Call to Order

Roll Call

Approval of Minutes

♦ Approval of February 15, 2002 Committee of the Whole Minutes
♦ Approval of July 19, 2002, Joint Committees Minutes
♦ Approval of July 19, 2002, Board Minutes

(pages are not sequential with the documents)

President’s Report

Chancellor’s Report

Report from IFS President

Report from OSA Board

Work Session

♦ Biennial Operating Budget
  ♦ Budget Adjustments, Revenue and Reduction Plans
    (Note: Contact the Board’s Office for a hard copy of the full supplemental document.)
♦ Strategic Planning Work Group Report
  (Note: See http://www.ous.edu/board/dockets.htm for a link to the full supplemental document.)
♦ OCKED Recommendations
  (Note: See http://www.ous.edu/board/dockets.htm for a link to the full supplemental document.)

Budget and Finance Committee (VanLuvanee)

ACTION ITEMS

♦ 2002-03 Operating Budget
♦ PSU Agreement with the Portland Development Commission
♦ PSU Purchase of North Macadam Property

CONSENT ITEMS

♦ OSU Hinsdale Wave Research (Increase in Limitation)
♦ SOU Library (Increase in Limitation)
2002-03 Travel Reimbursement Policy

System Strategic Planning Committee (Bassett)

ACTION ITEMS
✧ OSAC’s Three Biennia Plan to Enhance the Oregon Opportunity Grant Program

CONSENT ITEMS
✧ OHSU, Graduate Certificate, Healthcare Management
✧ EOU, B.A./B.S., Media Arts
✧ Consideration of Nominations to the Forest Research Laboratory Advisory Committee, OSU

Executive Committee (Lussier)

ACTION ITEMS
✧ PSU - Urban Housing Lease Extension
✧ Oregon University System Audit Charters
✧ Resolution-Refunding Bond Sale

Investment Committee (Wustenberg)

ACTION ITEM
✧ Change to Investment Objectives and Policy Guidelines

Other Reports
✧ Joint Boards Working Group (Lussier)
✧ OHSU (Imeson)
✧ Oregon College Savings Plan (Lehmann)
✧ Oregon Council on Knowledge and Economic Development (VanLuvanee)

Public Input Session

Items from Board members

Items from Presidents

Delegation of Authority to Board’s Executive Committee

Adjournment

Additions to the agenda are noted in BOLD (10/15/02)
The Board approves the 2001-2003 budget status report. In accepting the report, the Board acknowledges that the tuition surcharges will not exceed those identified by each university for winter and spring terms 2002-03. The tuition surcharges are dependent on the disposition of the January ballot measure. (See Table 1 and attached supplemental material for further detail.) (Note: Contact the Board’s Office for a hard copy of the full supplemental document.)

### Table 1

**OUS Revenue Planning**

<table>
<thead>
<tr>
<th>Proposed Tuition Surcharge Changes¹</th>
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<td><strong>Campus</strong></td>
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1. Based on resident undergraduate student taking 15 credit hours.
2. EOU graduate tuition surcharge is proposed at $50 per credit.
3. SOU proposes a permanent graduate tuition increase of $8 per credit.

**BOARD ACTION:**

Published nearly ten years ago, *Education Unbounded: A Vision of Public higher Education Serving Oregon in the Year 2010*, set a course for public higher education in Oregon that led to streamlined administrative processes (SB 271), a broad set of Board goals (SB 919), and a new entrepreneurial funding model (Resource Allocation Model). At the same time, growth in public universities was being fueled by growing student demand arising, in part, from the increasing importance of baccalaureate education and beyond as the only viable pathway for professional and economic advancement. Along the way, however, Ballot Measure 5 and a continuing loss of State support in
higher education have led the Oregon University System to actively explore a new set of strategies. These strategies are aimed at revitalizing Oregon’s university system, reaffirming the System’s commitment to growth, and realizing its potential for excellence in serving the needs of a growing knowledge economy.

The work reflected in the supplementary document, *Planning Framework Developed by the Strategic Planning Work Group: A Report to the Board Committee on System Strategic Planning*, began during the past year as the Board’s System Strategic Planning (SSP) Committee wrestled with a growing sense that OUS was at a crossroads in its development, needing a framework on which to build a set of policies, priorities, and partnerships that could take the system through the rest of this decade. The SSP Committee’s Strategic Planning Work Group was created at the July 2002 Board Renewal to initiate the construction of that framework. Meanwhile, campus presidents articulated a list of initiatives aimed at freeing universities from unnecessarily burdensome regulation and permitting them to manage their resources with greater flexibility and efficiency.

During two months of intensive work through August and September 2002, the Work Group engaged Board members, presidents, System staff, and the new Chancellor, and focused on those issues most urgently related to the upcoming legislative campaign for the next biennial budget (2003-2005).

Serving Oregonians with a high quality, affordable system of public universities will require a partnership with the State and with students, and will include new provisions for entrepreneurship and accountability. It will require a multi-biennial strategy balancing increasing state support with student tuition and savings accrued through more efficient institutional processes. In return, the Oregon University System will chart a course toward significant performance gains and expanded service to its constituents. The result will be a vigorous, future-focused university system that equips students, businesses, public agencies, and citizens to meet the challenges of the 21st century.

There is more work to be done over the coming months. A major communications effort is in process, and it will be part of a larger marketing strategy. University presidents are working with their campuses and with the Chancellor to redefine campus missions and their connection to the OUS System vision. The Work Group report in
The supplementary document sets the stage and attempts to show how all the different elements of a plan might fit together.

BOARD ACTION:

OREGON COUNCIL FOR KNOWLEDGE & ECONOMIC DEVELOPMENT RECOMMENDATIONS

**Background:**

*Today, a new economy is clearly emerging: it is a knowledge and idea-based economy where the keys to wealth and job creation are the extent to which ideas, innovation and technology are embedded in all sectors.*

The State of the New Economy Report

A knowledge-based economy is everyone's agenda. It affects all industries in all parts of the state. The ability to innovate and stay competitive is just as important to agriculture and retail as to high technology. We know that industries developing and applying technology to increase their competitiveness will lead future job growth and wealth creation. Investments in research and development, ready access to capital, world-class technical talent, and mature entrepreneurial networks are now prerequisites for economic development.

The Oregon Council for Knowledge and Economic Development (OCKED) is committed to helping the state establish a competitive climate and build the asset base required for the knowledge economy. Our focus is on promoting leadership and collaboration for economic development and investing in the three issues that drive quality job growth and wealth creation: enhancing the skills of Oregon's workforce throughout the state, commercializing research into profitable business ventures, accessing capital and business expertise to ensure our businesses thrive.

The Council recognizes that economic development is a combination of short- and long-term strategies. Investments in systems such as education today can have a profound effect for generations to come. Taking direct actions, such as aligning our state policies with national best practices, can have a direct benefit to our economy now as well as continue to attract investment over the decades.
Oregon's economic health and national and global competitiveness is poor. OCKED members agree that there is an extreme sense of urgency to address the issues identified in the Council's upcoming initial report. Now is the time to invest in a sustained effort to enhance Oregon's economy.

The Oregon Council for Knowledge and Economic Development was established by the 2001 legislature under Senate Bill 273. The mission of the Council is to promote knowledge-based economic development in the state of Oregon. To this end, the Council will "focus specifically on ways to increase high-quality research and development; develop successful private-public models for intellectual property and profit sharing; increase technology and knowledge transfer; provide sufficient capital for investment in and commercialization of technology developed by higher education; and promote the development of a technologically skilled workforce."

The Oregon Council for Knowledge and Economic Development is a collaborative effort among Oregon's public and private higher education institutions, economic development leadership, and the private sector. Legislation calls for the Council to act as an "early warning system and play an advisory role, providing guidance and leadership to state officials and state agencies on issues, plans, and the necessary infrastructure for improvement in the areas of knowledge-based economic development and the creation of knowledge-based initiatives." The Council provides a unique forum for discussing issues, encouraging the interplay of university knowledge and emerging growth industries, and coordinating the application of the state's assets in higher education, business, industry, and capital resources.

**How Oregon Measures Up:**

Oregon currently ranks in the middle of all states on key measures of our ability to compete in a global and knowledge-based economy. (See Attachment A in supplementary materials) OCKED recommends that Oregon adopt the explicit goal of being a top ten ranked state in new economy measures. States with high rankings in knowledge-based measures also tend to have higher incomes, net wealth, and stable business growth.
Council Goals and Objectives:

A. Dramatically increase high quality research and development efforts that will create new products, services and businesses leading to high paying jobs and sustained economic growth for Oregon:
   • Increase the capacity for high quality research and development;
   • Facilitate the translation of research into commercial applications;
   • Increase the value and economic benefit of research and technology transfer.

B. Enhance the ability to start and grow companies and to promote entrepreneurs willing to commercialize ideas in Oregon:
   • Increase amount of seed and institutional venture capital available for Oregon's technology sector businesses;
   • Increase the amount of available pre-seed, seed, and institutional venture funding for bioscience sector businesses; and
   • Improve management depth, attraction, and retention within the state.

C. Raise Oregon's commitment to excellence in the education and training of knowledge and technology-based workers.

D. Expand Oregon's capacity to meet the growing demand for knowledge- and technology-based workers.

E. Provide quality education and training for knowledge- and technology-based occupations in all geographic regions of the state

Council Recommendations:

Priority 1: Direct the missions and functions of the state boards of education, Oregon Health & Science University and Oregon Economic and Community Development Department to promote the creation, dissemination and commercialization of ideas to benefit the economy.

Priority 2: Establish nationally recognized "Signature Research Centers".

Priority 3: Provide $5 million in the OECDD budget for seed funding of the Higher Education Technology Transfer (HETT) fund and similar
activities and continue to pursue alternative funding sources. These funds go to campuses for their technology transfer activities.

**Priority 4:** Significantly increase investment and the presence of institutional venture capital firms in Oregon.

**Priority 5:** Enhance the depth of management and entrepreneurial capacity.

**Priority 6:** Immediately enhance the skill level of incumbent workers by developing a statewide strategy for high-demand, technology- and knowledge-based occupations that are central to the competitiveness of multiple industries across the state.

**Priority 7:** Actively support existing higher education efforts that significantly increase the capacity of our engineering, technology, and science programs as well as the number of state-granted engineering, technology, and bioscience degrees.

**Priority 8:** Increase the number and availability of science and technology degrees through enhanced collaboration among institutions [full articulation] and access to distance and e-learning.

**Priority 9:** Increase K-12 capacity to prepare students for future career opportunities by strengthening student interest in science and technology careers through direct exposure and hands-on experiences and by increasing technology, math, and science training for teachers throughout the state.

**Priority 10:** Making a recommendation on whether to Continue the Council past its sunset date.

(No Board Action Required)
A). Under no circumstance shall the principal, as adjusted for inflation, be diminished.” This language was intended to set a general goal for the fund over the long term. However, the phrase “under no circumstance shall the principal, as adjusted for inflation, be diminished” could be interpreted as a directive to staff and investment managers, which was not intended. Such a directive would be unrealistic and would not be in line with standard endowment management principles. Language prohibiting the spending of the original endowment principal, which is a standard principle of endowment management, is included in IMD 6.140(2).

Proposed Changes to the Investment Objectives and Policy Guidelines

Presented below is the suggested revision to Section VIII of the Investment Objectives and Policy Guidelines. Proposed deletions are presented in strikeout.

VIII. INVESTMENT OBJECTIVES

The investment objective of the Fund is to seek consistency of investment return with emphasis on capital appreciation over long periods of time, since the Fund will operate in perpetuity. In keeping with the performance goals included in the Policy, achievement of this objective shall be done in a manner that maintains the purchasing power of the principal. The Investment Committee shall set the goal for maintaining the purchasing power of the principal value of the assets (under Exhibit A). Under no circumstance shall the principal, as adjusted for inflation, be diminished.

Investment Committee Recommendation to the Board

At its September 19, 2002 meeting, the Investment Committee unanimously approved the changes delineated above and now recommends the Board adopt these changes and request approval by the Oregon Investment Council.

COMMITTEE ACTION:

BOARD ACTION: