before the program would be eliminated.

Mr. Bruggere commented the Chancellor and staff perhaps had more hope than Mr. Miller and he did that the Legislature would take some action to help the financial situation for intercollegiate athletics. He referred to the temporary aspect of the proposed recommendations and said he would prefer to take action that would give the Board the option to manage the State System in the best way that it could.

The Chancellor said there was some reason for hope in that the Legislature did vote pretty overwhelmingly for the Sports Action Lottery last time and that it was dealing with the problem. The numbers projected at that time suggested the problem would be resolved.

Mr. Bailey said the Board must decide whether the State System institutions are going to participate at that level of intercollegiate athletics and whether to take General Fund dollars and resources to do so. The Board and the Legislature have avoided the issue for years by using other sources to cover the costs. He said the Board should take the necessary action and not come back after the 1991 Legislature is over and have to deal with another temporary solution which did not quite fit the problem. He said this was unfair to the institutional presidents and the people who were trying to carry on athletic programs. The Board either should state that intercollegiate athletics are a priority and part of the mission as educational institutions to do it, or not do it. He stated he was not particularly concerned whether the funds came from the sports lottery. Those are resources generated by the people of Oregon. They could be allocated to some other use that enhances education.

Mr. Richardson referred to specified uses of General Funds or institutional funds cited in the staff report before the Board and in Internal Management Directive 8.016. He asked whether the Board could not say either source of funds could be used for intercollegiate athletics rather than designating coaches' salaries and non-revenue sports specifically.

Mr. Lemman said this would be possible but in the opinion of the staff it was a more acceptable practice to pay the salaries of personnel without having to look at individual expenditures. The amount of the salaries paid allows ample opportunity to solve the problem without dealing with specific individual expenditures.
There was a brief discussion of the alternatives available to the Board and the implications of each.

Ms. Wilson inquired whether the legislative instruction not to use General Fund money for intercollegiate athletics was for one biennium only or did the Board not have the authority to use General Fund money at all for that purpose.

Mr. Lemman said legally the prohibition was only for one biennium because the appropriation was made for only one biennium. There is nothing in the statutes which would prohibit the Board from using General Fund money for this purpose. It was a matter of judgment of those present that the intention was to continue the policy, but that would not necessarily mean indefinitely. There is no legal barrier to using these funds.

Mr. Lemman reviewed the resource assumptions included in the staff report and described the typical expense categories in the athletic department budgets. He then presented the staff recommendations.

Mr. Lemman said the first three proposals were companion recommendations that the Board authorize tuition waivers at the three universities in sums sufficient to permit a balanced budget in combination with recommendations 2 and 3. The budgets presented to the Chancellor would be expected to show in detail the expenditures, revenues, and the source of those revenues or resources. In some instances, some of those resources would be the use of institutional funds for the use of tuition waivers, thus reducing the amount that the athletic department pays to the registrar.

Mr. Hensley said the only revenues of any significant size fell into five categories. He questioned how an institution could present a balanced budget to the Chancellor without knowing what the income from two of those categories — home games and away games — might be. He asked what penalty might be imposed for not achieving a balanced budget.

Mr. Lemman said those uncertainties were one reason there were deficits. He said the staff in the Chancellor’s Office would insist that the revenue estimates be as realistic as possible and not on the optimistic side, recognizing that those judgments must be made. A small reserve for overestimation of revenue might be required. Mr. Lemman also emphasized that even if the budget were in balance at the end of the year, the expenditures and receipts had to be in balance. The budget is a plan and an estimate, but the institutions will be required to take steps so that the cumulative cash deficit is not increased at the end of the year.
Mr. Bailey asked what would prevent eliminating the incentive to maximize the income opportunities if other funds covered the lack of revenue. Mr. Leman commented that the pressures were going to be enormous not to use those funds.

President Byrne said there was an incentive to build a healthy situation which did not require depending on external sources of funds. He indicated the tuition waivers would decrease expenditures significantly and remove the deficit. Tuition waivers for all sports at Oregon State University would amount to $682,000.

The Chancellor said these recommendations were in opposition to the principle of enrolling only the number of students which can be financed adequately. This may be necessary as the least undesirable way to solve the problem, but he would be encouraging the institutions to eliminate these over enrollments as soon as possible.

President Brand said the proposed solution should be temporary rather than permanent because it was an unsatisfactory solution in that it causes the institutions to go against sound policy by supporting more students than the facilities and teaching staff can do. This puts additional pressures on the rest of the instructional and academic parts of the institution and makes it harder to maintain strong, quality programs. President Brand said the institutions could manage it for one year, but it would have adverse effects over a long period of time. He also said he did not foresee adequate additional revenue to solve the problem being generated.

Mr. Bruggere asked President Brand to suggest a long-term answer to the athletic funding problem.

President Brand replied that membership in the PAC-10 by Oregon State University and the University of Oregon had ramifications for the entire state. Membership allows people within the state to identify with the institutions and to benefit from the perception of having major college teams attracting bright young minds to Oregon. The entire state benefits by these successes and thus should, in an appropriate legislative manner, find a way to contribute to this activity. He said he did not view the athletic deficits and financing as problems the institutions should seek to solve by themselves, because they are not the only ones who gain advantage by having such opportunities.

Miss Matthews raised the issue of the use of incidental fees and the relationship of those fees to the athletic deficits. Students perceive the need to eliminate the athletic deficits as the reason incidental fees are not used for other purposes. Programs funded from incidental fee accounts have been suffering for some time because of these deficits, and the academic programs would now be involved under the proposals before the Board.
It was pointed out that the use of incidental fees was negotiated between the student fee committee and the administration of the institution. All the units that benefit from the student fee, including intercollegiate athletics, present their requests to the student fee committee. The student fee committee prepares a budget that ultimately is submitted to the president of the institution.

The Chancellor said he did not regard this solution as one to accept and embrace eagerly for all time. He said he would prefer to increase resources to a point where they would offset the cost of the athletic programs and not put the burden on other activities. For that reason, returning to the Legislature is a central part the Board should be doing because the Legislature recognized the problem and tried to deal with it.

President Edgington said the solution had to involve some support from Education and General Funds, but it should be temporary. The uncoupling of the sports lottery from the general lottery is essential to resolve the deficit.

President Byrne said his goal would be to manage intercollegiate athletics as an integral part of the institution and thus achieve some economies of scale in academic support, in the operation of facilities, and in a variety of other things. This would not solve the problem. Ultimately, the institutions need a stable source of revenue. Requirements have been added to the athletic programs without adding the necessary resources. They are good requirements but have resulted in bigger programs without the necessary revenues to match those expenditures.

Mr. Bruggere indicated he would not be present after lunch but was inclined to concur with the staff recommendations. He said he would accept the Chancellor's judgment concerning the temporary aspect of the proposals. He said the Board must realize the temporary period would be over very quickly and it would have to deal with a permanent solution.

The Board recessed the Committee of the Whole and reconvened following the Board luncheon. No business was transacted during lunch.

Mr. Lemman continued with his presentation of the recommendations and noted that Recommendation 5 would uncouple the Sports Action Lottery from the general lottery and remove other conditions in the previous legislation. This action would remove artificial constraints and give the Board discretion in setting the use of lottery funds. He also indicated the recommendation to take such other action as may be required would authorize the Chancellor to take advantage of some other item of opportunity which might come up during those discussions.
Mr. Lemman said Recommendation 5 specified that the universities should use lottery proceeds exclusively for the reduction of the cumulative deficit until it is eliminated. After further consideration, Mr. Lemman said the staff would propose striking the term "exclusively." He explained that if the funds were used exclusively for the reduction of the cumulative deficit, there would be no support from that source to relieve the current operating deficit a year from now. If the word were removed, it would permit replacing some of the tuition waivers or other institutional funding of salaries and other expenses from lottery funds rather than continuing to use those sources.

In response to a question about practices in other PAC-10 institutions concerning use of general funds for intercollegiate athletics, Mr. Lemman said different information had been received at different times and he was unwilling to say with certainty what the practice was in the neighboring states. The proposal before the Board, however, is by no means unprecedented.

Ms. Lynn Pinckney, the Executive Director of the Oregon Student Lobby, said its board of directors had discussed athletic department deficits and related issues on the campuses and she had been asked to share their views with the Board.

Ms. Pinckney said that many students had long-standing misgivings about the expenditure of student incidental fees for intercollegiate athletics. Oregon Student Lobby's 1986 survey of students on student fee funding for this purpose revealed that 47% favored a decrease, 40% supported no change, and 12% indicated support for an increase. In 1988, 54% of the students reported they did not support even the current student fee expenditures for athletics. Students on many of the campuses feel that pressing needs for child care and educational activities outweigh intercollegiate athletics in importance to the student body. Ms. Pinckney said the Oregon Student Lobby board was urging the Board to avoid using mandatory student fees to cure either the deficit problem or the on-going need for additional revenue.

Ms. Pinckney said the Oregon Student Lobby had strong reservations about dependence on the lottery for higher education funding because higher education programs, once created, require more funding stability than the lottery can provide. They also perceive the lottery as a form of gambling with no appropriate relationship to higher education.

Students question the use of General Fund dollars for these purposes because they believe athletics cannot be funded responsibly until faculty salaries, financial aid, teaching equipment, and other pressing educational and social needs are met. They are concerned that general fund dollars may be diverted to this purpose through the mechanism of athletic tuition waivers.
Ms. Pinckney said students believe athletic departments should be monitored more closely and deficit spending should not be tolerated. The Oregon Student Lobby favors active Board supervision of athletic department budgets, at least until the deficits are removed. Students believe each campus should repay its own deficit.

Ms. Pinckney suggested several funding sources which may not be fully utilized. Oregon Student Lobby also expressed support for the student athletes and recommended that close attention be paid to graduation rates and other needs of student athletes.

In response to questions concerning the surveys, Ms. Pinckney said there was a very high return rate and the validity was plus or minus 3% on both surveys. The surveys included all of the institutions except the Oregon Health Sciences University.

Ms. Pinckney also indicated she did not have a solution for retiring the deficits. She also said the Board should keep in mind the changing nature of the student bodies. Many of the concerns are from non-traditional students who want to complete their educations quickly and see no relevance to paying for athletics.

Miss Matthews said the Oregon Student Lobby had received expressions of concern from student fee committee chairpersons about the growing allocation for athletics. She asked why they approved those allocations in view of their concerns.

Ms. Deborah Kaeser, who chaired the student incidental fee committee at Portland State University during the past year, said there had been a substantial increase of $14 this year on an urban campus where there are many non-traditional students who can barely afford to pay tuition. An additional increase on top of that would be impossible. She indicated that personally she did not support the PAC-10. She said the student incidental fees were supporting the current level of intercollegiate athletics.

Mr. Hensley said the recommended proposal did not have an impact on student incidental fees. The proposal was a temporary means of meeting the deficit issue for the next year. He asked if this was of concern.

Ms. Kaeser said she wanted to know whether the deficits would be allowed to continue and the scholarships then permitted to exceed the amount projected. She also stated there apparently was no other choice for an immediate solution but added that she could not understand how athletics could be funded when faculty were not paid enough.

Mr. Hensley indicated the Board had discussed the issue of quality and access as they related to reducing enrollments to levels
which could be supported adequately. The proposal before the Committee contradicts those discussions to some extent in that it recommends additional students to offset the tuition waivers. Ms. Pinckney said students recognize there are scarce resources to devote to academic quality and have had very serious discussions about their priorities for the funds available. Intercollegiate athletics was not high on the list of priorities at the present time. She said she was not sure she could justify foregoing the tuition dollars represented by the tuition waivers at the same time it was essential to have a very large amount of money for faculty salaries.

Mr. Hensley inquired whether students could rationalize the proposal as a temporary measure to avoid the full crisis of using all of the revenues pending legislative consideration during the next session.

Ms. Pinckney said she would question what the Legislature was expected to do to alleviate the situation because there were strong reservations on the part of many legislators when the sports action game was approved during the previous session. She said Ways and Means Committee members had insisted on coupling the Sports Action Lottery with the regular lottery because of the competition for those lottery dollars. She said she thought a request to uncouple the sports action lottery funds would put intercollegiate athletics into the entire group of competing interests.

With respect to paying salaries of coaches at the universities as at the colleges, Mr. Johnston pointed out that the coaches at the colleges teach classes in addition to coaching but they do not do so at the universities.

Mr. Bailey said the proposed recommendations were referred to as a temporary solution to intercollegiate athletic funding, but no definitive temporary time period has been stated.

The Chancellor said assumption and intent was that the Board would review the issue at the next Board meeting after the 1991 Legislative Session. Dr. Large said it would be listed as a pending item.

Mr. Johnston referred to Item I-E of the staff report specifying cost containment measures and asked how much of that had been done.

President Byrne said cost containment was a big issue in the PAC-10 and in many parts of the NCAA. The other major concern is reducing to a reasonable level the number of hours an athlete may
participate in either practice or games. Substantial gains have been made, but efforts have not been completed. Presidents of the State System institutions should join with those of the other PAC-10 institutions in taking a leadership role in attempting to move the NCAA in the direction of cost containment and limitation of athletic participation.

Mr. Hensley said Oregon State University had a substantially larger deficit than that of the University of Oregon. He asked how the two could be made equal in splitting the sports lottery money on a percentage basis.

President Byrne said probably this could not be done during the transition. If the same amount of dollars are allocated to two institutions, the one with the smaller deficit will be able to eliminate it sooner than the one with a larger deficit. These proposals are aimed toward a long-term solution to a constantly-evolving situation in order to enable the institutions to maintain health programs. President Byrne said by health programs he meant those which were fiscally and academically sound and ones with integrity and some dignity at all of the institutions, and to do so over a long period of time. These are short-term solutions until a long-term solution can be found by improving the management techniques.

Mr. Hensley requested President Gilbert to comment on the situation at the regional colleges. President Gilbert said he did not want the Board to have the erroneous impression that the absence of deficits meant the funding for intercollegiate athletics at the colleges was satisfactory. Costs are escalating enormously in the NAIA. The money to finance the programs is coming from the student incidental fees and the General Fund budget, and it would be very difficult to meet increased costs through additional funds from those sources. He said approximately one-third of the student incidental fee was spent on intercollegiate athletics at his institution. Salaries for coaches would require about $180,000 from the General Fund category. Gate receipts in a good year would be between $3,000 and $5,000.

President Cox said $328,000 came from incidental fees at Southern Oregon State College, General Fund money amounted to $90,000, and revenue was $40,000-50,000.

President Meyers indicated $199,000 came from General Fund support and $272,000 from student fees at Western Oregon State College.

Mr. Swanson said a balanced budget could be based on erroneous projections and asked for further clarification of the intent with respect to a balanced budget.
Mr. Lemmon said overly optimistic revenue forecasts would be returned to the institutions. This year's shortfall would be projected into next year's budget, and the institutions would use a combination of the first three recommendations to make up that deficit. The Sports Action Lottery would have yielded about $2 million this year if it had been available, and Oregon State University and the University of Oregon would have received about $670,000 on the basis of the recommended allocations. This could be applied either totally or partially to the cumulative deficit.

Mr. Swanson asked what amount would be required from some source for intercollegiate athletics each year to avoid a deficit.

Dr. Byrne said if the past debt were not included, the additional amount needed probably would be close to the annual deficit. He commented also that the debt service on the debt is a significant amount of money in the year's operating budget. The debt service only pays the interest without reducing the principle. This is a major incentive to the presidents to reduce the debt and eliminate a substantial operating cost.

President Brand emphasized the importance of moving back from this temporary position through uncoupling of the sports lottery so that it would not be necessary to overload the academic enterprise to achieve the balanced budget. He also cited increasing costs for airline fares and for grants-in-aid as tuition costs mount.

Mr. Swanson said he was concerned about seeking a decoupling of the sports lottery from the Legislature, although it was a fine idea if it happened. If not, presumably the Board certainly could ask the Legislature for the sum of money to make up the current operating deficit as support for athletics. He said he believed every institution in the State System was underfunded at the present time. He stated that continued participation of the two major institutions in the PAC-10 was very important, academically as well as institutionally and athletically. However, if it were a matter of continued deficits of over $1 million at the University of Oregon and Oregon State University and perhaps placing $5 million a year into the athletic budget to stay in the PAC-10, Mr. Swanson said he probably would vote to discontinue participation in a major athletic conference at that kind of expense ratio.

Mr. Swanson said he did not think the Board should just open up the General Fund resource to support major athletics because the cost might be too high to do that. He said he was not entirely satisfied with a request to the Legislature to uncouple the sports lottery as compared to telling the Legislature that realistically the State System needs $2 million more in its overall allocation to support the kinds of athletic program the people of Oregon want.
Mr. Hensley said the faculty salary enhancements would be a major hurdle for the Board to surmount and he would anticipate legislators would find it much easier to decouple the sports lottery than to appropriate General Fund money for this purpose. There are other competing interests which further decrease the likelihood of such an appropriation. He indicated his concern was how the universities could use the lottery money, if it were received, to retire debt and compete with other systems. He said he favored attacking the current problems and to continue and suggested the proposal before the Board represented the first of many steps the Board would consider.

Mr. Swanson said he thought he really agreed with Mr. Hensley's remarks. He said his intention had been to emphasize the need to tell the Legislature the State System was in serious trouble with its athletic programs in terms of financing. The Sports Action Lottery must be decoupled or there must be another source of revenue. The Board has taken steps as outlined above to try to keep the programs going, but the Board must hear from the people of Oregon and their Legislature whether the State System will have PAC-10 athletics that are competing on a high cost basis as a matter of necessity. If the decoupling of the sports lottery does not occur, the Board may have few if any choices when it considers the financing of intercollegiate athletics next year.

The Chancellor said the proposal was based on the assumption the people of Oregon want these programs maintained. The Legislature needs to confirm the validity of that assumption and be prepared to support the programs, or it needs to indicate this is not the case. He said presumably an affirmative answer with respect to maintaining the programs had been given when the Sports Action Lottery was established, but the answer to the issue must be very clear.

Mr. Lemman said the Lottery Commission members and the staff of the Commission believe that most people have a certain amount of money which they are likely to spend on either the general or the sports lottery. They believe also that the Sports Action Lottery has an appeal when the money is going toward intercollegiate athletics. In spite of a late start and limited publicity, the sports lottery reached a revenue level of $2 million and only dropped significantly when the public discovered the money was not going to intercollegiate athletics because of the shortfall in the general lottery. The Lottery Commission staff now state that there is unlikely to be a Sports Action Lottery if it is not decoupled because no one will play it. He stated this testimony should be given at the time the request to uncouple the sports lottery was presented to the Legislature. He said there would be ample potential to exceed the $2 million level, if the sports lottery were developed.
Mr. Swanson asked whether sports lottery funds could be used for academic programs to offset revenues the institutions are now using, if lottery proceeds were to exceed the amount needed to balance the present budgets.

Mr. Lemman said the Board had control over both the Education and General budget of the institutions and also approved Auxiliary Enterprise budgets. The Board would have authority to direct the institutions, when lottery proceeds reached a certain level, to start trading dollars rather than just increasing the size of the athletic budgets.

Mr. Adams said the Board was in an emergency situation where the deficit situation must be changed. He said even though Board members might not like all of the recommendations, the sum total of them was needed to provide the flexibility to make certain the situation is reversed. He indicated the proposal was an interim one to be checked on at least yearly, perhaps every six months. He expressed concern about eliminating any of the recommendations at the present time because he believed they were the result of careful thought by staff and others, particularly the presidents and administrative people. He said he would favor proceeding in spite of some misgivings about some of the recommendations.

Mr. Richardson asked for further clarification of the impact and cost for the tuition waivers proposed in the first recommendation.

President Brand said the lost revenue would be replaced primarily through sophomore and junior transfers because freshmen already have chosen their institutions.

President Byrne said it would be necessary to determine the number of students required as a reasonable offset for the waivers. The impact would be variable depending on the distribution of those students.

Mr. Lemman indicated replacing $1 million in tuition waivers would require an additional 600 resident undergraduate students or about 200 nonresident undergraduates within the State System at those institutions, or some combination between 200 and 600 resident, nonresident, graduate, and undergraduate students. The graduate levels are between the two extremes.

Mr. Hensley noted that one of the major concerns of students at the University of Oregon during the visit to that institution had been the size of classes. He asked President Brand whether it was correct to assume this was a problem on the campus.
President Brand said that was why the enrollment management program was the right approach for the University of Oregon given its facilities and the size of its faculty. The proposal before the Committee would put the second year of the enrollment management program on hold. As a temporary solution, he said the proposal was the best of a bad set of choices because it also would not make sense on a temporary basis to stop athletic participation.

In response to a question, Mr. Lemman said the recommendations would be effective July 1, 1990. He also said the restriction on improvement of current program levels in Recommendation 4 meant the numbers of sports, participants in those sports, scholarships awarded, and coaches. All of those things which are now underway and have been authorized by the Board would continue. The Board would review those things which might be proposed in the future and determine whether they should be approved.

In discussing the requirement for a balanced budget, it was stated the problem comes with the final tally on June 30 of the following year. The budget should be checked monthly and any deviations reported to the Board. The balanced budget during the period of temporary funding authorization would not include the Sports Action Lottery allocations.

Mr. Miller suggested the addition as a seventh recommendation of a stronger statement that in the event the Legislature did not uncouple the Sports Action Lottery or other adequate revenue sources were not found, serious consideration would be given to withdrawing from the PAC-10.

Mr. Bailey said he was not ready to make that firm a statement at the present time.

President Brand said withdrawal from the PAC-10 should be considered only as a last resort because the institutions accrue benefits from PAC-10 membership in addition to the athletic benefits. They benefit from being academic institutions associated with members of the PAC-10 through the ability to recruit students, provide visibility for faculty, exchange information, and in helping to influence throughout the region.

Mr. Miller said he concurred with the benefits. He said he was not quite comfortable the message to the Legislature was strong enough but he was sufficiently satisfied not to obstruct the process.

President Byrne said he was absolutely convinced Oregon received its biggest cost benefit from higher education. Faculty members produce fantastic research and do an outstanding job teaching. The academic institutions are good. As members of the PAC-10,
the Oregon institutions are in the company of outstanding universities. Membership in a lesser conference level would associate them with states that have no high-level academic institutions or high-level athletic programs. If Oregon loses these elements of visibility and association with truly outstanding academic institutions, it would be very detrimental in the long run to the State of Oregon. The athletic associations represent the clusters of people with which institutions have the greatest interchange in academic, administrative, and management matters.

Miss Matthews asked whether President Byrne thought he could find a dean who would say the General Fund money should go toward staying in the PAC-10 rather than to the purposes for which the money is now used. President Byrne said he could.

President Brand said revenue between $1.5 and $2.25 million per year would be lost by leaving the PAC-10. Ticket receipts would also go down and expenditures would have to be reduced. The issue is not one of dropping down a conference. It is one of staying at this level or dropping very far down to club sports or Division III athletic participation.

Chancellor Bartlett commented that the most expensive athletic programs in the country were in the Ivy League institutions and are heavily financed by operating budgets with some private support from private sources.

Mr. Johnston said he agreed athletics was of critical importance to the institutions and that they should stay in the PAC-10. At the same time, however, the institutions would not shut down if they did not remain in the conference, but the quality might not be as good. He said he was convinced the long-term solution had to be major reform in the NCAA because intercollegiate athletics is out of control throughout the nation. He suggested the Board should address the reform issues and make recommendations to the NCAA that the Board is firmly behind some of the reforms which are being discussed.

With respect to the specific recommendations, Mr. Johnston said academic support should have been done sooner because it was important to graduate the athletes. The recommendation for a balanced budget is excellent, but a start on reducing the deficits should be made before the next Legislative Session. He expressed concern that the Board not lose sight of its real priority of educating people.

Ms. Wilson said she would support the staff recommendation with the caveat the Board send a clear message to the Legislature. The Board has said to the Legislature that in order to maintain quality programs under the current budget it is necessary to reduce enrollment. At the same time, the Board faces a deficit
in its athletic program. It must be made clear to the Legislature that the Board views the proposal as a temporary measure and recognizes that it goes directly against the Board’s absolute priorities. She said she did not like these solutions but also felt the Legislature, in its previous action with the sports lottery, had indicated to the Board that it wanted the institutions to remain in the PAC-10. If the Legislature gives the Board a different priority with respect to the PAC-10, the Board will have to make some really difficult decisions.

The presidents of the three universities indicated their willingness to face that decision when the time comes.

Mr. Richardson complimented the staff and the institutional representatives for the excellent presentation on a very difficult topic. He said he was about ready to adopt the staff recommendations as presented but still was somewhat uncomfortable, especially with Recommendation 1. He asked the Chancellor to comment on whether he was fully prepared to handle all of its implications, particularly with respect to his comments throughout the state during the past year concerning enrollments and quality.

The Chancellor said the proposal was completely opposite, both philosophically and educationally to the direction he believed the State System, in principle, should be going. He said he was in favor of doing so because there was no good choice and at some point a decision must be made. He supported this proposal in the belief that it could be limited enough in numbers, effect, and time so that it would be the correct but uncomfortable decision.

The Chancellor said he had just suggested to Mr. Lemman that a sentence be added in Recommendation 5 and an additional paragraph be included to make it clear the Board intended to revisit this issue immediately following the next Legislative Assembly.

Mr. Lemman then presented proposed amendments to Recommendations 5 and 6 and an additional Recommendation 7 for consideration by the Committee. The three recommendations, as proposed, appear below:

5. Urge the 1991 Legislature to amend the Sports Action Lottery statute to uncouple Sports Action from the regular lottery and remove other conditions relating to the use of Sports Action funds, or to take such other action as may be required. Universities should use their shares of lottery proceeds to reduce annual and cumulative deficits.
6. Institutions shall report to the Chancellor at least semi-annually regarding athletic finances, and the Chancellor shall report to the Board at least annually on the same matter. Presidents are to report to the Chancellor and the Board at any time athletic budgets are forecast to be out of balance.

7. The Board will review athletic financing and athletic programs following the 1991 Legislative Assembly with respect to the above decisions.

The Committee recommended that the Board approve the staff recommendations as presented, with the modifications to Recommendations 5 and 6, and the addition of Recommendation 7 as shown immediately above.

Mr. Hensley indicated the on-going six-year study dealing with the educational status of athletes would be deferred to a later meeting to allow sufficient time for this very important subject.

Mr. Lemman then presented the existing statutory provisions and recommended allocations for the Sports Lottery funds, noting that the allocation meets the statutory requirements.

Mr. Swanson requested further information with respect to a communication from members of the Legislature about a 5% allocation to the regional colleges.

The Chancellor indicated the communication had suggested the regional colleges each should receive 5%, for a total allocation of 20% rather than 16%. He said he believed there had been adequate consultations with a number of people on that list of legislators to suggest these numbers were acceptable. He said the number should reflect the will of the people who developed the program and every effort had been made to be certain the allocations were doing that.

Mr. Swanson inquired whether the rationale for the percentages allocated for the three universities was based on some proportion of the budget deficits of those schools.

Mr. Lemman said that was correct. The numbers actually emerged from conversations which occurred when the proposition was begun a year ago during the Legislative Assembly, based on the approximate expectations of the institutions and the drafters at that time. He stated he was not aware of any negative political connotations because this draft and the preceding one had been exposed to legislators and others for comment. The request for the regional schools was received just prior to the Board meeting, and there was no mention of the universities. The increase for the regional schools necessitated a reduction for the others.
Mr. Leman indicated the percentages would apply not only to the $400,000, but to whatever dollar amount generated through the Sports Action Lottery.

The Committee recommended that the Board approve the staff recommendations with respect to the allocation of sports lottery funds.

Mr. Hensley thanked the presidents for their participation. He then adjourned the meeting of the Committee of the Whole and reconvened the Board meeting.

Board Discussion and Action

The Board approved the Committee recommendation, with the following voting in favor: Directors Adams, Bailey, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Hensley. Those voting no: None. Director Bruggere was absent from the meeting at this time.

The Board then approved the Committee recommendation pertaining to the allocation of the sports lottery funds. The following voted in favor: Directors Adams, Bailey, Johnston, Matthews, Miller, Richardson, Swanson, Wilson, and Hensley. Those voting no: None. Director Bruggere was absent from the meeting at this time.

ADJOURNMENT

The Board meeting was adjourned at 2:45 p.m.

Richard F. Hensley, President
Wilma L. Foster, Secretary
A summary of reports, requested information, or topics designated for future review or consideration is presented below:

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<th>Topic</th>
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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 (with SOSC Master Plan)</td>
<td>6/15/89</td>
<td>September 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 be made as needed</td>
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<td>Statement of Expectations re Expenditure of Unrestricted Funds</td>
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<td>Law School, UO—Plan for adequate solution to resource problems</td>
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<td>Minority Education—Institutional Plans, including graduate education</td>
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<td>M.S. Degree in Health &amp; Safety Administration, OSU — Review along with statewide plan in three years</td>
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<td>Coordinated Plan for Delivery of Health Administration and Public Health Programs</td>
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<td>Review of Women and Minorities in High Administrative Positions</td>
<td>1-19-90</td>
<td>Not specified</td>
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<td>WOSC Double Major Designation</td>
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<td>Reports on Athletic Financing</td>
<td>6-14-90</td>
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