An institutional governing board would enhance PSU’s ability to meet its goals and carry out its mission, as I’ve discussed at prior meetings. Similarly, over the years, the PSU Foundation and its board of directors have played an invaluable role in the institution’s success and growth. It is against the backdrop of that successful partnership that I’ve considered the pros and cons of maintaining two separate boards in the event that an institutional governing board is created.

On one hand, I support structural changes that eliminate redundancies and result in greater efficiency. From that perspective, I can see why merging governing and foundation boards into one entity may have appeal.

On the other hand, based on legal advice and considering the historic success of the relationship, it is clear that there are significant benefits to the University in having a relationship with an affiliated—but legally separate and distinct—foundation and foundation board of directors.

The primary purpose of the PSU Foundation is to support the University’s philanthropic activities by receiving, managing and investing funds for the benefit of the University, particularly donor funds.

Due to its separate and non-governmental status, the Foundation can provide a heightened degree of confidentiality and security to donors that personal and confidential information will not be subject to public inspection. Similarly, the Foundation’s separate status ensures that donated funds will be maintained and invested apart from public funds, avoiding comingling or other concerns that might chill philanthropic support. The management of donated funds by an independent, non-governmental board with a fiduciary obligation to the fund has served the universities well for years and has become an expectation of donors.

We made a judgment years ago in Oregon—as has been made in many other states—that the management of donor funds should be handled by a non-governmental entity that is not subject to laws that apply to public entities, such as the public records and open meetings laws. There is no reason to disturb or reexamine that conclusion now. Eliminating the separation between a public university and the non-profit entity managing its donor funds—and in particular, the potential for disclosure of confidential information—could have a detrimental effect on philanthropic support.

Furthermore, the members of the Foundation’s board of directors can focus on issues related to philanthropy to a greater degree than would be likely by members of a governing board. Members of a governing board would also be concerned with academic, financial and operational aspects of the University that are not generally within the scope of the Foundation board’s concern.
In addition to its role in philanthropy, the PSU Foundation has been able to assist the University in other ways. Due to its different legal status, an affiliated foundation can occasionally do those things that a public university cannot do itself, cannot do efficiently or may not want to do directly.

For instance, there are two separately incorporated entities currently affiliated with the PSU Foundation—Broadway Housing LLC and 2828 Corbett, Inc.—which hold title to certain properties that serve the University and assist in the fulfillment of its mission.

In the case of Broadway Housing, the Foundation was able to receive conduit funding from bonds issued by the City of Portland after efforts to secure state bonds were unsuccessful. Due to the Foundation’s ability to enter into a developer agreement without being hindered by the processes and rules that would otherwise apply and its ability to receive funding from city issued bonds, the Foundation was able to construct a new facility with 383 studio housing units in just 18 months, in time for the 2004-05 school year—a goal the University would not have been able to accomplish itself.

In the case of 2828 Corbett, the PSU Foundation acquired and now owns the property that houses the Portland State Business Accelerator. The purpose of the Accelerator is to incubate and accelerate start-up technology and science companies while creating a living laboratory for the University community. The Accelerator leases office and lab space to start up companies with flexible lease terms. In that case, the Foundation acted as a partner in support of an operation that is somewhat ancillary to the University’s core mission, but that is an important part of a larger effort by PSU to promote and support industry collaborations that foster economic development.

In addition to these large projects, sometimes small projects are also made possible or easier due to the involvement of a legally separate foundation. For instance, the PSU Foundation occasionally accepts grants that are available only to 501(c)(3) entities, such as a recent grant from FEMA for security barriers.

Based on these facts, the clear conclusion is that a public university with its own governing board should continue to maintain a relationship with an affiliated foundation that has its own board of directors. Much remains to be gained from that relationship. Those gains outweigh any countervailing efficiencies that might be realized by combining the functions.