OREGON ENDOWMENT UPDATE

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Overview of Presentation

- Endowment—what is it?
- Snapshot of endowments
- Impact of economic conditions
- Congressional scrutiny of endowments
Endowment: What is it?

- Hundreds of different funds
- Charitable gifts, especially bequests, are the primary funding source
- Typically established by a donor for a specific purpose
- Donors typically specify how funds can be spent
- Invested with a long-term perspective
- A small portion of the fund’s market value is available for spending each year
Endowments provide “margin of excellence”

- Provide financial aid
- Enhance undergraduate teaching
- Attract and retain talented faculty
- Initiate promising research
- Increase public service activities of faculty and students
- Provide for facilities maintenance and upgrades
How endowments function:

- Created and managed to provide intergenerational equity
- Diversified asset mix to control risk and provide returns that maintain purchasing power
- Spending rules smooth impact of market volatility
- NACUBO spending average of 4.6 to 5.1 percent over last decade
## Snapshot of Oregon Endowments

<table>
<thead>
<tr>
<th></th>
<th>OSU Foundation</th>
<th>PSU Foundation</th>
<th>UO Foundation</th>
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</thead>
<tbody>
<tr>
<td><strong>Market Value:</strong></td>
<td>$278.9 million (12/31/08)</td>
<td>$21.0 million (12/31/08)</td>
<td>$307.4 million (12/31/08)</td>
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<tr>
<td><strong>Number of Funds:</strong></td>
<td>1,752</td>
<td>225</td>
<td>986</td>
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<tr>
<td><strong>Percent Restricted:</strong></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
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<tr>
<td><strong>Average Fund Age:</strong></td>
<td>15 years</td>
<td>14 years</td>
<td>12 years</td>
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<tr>
<td><strong>Distribution Rate</strong></td>
<td>4.5%</td>
<td>4%</td>
<td>4%</td>
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Designations

Endowed Funds
by allocation

Student Support | Faculty Support | Programs | Facilities | Other

OSU Foundation

PSU Foundation

UO Foundation

(PSU: Endowment for Facilities and Other is less than 1%)
Impact of Economic Conditions

- All three endowments have declined.
- UPMIFA provides spending flexibility, but we still have “intergenerational” responsibility.
- Endowment distributions to campuses projected to be flat or down in FY 2010.
- Endowments are not a panacea for the current budget crisis.
National Trends under UPMIFA

- UPMIFA not yet adopted in all states

- In states where it is adopted, many allow spending below original gift value

- Many institutions are in the process of refining spending policies
Recent Congressional Scrutiny

- Current law: universities not subject to mandatory payouts
- The issue: Congress is looking at requiring a 5% annual distribution from endowments greater than $500M
- UPMIFA has already corrected problems with spending rules
- The payout requirement favors today’s students at the expense of future generations
Summary

- Endowments are a long term resource
- Endowed funds provide a margin of excellence
- Endowments are not a substitute for other funding sources, even during robust economic times
- Proposed federal legislation would add an unnecessary level of micromanagement
QUESTIONS?

OSU | PSU | UO