President’s Conversation with the Board
November 21, 2003

Background Information

Dave Frohnmayer, President
Strategic Directions for the University of Oregon

The University of Oregon, after extensive internal review and discussion more than 18 months ago, promulgated a “Strategic Directions” document that clearly identifies the University’s priorities for the next several years. That document is attached as Appendix A.

The Strategic Directions—quality, access, the student experience, and research and economic development—are supported by the realization that we need to develop greater independence and flexibility, as well as greater financial resources, if we are to assure our progress.

Since that document was created, we have successfully moved forward on a number of the initiatives. For instance:

1. We implemented the program to provide a tuition discount for students taking off-peak hour classes. More than 3,000 students took advantage of that initiative, which gave them greater control over their costs and gave us greater flexibility and utilization of our space and resources.

2. We conducted an economic impact study that determined that during the 2000-01 academic year (we would expect all of these numbers to be higher if 2002-03 data were used) the UO:
   a. Contributed $10 to the Oregon economy for every $1 invested by the state;
   b. Provided graduates to the state who returned $1.60 in income tax revenue for every $1 the state invested in their education;
   c. Created 8,000 jobs throughout the state;
   d. Spent $109 million with 4,500 Oregon businesses;
   e. Brought $145 million in student spending on housing, groceries, entertainment, and other products into Oregon;
   f. Attracted $58 million in federal and private research grants ($78 million in 2002-03).

3. We announced that construction of a living, learning residence hall would begin next summer, not only to house 400 students but to provide classroom and interactive space to bring faculty and students together.

4. Our research and tech transfer efforts brought an increase in licensing income to $1.82 million in 2002-03 and produced 36 new inventions—a five-fold increase from just four years ago.

5. We worked with the Board, the University System, and the business community to obtain passage of Senate Bill 437 and to win legislative approval for the state’s investment in Multiscale Materials and Devices (MMD). That provided the single most significant success for higher education from the most recent legislative session.
6. We have made substantial progress in private fundraising to support scholarships, facilities, and academic programs.

The Strategic Directions document provides a framework and specific initiatives to guide our daily effort.

Self Assessment of Financial Condition

The UO competes with the top universities in the country for students, faculty, and grants—without the level of financial support enjoyed by most of our peer universities. This is a tremendous challenge. UO faculty salaries are low by almost any standard, yet we have successfully attracted and retained a truly outstanding faculty, with about 80 percent coming from the Association of American Universities’ (AAU) institutions. We have made major efforts to improve faculty salaries over the past five years, yet we again fell behind in 2001-02. The current salary freeze will further lower our position in 2004-05—probably to less than 80 percent of our peers. When salaries are compared between the OUS universities and their individual peer groups, UO faculty salaries trail the salaries of their peers by the largest percentage.

We absolutely must address this if we are to retain the best and brightest and most mobile of our faculty.

According to OUS’ most recent data (FY 2000-01), our peer institutions received instructional E&G (Educational and General) funding in a 50/50 split from state appropriations and from tuition and fees. The UO received only 40 percent from the state, with 60 percent coming from tuition. The average revenue these schools had per student was about $17,000, while UO had only $11,735. UO’s funding per student, including tuition from non-resident students, is about two-thirds that of our peer universities. This means that our effective RAM percentage is only 65 percent. And it is falling. State support at UO as a percentage of E&G has dropped this year from 40 percent to 33 percent. While tuition has increased, it does not make up for state funding. Our total available revenue to teach each student actually has declined since 2000 by $900 to only $10,548. These are “actual dollars” without adjusting for inflation. If inflation is taken into account, the amount of tuition and General Fund that we have available per student has declined by $1,200 since 1999. Assuming the average of our peers held constant, the UO’s effective RAM percentage per student decreased to 61 percent in 2003, and will fall below 60 percent in 2005. This is an impending disaster for UO and the state.

The situation worsens if the income tax surcharge is repealed, costing OUS institutions at least $11 million. In addition, the legislature has embarked on an unprecedented tactic of subsidizing the state’s General Fund by transferring tuition dollars away from investing in quality education, which will result in an additional $14 million loss to the OUS. We do not know how we will manage the UO share of those revenue losses if those funds are not restored.
UO’s financial situation also depends on tuition income from nonresident, including international, students. These students bring diversity and enrich the educational experience. With these budget cuts, it becomes increasingly difficult to provide value for the tuition these students pay. If they do not choose UO, our financial situation will worsen, reducing quality, access, and affordability for Oregon students.

**Parameters of Change Through June 30, 2005**

*Enrollment Growth*

The UO intends to maintain an enrollment of 20,000 to 21,000. This represents about 29 percent of the OUS enrollment. The challenge will be to maintain the current mix of in-state, out-of-state, and international students. We may modestly increase our enrollment above the 21,000 number but we will begin to push the current capacity of the campus facilities. Increased admission standards will assist in managing enrollment while aiding in keeping Oregon’s best and brightest in the state.

The UO will continue to offer programs in Portland, through the Cascades Campus in Bend, and at the Oregon Institute of Marine Biology on the coast, as well as through distance education. Those initiatives may expand modestly.

In terms of degrees granted, the UO confers about 31 percent of the bachelor’s degrees and 32 percent of the graduate and professional degrees from the University System—more than any other Oregon university—while its share of OUS funds is about 18 percent.

Marketing strategies are focused on attracting out-of-state and international students in order to maintain the current mix and diversity and to provide additional revenue. Student retention has improved about 1 percent per year for the past six years and now is at 83 percent. Freshman retention surpasses the OUS forecasted target, particularly for Oregon students. Our aspiration is to reach 90 percent retention for Oregon residents. We are looking at possible tuition measures to aid in retaining out-of-state and international students.

*New Program Initiatives*

The University is working collaboratively with Oregon State University and Portland State University on the Multiscale Materials and Devices initiative, which received legislative funding this year.

The University has established a new major in Multi Media Design within the School of Architecture and Allied Arts.

Within the College of Arts and Sciences, new bachelor’s programs in Marine Biology and Medieval Studies are in progress, as well as a Professional Distinctions non-degree program. The college has also launched a Society of College Scholars. Other recently approved programs being implemented include bachelor’s degree programs in Ethnic
Studies, Environmental Studies, and Judaic Studies, and a Ph.D. program in Environmental Science and Policy.

The School of Law now manages the state’s Conflict Resolution Program. This provides a service to the state that links to our academic curriculum in providing valuable experience to students.

AHA International, the leading provider of study abroad programs for several academic consortia including OUS, has joined UO. This adds to the University’s capacity for international exchange.

**Program Reductions/Consolidation – academic and administrative**

The UO already has a lean administrative structure, with only seven colleges and schools. The University continues to seek opportunities for efficiencies.

The College of Arts and Sciences has implemented two administrative consolidations:

- Oregon Humanities Consortium—a grouping of small humanities programs (Classics, Religious Studies, Judaic Studies, Humanities, and Medieval Studies);
- and

- Oregon Consortium of International and Area Studies—a grouping of small international and area study programs (International Studies, Asian Studies, European Studies, Russian and East European Studies, and Latin American Studies).

The UO has lost the federally funded Educational Resources Information Center Clearinghouse on Educational Management (ERIC/CEM) through a change in the federal Department of Education.

**Faculty Resources**

The UO’s faculty are extremely productive and every effort must be made to preserve the high quality and outstanding performance that we currently receive. In the College of Education, faculty attract more federal grant funding per faculty member than any similar college in the nation. A Swiss research center ranked the UO faculty 44th among the world’s universities in terms of publications impact, based on the number of published research articles our faculty had placed in top scholarly magazines and journals from 1994 to 1999. Other U.S. institutions in the top echelon of the study were Harvard, Stanford, and the University of California, Berkeley. Ranked lower than UO were UCLA, University of Arizona, Arizona State, University of California, Irvine, and University of Colorado.

The current ratio of students to faculty at the UO is 18 to 1, already higher than almost all of our AAU peers and at a level that we cannot afford to continue to increase. We rank better among our peers in regard to class sizes, with a significant number of classes with fewer than 20 students. This provides additional opportunity for faculty-
student interaction and generally is regarded as a strong reflection of quality. Our average class size is 36 and that may increase next year with the opening of the Lillis Business Complex, in which the majority of classrooms have space for more than 36 students.

Faculty salaries are addressed in the Financial Assessment section, but the UO faces the dilemma of not having the resources to grow the faculty nor to meet salary needs when the freeze on salaries is lifted. This poses a significant problem that will need to be addressed.

**Space requirements**

The University recently has completed or is in the final stages of completing about $150 million in construction projects, in which the state has only provided $10 million, or less than 7 percent. The opening of the new Lillis Business Complex with more than 90 percent private funding significantly increases classroom capacity. The privately funded expansion of the Museum of Art will be completed next year and a reopening of that facility, with new space for teaching of art and art history, will occur next fall. The Lewis Neuroscience Center renovation is another privately financed construction project to benefit the University’s research and teaching efforts.

The University has tremendous needs for additional space. Projects are planned for the School of Music, the College of Education, the School of Architecture and Allied Arts, the University Theater, and for science laboratories. Those areas, along with plans for constructing a new arena, an alumni center, and a living, learning residence hall have been approved as part of our capital plan. It is significant to note that the legislature in this last session did not match the private funding available for the University Theater project. This creates a very grave concern that the donors may walk away from the project.

Deferred maintenance continues to be an issue, including seismic retrofits. With a number of our buildings dating from the early 1900s, the need for increased space, modernization, and renovation will continue to affect maintenance and utility costs.

**Cost implications**

Cost implications for the new academic majors are minimal. Funds are reallocated to follow the students. The major cost implications for academic programs are the inability to increase faculty positions to handle the volume of students overall and the faculty salary issues addressed elsewhere in this document.

The opening of new facilities has an impact on maintenance and utility costs. Interestingly, the use of the latest in sustainable architecture in the construction of the Lillis Business Complex should maintain the utility costs at the same level as the building it replaced although it doubles the square footage. Costs for janitorial services and eventual furniture and equipment replacement will be higher.
The UO supported the OUS bonding request last year that sought $500 million for deferred maintenance. The deferred maintenance need for the UO is estimated at $123 million based on a study by Pacific Partners. Many facilities on campus are beyond their life expectancies. The UO spends approximately $2.5 million a year on capital repair, but we should spend closer to $8.5 million, based on square footage and industry standards.

Some deferred maintenance is mission critical. If the classrooms are too cold or hot, or have inadequate airflow or lighting, our ability to provide education to our students is compromised. If faculty members are unable to present material using the Internet and projectors, the quality of teaching suffers. The challenge we face, to a large extent, is to provide a 21st century education in early 20th century facilities.

**Tuition/Affordability Strategies**

The UO implemented a strategy to provide a discount for classes taken during non-peak hours in order to optimize the use of available classrooms and to provide students with greater choice in their tuition. We project that the discount will save more than 3,000 students a combined $1.5 million this year.

The UO has been reducing the hours available under plateau pricing for the past few years and intends to continue to move toward a “per credit hour” pricing policy.

The limitations enacted by the legislature on fee remissions will have a severe impact on the UO’s ability to provide financial aid. The UO provides the greatest amount of fee remission in the University System. Over the next two years, we have to reduce that amount by $2 million per year. The fee remissions have been used for Diversity Building Scholarships, need-based scholarships, Dean’s Scholarships, and in other programs that carried multi-year commitments. In order to fulfill existing commitments for continuing students, we will have very limited funding available for next year’s entering students. More than half of our students currently receive financial aid.

Out-of-state and international students particularly have a perception that the tuition and fees are unstable and potentially subject to substantial increases. In order to reduce the anxiety of prospective students and families in planning their costs, we are considering a plan to guarantee out-of-state tuition rates for four-year periods.

**Fundraising Expectations**

The UO is in the silent phase of a multi-year comprehensive campaign that will seek to raise about $600 million in private gifts by July 2007. Donors will invest in quality but will not fund basic operations.

The four cornerstones for the campaign are: “Advancing Knowledge Through Teaching and Learning,” “Advancing Knowledge Through Discovery: Research and Scholarship,” “Enhancing Student Opportunity and Experience,” and “Strengthening Our Community and Society.”
The “Oregon Promise” is our commitment that any otherwise qualified Oregon resident will not be denied access because of a lack of funds. That is part of our Strategic Direction of assuring access and a major priority of our fundraising campaign, which has as its goal to raise $100 million for scholarships and fellowships.

Additional goals for the campaign are to double the number of endowed faculty chairs in order to advance the Strategic Direction of improving quality in our teaching and research, and to provide funding for significant capital improvements.

We will seek to double our ongoing fundraising capacity from $40 million–$50 million a year before the campaign, to $90 million–$100 million, post campaign. Fundraising totals in the last two years set records for private philanthropic support of the University. It is critical that the state match private donations for capital projects in order for the University to secure the gifts and realize tremendous savings for the state.

**Research**

The UO has far exceeded its research targets in OUS Performance Indicators and brought in over $78 million in research grants and contracts last year. This is significant in that we have neither a medical, agricultural, nor engineering school, which typically garner substantial federal grants for which we cannot compete.

The UO does remarkably well in generating start-up companies and in tech transfer, especially when scaled for size compared to major universities. In recent years, it has not been unusual for several start-up companies to be spun off from UO-based research. We have revised our targets for 2004 through 2008 substantially upwards. However, this may be unrealistic in view of the severe reductions in state support for research—which is very important in providing seed funding, matching money, and start–up costs—and in view of the salary freeze that puts us at risk of losing some of our most research-productive faculty. It may be that our performance on this indicator is actually at a high point for the foreseeable future.

Funded research at UO is up more than 35 percent over the last two years. On average, a UO faculty member brings in more than $100,000 in external research support. This contrasts with an average UO faculty total compensation of $77,200. The vast majority of these funds are spent in Oregon. According to recent figures reported by the U.S. Department of Commerce, research grant support received by the UO equates to 2,700 jobs created in the state. Over the past 10 years, UO faculty members have generated 61 patents, 52 license options, and 13 start-up companies. The UO is an economic engine, creating jobs and technology for Oregon’s future. However, the strength of this economic engine is severely threatened by the budget cuts and current financial situation.

**Measuring Performance**

*Focus on Accountability:* Managing meager resources has made the UO one of the most accountable and fiscally creative universities in the nation. We have managed to maintain a position among America’s best universities while spending about two-thirds
per student of what our peers spend. We have become a tremendous economic engine for the state, spinning off new businesses, developing patents and licenses, and returning $10 for every dollar the state invests. As a member of the AAU, we have access to a substantial database of information about the performance of its membership—62 of the top research universities in North America. We constantly benchmark our performance both against that larger collection of major research universities as well as against the subset of the AAU institutions that comprise our peer group for OUS performance indicators.

Managing/Assuring Quality: We are making every effort to assure continued quality, but the state’s disinvestment puts quality at risk. The UO’s ability to compete with its peers is increasingly compromised by inadequate resources per student. The UO’s ability to attract outstanding faculty, and thereby continue to provide economic leverage for the state, is at risk through the growing faculty salary discrepancy. The University and its Foundation are investing heavily in a comprehensive fundraising campaign that will be the largest ever conducted in this state. Its success will generate investment capital for quality, but the state also must step forward, both in matching capital projects and in assisting the University in its ability to respond to market forces in an agile fashion.

The UO’s performance indicators are attached as Appendix B.
MAKING A DIFFERENCE
Strategic Directions For the University of Oregon

The University of Oregon is internationally recognized as among the nation’s premier comprehensive research universities. We are the only Oregon institution that is a member of the highly selective American Association of Universities (AAU), and we are distinguished by the strength of our teaching and research in the arts and sciences and the professional schools.

We are committed, through the process of research and graduate education, to excel in the creation and application of knowledge. This places us in the critical role of producing intellectual capital that is central to the state’s prosperity, as well as producing graduates who are well prepared to participate in both today’s and tomorrow’s economy. Because of the strength of our core mission in the liberal arts, our graduates have the critical thinking and analytical skills that allow them to adapt and thrive in a world defined by increasing complexity and rapid change.

In many ways, we are like all other major public research universities. In some ways, we are different. We have a relatively small student body and a very modest level of state support. We offer our students the education available at an AAU institution with the low student-faculty ratio typical of smaller campuses. And we do not let limited state support determine our quality.

The strategic directions listed in this document set forth the areas that will receive our primary focus for the next five years. They are: quality, access, the student experience, and research and economic development. The fifth component is a New Compact with Oregon, which will allow us to implement the first four.

QUALITY

“There is a sense of the distinctive and special about UO. Among the attributes frequently cited are the quality of the program, sense of community, people who care about their institution; the special character of Eugene, the climate and geography, the human scale of the University, and powerful traditions of collaboration, cooperation, openness, and friendliness. There is an ever-present pride and search for excellence. These are qualities that need nurturing and protection.”


A. Goal
We will improve overall institutional quality by investing significantly in the recruitment, retention, and recognition of nationally competitive faculty, by attracting
stronger students to our undergraduate and graduate programs, and by developing distinctive excellence in academic programs. Our quality is reflected in our membership in the AAU, where we are the only member from Oregon and one of just 63 public and private institutions of the more than 2,000 institutions of higher education in the United States. In addition to AAU affiliation, our quality is evidenced through the creativity and innovation of our faculty, programs, and students.

B. Assumptions
1. Our programs consistently challenge and define the boundaries of knowledge and academic inquiry.

   a. We have a high percentage of faculty who are actively involved and highly successful in grant applications for new projects and studies. Their research is funded at more than $60 million per year. Our College of Education has the most productive educational research faculty in the nation in terms of research and training grant funds awarded per faculty member.

   b. We have particular strengths in genomics and proteomics, earth-friendly and cost-effective chemistry, and discoveries about our native Oregon (Department of Anthropology and the Northwest Indigenous Languages Institute).

2. Our faculty command national and international attention for discovery and dissemination of new knowledge in their fields.

   a. Two creative writing faculty, Ehud Havazelet and Dorianne Laux, received Guggenheim Fellowships in support of their work.

   b. Hill Walker’s Institute on Violence and Destructive Behavior received a $1.25 million federal grant to develop a version of its “First Step to Success” program for use by Head Start.

   c. Russell Donnelly received the Fritz London Memorial Prize, the highest international award in the field of low-temperature physics.

3. The University contributes extensive service to Oregon communities and beyond.

   a. Our international students teach in local public schools; students in English work with local literacy programs; student videographers from the School of Journalism and Communication assist with documentaries for Oregon Public Broadcasting; and law students offer free legal services to domestic violence victims.

   b. The College of Education educates Oregon’s teachers and contributes research that shapes the state’s educational system; the Pine Mountain Observatory conducts approximately 200 educational outreach programs in Oregon per year; and the School of Architecture and Allied Arts organizes a national student conference on ecological design.

   c. Alumni Brent Walth and Rick Attig received the Pulitzer Prize for Public Service in 2001 for their coverage of the Immigration and Naturalization Service; Johnpaul Jones has been named the principal design architect for
the planned National Museum of the American Indian, part of the Smithsonian Institute; Helen Frye, the first woman to become a federal judge in Oregon, has ruled on important Oregon issues such as the Rajneeshpuram incorporation and the battle over the spotted owl; and Kathleen Weaver serves as medical director for the Oregon Health Plan.

4. UO students thrive under the direction of faculty mentors dedicated to creating experiential learning opportunities and research.

a. Students consistently earn national academic distinction by being named among the top undergraduates in science and mathematics (Barry M. Goldwater Scholarship) and funded for international research projects in the humanities and social sciences (Fulbright Fellowships).

b. Participatory experiences allow students to apply their learning to meaningful projects in their field such as: Flux magazine, winner for the ninth consecutive year of the Pacemaker award for student publications; archaeological field studies, such as the Northern Great Basin Prehistory Project; and scientific research, such as in the Ecology and Evolution Program.

C. Direction

Across all of our endeavors, our community—faculty, students, alumni, staff, and others—strive for excellence locally and distinction nationally. We cannot do less than compete for the sake of Oregon on the national and international stage.

We must continue our commitment to cultivating excellence in our faculty, students, and programs. This means we must:

1. Develop a faculty that continues to hold standing nationally and command attention for its excellence in education and scholarship. This requires that we:

a. Continue to increase faculty salaries relative to our peer institutions.
b. Double the number of endowed faculty positions in the next five years to allow for the recruitment and retention of the most academically distinguished scholars.
c. Double the financial support for faculty research activity in the next five years in order to increase the opportunities for faculty recognition as members of national academies, recipients of prestigious awards, and recipients of significant federal and private research funding.
d. Recruit vigorously to add faculty of color.

2. Build the strength and quality of selected academic programs with particular emphasis on:

a. Sustaining excellence where it has already been achieved.
b. Promoting excellence where it has prospects for rapid emergence.
c. Withdrawing support for programs with little likelihood for long-term distinction.

3. Recruit an increasingly stronger student body by
   a. Increasing standards both for admission and graduation.
   b. Dedicating efforts to increasing its diversity.
   c. Increasing financial aid.

4. Direct energy at improving our standing with regard to benchmarks traditionally used to rank institutions.
   a. Propose revisions in the criteria used for normed federal R&D expenditures while increasing those amounts.
   b. Normed faculty arts and humanities awards, fellowships, and memberships.
   c. Normed number of doctorates.

**ACCESS**

“Bright and engaged students from Oregon and this region need to have available to them an affordable education at an internationally recognized premiere university or we will lose them, perhaps forever.”

—Dave Frohnmayer, President, 2002

A. Goal
   The University of Oregon is committed to ensuring that all qualified Oregonians have the opportunity to attend and succeed, while maintaining our position as a high-quality research university with a mid-size, academically strong student body. This strategic direction is built on the following assumptions.

B. Assumptions
   1. Significant new state funding will not be available to us to expand our current facilities and allow for increasing student enrollments in peak demand times. Without such an increase in facilities, overcrowding, and decreased quality of the student experience could occur.

   2. Tuition will be an increasingly important source of revenue to the University, given the reality of limited state funding. State funds now comprise only 18 percent of the University’s overall expenditures, and this percentage will decrease with the state budget cuts now pending.

   3. Our principal focus will remain on the traditional daytime student. However, classes offered at non-traditional times will make university programs available to
students who work during the day and do not now have access to degree programs.

4. We do not use our facilities to the extent possible in the late afternoon, evenings, and weekends.

5. A lower-cost tuition alternative would make higher education more affordable for students who could take advantage of it and, therefore, increase access.

6. We must increase our ability to assist fully qualified students for whom financial constraints affect access.

C. Direction

1. We will maintain traditional daytime enrollment at approximately 20,000 while increasing the academic profile of entering students.

   a. Develop a student recruitment plan focused on increasing the academic profile of entering freshman.
   b. Enhance the focus on increased diversity among the traditional daytime student population.
   c. Create a system to track progress.

2. Create financial incentives for student to take classes off peak time, which will make more efficient use of our physical resources.

   a. Implement new tuition structure that offers financial incentives for courses taken in low utilization time slots.
   b. Increase availability of courses and degrees that are offered in low utilization time slots.
   c. Create a system to track progress.

3. Increase the availability of UO programs and classes through the use of off-campus sites and distance learning technology.

   a. Bend
   b. Portland
   c. Distance learning technologies
   d. Create a system to track progress

4. Within five years, establish a $100 million endowment for merit-based scholarships.
THE STUDENT EXPERIENCE

“A recent University of Oregon Orientation Week T-shirt sported a picture of a duck and the simple exhortation “Let your future take flight.” The UO certainly offers many ways for those with lofty ambitions to succeed. With the UO’s caring faculty, excellent academics, and abundance of social activities, the UO is all it’s quacked up to be.”

–The Fiske Guide to Colleges 2002

(Designated the UO for the fourth year in a row as one of the nation’s top 40 “best buys” in higher education.)

A. Goal

The University is committed to providing its students an array of experiences that support academic and personal development within a residential campus experience. The residential experience extends classroom learning and plays a significant role in preparing students for effective participation in a global and diverse society. This strategic direction is built on the following assumptions.

B. Assumptions

The quality of the student body and the quality of the student experience are increasingly important factors in our ability to compete successfully for resources.

1. We must maintain strong academic programs and a compelling campus life if we are to attract and retain capable undergraduate and graduate students.

2. The residential experience, offered through classroom learning, housing facilities, student programs, and co-curricular activities are an important dimension of campus life. To remain competitive, we must improve our facilities, including residence halls, the student union, recreation centers, and resource and cultural centers.

3. Diversity has strong academic benefits for students. By assuring diversity within our student body and in our faculty and staff, we can provide students with greater learning opportunities, more opportunities to develop interpersonal competencies, experience with a diversity of opinions, ideas and background, and preparation for greater involvement in civic and community service.

4. We are committed to international awareness and understanding, and to developing a student body capable of participating effectively in a global society. We recognize that this requires strong programs of international student recruitment, study abroad, undergraduate and graduate instruction and research, and cultural activities on campus.
5. Our mission to cultivate a sense of citizenship, as well as the capacity for sound individual judgment, requires activities that allow students to assume responsibility for individual decisions and to embrace common goals. Student programs provide opportunities for participation and leadership that foster such character development.

6. Our recruitment and financial aid strategies, including both merit- and need-based scholarships, will bring to campus students who are academically strong and diverse in interests, cultural background, and socio-economic level. We seek students who have a strong sense of individual identity but who share a commitment to the highest standards of academic inquiry, personal integrity, and service.

7. We will emphasize the development of leadership ability, as well as the capacity to create and live by community standards that depend on personal honor and social responsibility.

C. Directions

1. Within the next five years, we will construct new residence facilities to provide undergraduate students with living/learning centers that promote a campus culture of engagement with ideas, as well as one or more graduate student housing units.

2. Within the next five years, we will renovate and expand our student union, cultural and international resource centers, recreation center, and health and counseling centers.

3. We will enhance the opportunities for rich human interaction through strategic student recruitment, support of an array of vigorous programs including intercollegiate athletics, and campus and study abroad programs that promote the exchange of ideas and perspectives.

RESEARCH AND ECONOMIC DEVELOPMENT

“The wealth, civilization and development of a state depend upon the education of the masses of its people and upon the education of those who by a process of education become the leaders of these masses in the various departments of life... The state must make it possible for the university to attain the highest known standard, and then must insist on corresponding results.”

–UO President Frank Strong, 1899

A. Goal
We are committed through the integrated missions of research, graduate education, and technology transfer, to excel in the creation, transmission, and application of
knowledge. We will be increasingly competitive compared to other major research universities in the quality of our research programs and the applications that foster economic development and improve the quality of life. This strategic direction is built on the following assumptions.

B. Assumptions

1. A knowledge-based economy is the key to Oregon’s future.
   a. The economy will be driven by a strong high technology industry and by traditional industries enhancing their businesses through effective applications of research and technology.
   b. The economy will require a large investment in research and development that provides an efficient means of transforming basic discoveries into practical applications and commercial products.
   c. The economy will be linked to the digital information age and the applications of high-speed telecommunications, including specialized tools for knowledge management.
   d. The economy will be increasingly global in nature, requiring an effective integration of diverse cultural and societal perspectives.
   e. The economy will be dependent on the workforce having access to lifelong learning opportunities for specialized training and retraining.
   f. The economy will continue to need the broad perspectives acquired through humanistic, culture-based education.

2. We have a direct and significant impact on the state’s prosperity and competitiveness in the knowledge-based economy.
   a. Our graduates are an important component of the state’s intellectual capital and are a primary indicator of the state’s return on investment in the institution.
   b. The strength of our faculty is a major factor in ensuring our ability to contribute to Oregon’s competitiveness.
   c. University-based research will be increasingly important, not only for the creation of new knowledge but also for the transfer of knowledge into the economy.
   d. A diverse community (both in ethnicity and geography) is essential to the preparation of students who will thrive in a global economy.
   e. As a strong economic entity in its own right, the University will continue to anchor the local and regional economies.

3. Access to research resources will be increasingly more competitive and tied to greater demands for measurable benefits to society and the economy.
   a. An additional infusion of state or industry funds is likely to be in the form of targeted investment in workforce preparation and research that seeks a clear return on investment.
b. Major funding trends for basic academic research at the federal level are unlikely to change substantially in the near future, and therefore will place a continuing emphasis on health and science-related programs.

c. The market for top faculty and graduate students will remain highly competitive for the foreseeable future.

C. Directions

1. We will provide essential resources for the recruitment and retention of high quality faculty and graduate student researchers and associated research infrastructure.

2. We will seek expanded external sponsorship for research through an integrated strategy involving the Office of Development, Research, Academic Affairs, and Governmental Affairs.

3. We will build on established research strengths in areas critical to the knowledge economy, such as the biosciences and materials sciences, and will seek targeted state funding for these initiatives.

4. We will be increasingly involved in economic development, such as technology transfer and business start-ups through:
   a. Support of collaborative programs with the Riverfront Research Park.
   b. Expansion of the Office of Technology Transfer.
   c. Development of new public-private partnerships to provide management, money, and marketing services to support business creation.
   d. Support for public legislation and regulatory relief to enhance technology transfer from Oregon universities.
   e. Greater involvement in community efforts to recruit and retain new businesses.
   f. Expanding support of industry for our research, industrial internships, and technology out-licensing.
   g. Enhanced participation in local, regional, and state economic development groups.

5. We will promote performance measures that demonstrate our impact on the Oregon economy, such as the economic multiplier effects of research and development funding and the role of technology transfer (e.g., invention disclosure, licensing and royalty income, start-up companies, industrially sponsored research).

6. We will support an evolving telecommunications infrastructure to provide “bandwidth on demand” that would satisfy the broad range of Internet applications from basic e-mail services to data-intensive business and research applications across the state.
7. Biomedicine and biotechnology offer the combination of opportunity for increased quality of life and vast potential for economic development. Oregon should seize opportunities to advance a biotechnology industry, in part through a combination of academic strengths involving clinical research at OHSU, engineering at PSU and OSU, and the basic sciences at the University of Oregon.

8. We will continue our involvement with the Association of Pacific Rim Universities, with special attention to the part that we can play in the international economic development work of the organization.

9. We will continue to support the classic elements of a traditional liberal education that creates a value-based component for technical and scientific decision making.

**A NEW COMPACT WITH OREGON**

For us to maintain and increase the level and quality of service we provide to the state and to our students, a new compact with the state must be put in place. To compete in the educational marketplace with such limited state assistance, we must be able to make decisions that affect our future in a timely way—to become more agile and efficient. We are not likely to see any increase in the percentage of state funding available to us. We cannot continue to serve the state or the increasing numbers of Oregonians who want a UO education at current levels of state support without significant policy and operational changes. We must be market-oriented, entrepreneurial, and flexible—something that is not currently possible with the state agency constraints now in place.

At the same time, we have no desire to move away from our mission as a public university. We simply believe that in order to fulfill our mission there must be changes in our relationship to the State of Oregon. We have no desire to separate ourselves from the Oregon University System. We value our relationships with our sister universities and see significant growth in cooperative activities. We recognize the need for some central coordination and for a high-level governing board. However, the state’s current governance form leads to inefficiencies, delays, and unnecessary costs. Therefore, we propose a “new compact with the State of Oregon,” with the characteristics described below.

**Benefits to the State of Oregon**

1. We will provide levels of quality in education, research, and public service that cannot otherwise be provided, given current levels of state funding.

2. We will provide this education to substantially larger numbers of Oregonians than is possible under current levels of state funding.

3. Oregonians will have access to our education at an affordable cost.
4. The State of Oregon will receive the benefit of our research and technology transfer.

5. We will maintain or improve the rankings and quality of all our programs.

6. We will maintain or improve our highly valued public services to the state, such as the Orbis library consortium, state of the art telecommunications networks, the Labor Education and Research Center, and the Community Services Center.

Responsibilities of the University

1. We will assure that an internationally recognized education of exceptional quality will be available to qualified Oregonians, with increased financial assistance as needed.

2. Oregon residents will be given priority in admissions. We will accept all qualified Oregonians up to 125 percent of the number that would be fully funded by the state in the Oregon University System budget model. Nonresidents will be accepted only to fill the remaining available places.

3. To give cost predictability to prospective and current students, we will maintain resident undergraduate tuition at no more than one-third of nonresident undergraduate tuition and resident graduate tuition at no more than two-thirds of nonresident graduate tuition.

4. We will exert our best efforts, through the use of state and federal financial aid, privately funded scholarships, loans, and fee remissions, to ensure that full financial need, as determined by federal guidelines, is met for all qualified Oregon applicants.

5. We will work with the state to match investments the state may make in research and public service programs.

6. We will, in cooperation with the State Board of Higher Education, establish a University of Oregon Board of Advisors.

7. We will provide an annual report to the State Board of Higher Education, the Chancellor of the Oregon University System, the Legislature, and the Governor that documents how this new compact has been implemented and will demonstrate accountability for the provisions of the new compact.

Three additional provisions are required for the new relationships between the state and the University to succeed:

1. Our ability to increase non-state revenues must be enhanced.
   a. Within the constraints outlined above, we must be vested with the authority and responsibility for setting tuition and fees.
   b. We must have the authority to spend funds from outside sources without legislative approval.
c. We must have increased capability to borrow money when state revenues are not promised for repayment.
d. We must have the flexibility to establish or expand academic programs, based on market demand.
e. We must have the ability to protect personal information about donors from public disclosure.
f. We must be given flexibility with regard to state regulations on the governance and use of private funds, including restrictive definition of the use of assessments on endowments and of pledges to match state funding.
g. We must retain all interest earning on non-state revenues.

2. Our ability to operate more efficiently and flexibly must be enhanced. In light of the small percentage of funding derived from the state, we should be relieved from the regulatory restriction as described below.
a. Allow us full authority in purchasing, contracting, information technology, and telecommunications.
b. Eliminate legislative approval for all construction projects when neither the construction nor the building operation will receive state funding.
c. Vest with us the authority to buy and sell real and personal property.
d. Grant us the authority to purchase insurance in addition to state self-insurance.
e. Grant us the authority to hire attorneys and outside counsel.

3. We must be allowed to increase entrepreneurial activity and technology transfer.
a. Grant us the authority to hold equity in private companies.
b. Grant us full management responsibility for all negotiations with the federal government on grant and contract issues, including indirect cost recovery, and return 100 percent of indirect cost recovery to the campus.
c. Grant us the authority to manage legal and contractual issues, including issues related to technology transfer and intellectual property.

CONCLUSION

Whether our supporters or our critics are interested in the essential value of a liberal arts education—developing a responsible, creative, and critical citizenry—or in the pragmatic and instrumental outcomes of higher education, the pursuit of quality and the cultivation of excellence forms the foundation on which all success depends. It is not an accident that the finest public universities in the U.S.—Virginia, Michigan, Berkeley, UNC—set and maintain the highest standards of academic inquiry, student learning, and community and regional service in their states. The legacy of their excellence in those states is undeniable. The UO will focus its investments on quality, access, the student experience, and research and economic development to position itself in the state and in the nation to merit its AAU membership and the continued support of its faculty, students, and public.
University of Oregon

Target Setting for Performance Indicators
Targets in 2003-04, 2004-05 (previous 5-year target) and 2007-08 (new 5-year target)

Freshman Persistence/Retention. Full-time freshmen returning to UO for a second year. ¹

<table>
<thead>
<tr>
<th>Year</th>
<th>Low Target</th>
<th>High Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>80.8%</td>
<td>81.0%</td>
</tr>
<tr>
<td>2001-02</td>
<td>81.6%</td>
<td>82.0%</td>
</tr>
<tr>
<td>2002-03</td>
<td>82.4%</td>
<td>83.0%</td>
</tr>
<tr>
<td>2003-04</td>
<td>83.2%</td>
<td>84.0%</td>
</tr>
<tr>
<td>2004-05</td>
<td>83.0%</td>
<td>84.0%</td>
</tr>
<tr>
<td>2007-08</td>
<td>83.0%</td>
<td>84.0%</td>
</tr>
</tbody>
</table>

Performance Trend:
• UO has steadily increased the proportion of freshmen persisting to the second year, achieving a high of 83 percent in 2001-02.

Results Compared to Targets:
• UO has exceeded forecasted targets by about two percentage points.

Rationale for Future Targets:
• The UO has made significant improvement in persistence during the past five years. The uncertain economic situation may significantly impact the institution’s ability to retain students beyond current experienced persistence rates.
• However, the UO intends to continue initiatives aimed at maintaining persistence, including:
  o Support of freshmen learning communities such as Freshman Interest Groups and Freshman Seminars.
  o Expanding the Honors Halls Advisory Board into the Residential Academy, a program that enables students to create programs that stimulate intellectual activity in the UO residence halls.
  o Investigating the impact of need-based and merit-based financial assistance on persistence and implementing appropriate changes to make the most strategic use of limited funds.
  o Continued focus on retention by the deans, Enrollment Management Council, and other appropriate committees.

¹ Each cohort entering in the fall of a given year is tracked to the following fall to determine the proportion continuing at UO. The freshmen entering in 2001-02 are tracked to 2002-03 and included in the 2003 OUS Performance Report.
University of Oregon

Target Setting for Performance Indicators
Targets in 2003-04, 2004-05 (previous 5-year target)
and 2007-08 (new 5-year target)

Total Degree Production. Bachelor’s, master’s, doctoral, and first professional degrees awarded.

![Total Degree Production Chart]

Targets

<table>
<thead>
<tr>
<th>Year</th>
<th>Low Target</th>
<th>High Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>4,194</td>
<td>4,219</td>
</tr>
<tr>
<td>2001-02</td>
<td>4,222</td>
<td>4,302</td>
</tr>
<tr>
<td>2002-03</td>
<td>4,264</td>
<td>4,384</td>
</tr>
<tr>
<td>2003-04</td>
<td>4,307</td>
<td>4,467</td>
</tr>
<tr>
<td>2004-05</td>
<td>3,750</td>
<td>3,900</td>
</tr>
<tr>
<td>2007-08</td>
<td>3,750</td>
<td>3,900</td>
</tr>
</tbody>
</table>

Performance Trend:
- UO did not achieve consistent growth in degree production. Although degrees increased in 1999-00, UO awarded 184 fewer degrees in 2001-02 than it awarded in 1997-98.

Results Compared to Targets:
- UO did not meet its low targets in 2000-01 or 2001-02, missing the target by 5 percent in each year.

Rationale for Future Targets:
As the UO manages within current budget constraints, the size of the admitted entering class will continue to decline. This will result in fewer degrees being awarded at the undergraduate level that will offset gains from continued improvement in persistence rates.
University of Oregon

Target Setting for Performance Indicators
Targets in 2003-04, 2004-05 (previous 5-year target) and 2007-08 (new 5-year target)

Licenses Produced in K-12 Administration (Oregon Shortage Area). Number of endorsements in K-12 administration awarded by UO.

<table>
<thead>
<tr>
<th>Year</th>
<th>Low Target</th>
<th>High Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>40</td>
<td>42</td>
</tr>
<tr>
<td>2001-02</td>
<td>48</td>
<td>51</td>
</tr>
<tr>
<td>2002-03</td>
<td>56</td>
<td>61</td>
</tr>
<tr>
<td>2003-04</td>
<td>64</td>
<td>70</td>
</tr>
<tr>
<td>2004-05</td>
<td>72</td>
<td>80</td>
</tr>
<tr>
<td>2007-08</td>
<td>80</td>
<td>90</td>
</tr>
</tbody>
</table>

Performance Trend:
- UO is making progress based on the data available.

Results Compared to Targets:
- UO exceeded the 2001-02 high target in 1999.

Rationale for Future Targets:
The demand for administrative licensure programs continues to be strong, and the number of students enrolled is close to capacity. Therefore, the number of endorsement recipients is expected to remain constant. The College of Education continues to receive requests to provide opportunities for administrative licensure programs, and it will accommodate these needs to the extent possible within the faculty and financial resources available.
University of Oregon

Target Setting for Performance Indicators
Targets in 2003-04, 2004-05 (previous 5-year target)
and 2007-08 (new 5-year target)

Recent Graduate Satisfaction. The ranking of the overall quality of their educational experience by recent bachelor’s degree recipients on a scale of 1 to 5 (with 1 as low and 5 as high). Scores reported include 4s and 5s combined.2

Graduate Satisfaction Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Low Target</th>
<th>High Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>65.0%</td>
<td>65.0%</td>
</tr>
<tr>
<td>2001-02</td>
<td>65.8%</td>
<td>66.6%</td>
</tr>
<tr>
<td>2002-03</td>
<td>66.6%</td>
<td>68.3%</td>
</tr>
<tr>
<td>2003-04</td>
<td>67.4%</td>
<td>69.9%</td>
</tr>
<tr>
<td>2004-05</td>
<td>75.0%</td>
<td>77.0%</td>
</tr>
<tr>
<td>2007-08</td>
<td>75.0%</td>
<td>77.0%</td>
</tr>
</tbody>
</table>

Performance Trend:
- The rating of the overall quality of the education received at UO increased by 12 percentage points from 1996-97 to 2000-01.
- The mean rating increased by 5 percent.

Results Compared to Targets:
- UO exceeded forecasted low and high targets in 2000-01.

Rationale for Future Targets:
The UO’s goal is to achieve satisfaction ratings at this level by continuing to offer high quality educational experiences and excellent services to our students.

The UO has expanded small group activities within courses to provide further opportunities for students to learn to question critically, think logically, communicate clearly, act creatively, and live ethically. Students also have access to living and learning situations such as Freshman Interest Group (FIG) Residence Halls and the Residential Academy. The UO has also increased its emphasis on opportunities for Participatory Learning Experiences (PLEs) and internship programs that allow students to earn academic credit while exploring career options.

The UO has also focused in degree planning on promoting minors, resulting in an increased number of students pairing liberal arts majors with professional school minors (e.g., more than 2,100 undergraduates with majors in the College of Arts and Sciences have also declared a minor in Business Administration). In addition, the UO has increased career services available to students in its professional schools and offers the “Degrees With Distinction” program.

2 In the future, this survey will be conducted every other year by OUS Office of Planning.
University of Oregon

Target Setting for Performance Indicators
Targets in 2003-04, 2004-05 (previous 5-year target) and 2007-08 (new 5-year target)

Research and Development (R&D) – Annual expenditures for research, training, teaching, and similar activities supported by grants from federal and private sources.

<table>
<thead>
<tr>
<th>Year</th>
<th>Low Target</th>
<th>High Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>$52.6</td>
<td>$53.2</td>
</tr>
<tr>
<td>2001-02</td>
<td>$53.8</td>
<td>$54.9</td>
</tr>
<tr>
<td>2002-03</td>
<td>$54.9</td>
<td>$56.6</td>
</tr>
<tr>
<td>2003-04</td>
<td>$56.1</td>
<td>$58.3</td>
</tr>
<tr>
<td>2004-05</td>
<td>$80.0</td>
<td>$82.0</td>
</tr>
<tr>
<td>2007-08</td>
<td>$92.0</td>
<td>$94.0</td>
</tr>
</tbody>
</table>

Performance Trend:
- UO saw a growth of $20 million in R&D expenditures from 1997-98 to 2001-02. This represents a 42 percent increase (not adjusted for inflation).

Results Compared to Targets:
- UO exceeded forecasted targets by more than 20 percent in 2001-02 (FY 2002).

Rationale for Future Targets:
The UO expects the recent 10 percent growth per year to slow to approximately 5 percent per year based on the realities of the federal budget and the expectation that it will not be possible to increase the size of the faculty beyond current numbers. The UO continues to place emphasis on providing grant writing services, promoting corporate and financial giving, and taking maximum advantage of the opportunities associated with the OCKED and signature research funding opportunities provided during the recent legislative session. Private funding for research endeavors is a particular emphasis in the UO’s fund raising campaign.
Mission Specific Indicators Selected by UO

Target Setting for Performance Indicators
Targets in 2003-04, 2004-05 (previous 5-year target)
and 2007-08 (new 5-year target)

Competitive Faculty Compensation. Average compensation of UO faculty compared to average faculty compensation at institutions in UO’s peer group.

<table>
<thead>
<tr>
<th>Year</th>
<th>Performance</th>
<th>Low Target</th>
<th>High Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>85.7%</td>
<td>87.0%</td>
<td>87.5%</td>
</tr>
<tr>
<td>2001-02</td>
<td>83.8%</td>
<td>89.0%</td>
<td>90.0%</td>
</tr>
<tr>
<td>2002-03</td>
<td>91.0%</td>
<td>92.5%</td>
<td>95.0%</td>
</tr>
<tr>
<td>2003-04</td>
<td></td>
<td>93.0%</td>
<td></td>
</tr>
<tr>
<td><strong>2004-05</strong></td>
<td><strong>83.8%</strong></td>
<td><strong>85.0%</strong></td>
<td></td>
</tr>
<tr>
<td><strong>2007-08</strong></td>
<td><strong>83.8%</strong></td>
<td><strong>85.0%</strong></td>
<td></td>
</tr>
</tbody>
</table>

Note: Data excludes instructor rank; the percentages vary slightly from OUS data, which includes this rank.

Performance Trend:

- Average faculty compensation at the UO has not improved and appears to be declining relative to average faculty compensation at peer institutions.

Results Compared to Targets:

- UO is not making progress in increasing its competitive position for recruiting faculty.

Rationale for Future Targets:

The UO has made a commitment to faculty to maintain progress in this area, and our commitment to this goal remains strong in the long term. However, given the current funding constraints and the salary freeze, the UO will continue to lose ground on this indicator. This goal is strongly related to the UO’s reputation and to its future as an AAU institution, making it essential that the institution focus attention on how to come closer to attaining its goals in this area.
Mission Specific Indicators Selected by UO

Target Setting for Performance Indicators
Targets in 2003-04, 2004-05 (previous 5-year target) and 2007-08 (new 5-year target)

Research and Economic Development Index. The ratio of industrial support for R&D, income generated from technology transfer, and jobs supported by R&D of UO compared to that of the average of the UO peer group.

<table>
<thead>
<tr>
<th>Year</th>
<th>Performance</th>
<th>Low Target</th>
<th>High Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-00</td>
<td>2.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000-01</td>
<td>4.4</td>
<td>2.3</td>
<td>2.4</td>
</tr>
<tr>
<td>2001-02</td>
<td>4.6</td>
<td>2.6</td>
<td>2.7</td>
</tr>
<tr>
<td>2002-03</td>
<td>4.6</td>
<td>2.8</td>
<td>3.0</td>
</tr>
<tr>
<td>2003-04</td>
<td>3.1</td>
<td></td>
<td>3.2</td>
</tr>
<tr>
<td>2004-05</td>
<td>5.5</td>
<td>5.5</td>
<td>5.7</td>
</tr>
<tr>
<td>2007-08</td>
<td>7.3</td>
<td>7.3</td>
<td>7.5</td>
</tr>
</tbody>
</table>

Performance Trend:
- UO appears to be making progress, but the data are available for only two years.

Results Compared to Targets:
- UO results are twice the forecasted targets for 2001-02.

Rationale for Future Targets:
The UO is developing a strong track record in technology transfer and corporate funding. This progress is expected to continue with a 10 percent growth rate per year. This target recognizes the need for economic development activity with significant industrial support for R&D, resulting in income generated by both technology transfer and the jobs created.

We have had an increase of 35 percent in competitively awarded grants and contracts since FY 2001; a doubling in sponsored funding from private sources alone between FY 2002 and FY 2003; and a doubling of licenses related to technology transfer in the private sector in the same time period.