Min
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Committee members present: Jim Lussier, Roger Bassett, Tom Imeson, Leslie Lehmann, Geri Richmond, Bill Williams (arrived at 12:45 p.m.), Phyllis Wustenberg, Tim Young

Chancellor’s Office staff: Chancellor Joe Cox, Tom Anderes, Shirley Clark, Robert Dryden, Nancy Goldschmidt, Mike Green, Grattan Kerans, Marilyn Lanier, Ben Rawlins, Diane Vines

Meeting attendees also included other institutional representatives, other members of the Chancellor’s Office staff, and interested observers.

Call to Order/Roll Call

The meeting was called to order at 12:37 p.m. by Vice Chair Lussier, and roll call was conducted by Board Secretary Vines.

Approval of Minutes

December 21, 2001 Committee of the Whole Minutes

Ms. Lehmann moved and Mr. Imeson seconded the motion to approve the minutes of the December 21, 2001, Committee of the Whole meeting as submitted. The motion passed unanimously.

Discussion Items

Broadening the System’s Participation in Oregon’s Economic Development

Mr. Imeson outlined the history of the Oregon Council for Knowledge and Economic Development (OCKED). He explained that the Economic Development Joint Boards Working Group, which included members from the Board of Education, the Board of Higher Education, community colleges and the Oregon Economic Development Commission, was created to focus on funding for research and development, and for identification and assistance to emerging industry clusters. The group prepared a report that contained several legislative recommendations, including a higher education technology transfer fund; a technology transfer account; a constitutional amendment to
allow Oregon’s public universities to receive stock in exchange for commercialized technology; reorganization and refunding of the Oregon Resource and Technology Development Account; and the creation of OCKED. He noted that they were separate bills that moved through the legislature with a high success rate. He explained that the mission of OCKED is to promote knowledge-based economic development. It is structured to enhance collaboration among the leadership of public and private institutions for higher education, to improve economic development in the private sector, and to serve as an early warning system for several agencies, including the higher education governing boards. OCKED will provide a progress report to the Governor and the appropriate interim legislative communities prior to the end of the year regarding the status of the Council’s mission and to make recommendations about identified areas of interest. He pointed out, however, that at the first meeting, OCKED decided to provide a report at an earlier date in order to have appropriate consideration by the next Governor and legislature. Identified areas of interest include increasing high-quality research and development in Oregon, developing successful models for intellectual property and profit sharing, increasing technology transfer and commercialization of knowledge, and providing sufficient capital for technology developed by higher education institutions or other research institutions to become commercialized.

Mr. Imeson said the Council is chaired by Allen Alley of Pixelworks; Mr. Imeson represents the Board and was appointed by the Governor; and Mr. VanLuvanee, as Board President, is an ex-officio member. Mr. Imeson noted that Presidents Risser (OSU) and Dow (OIT) also participated as technical advisors for the group. At the first meeting, he explained, the group was divided into several committees to address workforce development; technology transfer, research and development; and capital and business formation. Mr. Imeson commended the work of Vice Chancellor Diane Vines and Jim Coonan on this project.

Jim Coonan, OUS Director of Business Alliances, introduced panelists and explained that they have been requested to provide a brief, two-minute discussion explaining whether there is an economic development role for the University System and, if so, to explain that role.

Anne Bunnenberg, president of Electrical Geodesics and board member of the Oregon Bioscience Association, affirmed that there is a significant role for higher education in economic development and expressed the need for involvement between the university community and the people of Oregon. She stated that the university has a unique opportunity to assist with the economic development of the state, but to do so would require a commitment by the System to make economic development a core aspect of it’s mission. She stated that the System would need to focus resources strategically to empower industry segments to grow.

Mardi Saathoff, counsel for Tektronics and former head of the business section for the Department of Justice and board member for the newly created Higher Education
Technology Transfer Fund, explained that the heart of the new economy is the exchange, creation and development of ideas. She stated that no other institution is more at the core of these ideas than the educational system, and higher education in particular, noting that the state’s economy and higher education are inherently linked. She encouraged the Board to take an affirmative stand on the role of education in the economy and to make that role part of the System’s mission. She suggested that the System needs to develop a strategy for strengthening the linkage and determine how to accomplish and execute the mission.

Bill Newman, manager for the Oregon Resource and Technology Development Account, formerly with Shaw Venture Partners and a researcher at MIT, concurred with the comments made by Ms. Saathoff and Ms. Bunnenberg. He referred to a recent article in the *Journal of Private Equity* which attempted to examine the effect of major research universities on local economies. He said it is estimated that approximately 35 percent of all employment in the San Francisco Bay area can, in one way or another, trace its roots back to Stanford, and in Massachusetts, approximately 60 percent of economic activity in the area surrounding the Massachusetts Institute of Technology can trace its roots to MIT.

Mr. Newman went on to say that the role of the public University System is to create knowledge, ideas and highly skilled and trained professionals. One example would be Ballot Measure 10, which would allow universities to take equity in spin outs formed to commercialize university research. It would diversify the local economy and permit the university to gain some benefit from its developments. Training of knowledgeable workers has an impact upon the economy by providing workers to support local businesses and to start new businesses based on the skills they’ve gained at school. He stated that the strategy the System takes must be proactive, working in concert with state and local industry leaders, by recognizing that there’s a multitude of factors that support local economic activity and local economic development. He noted that it is important to recognize that the university’s role is primarily on the idea side and shouldn’t be responsible for forming businesses but should maintain a relationship with local industry and local entrepreneurs.

Steve Lawton, professor of International Business at OSU and award winning participant in the Oregon Executive MBA program, felt that it is the responsibility of educators to assist the state in economic development, not only by teaching students, but also by assisting firms and conducting research that will help the economy to progress globally. He pointed out that most economic sectors are utilizing technology and that the university model isn’t a model of a one-way flow of technology. Some of the most important research that universities conduct is based on problems that come from the interaction with business constituents that approach the university about issues they are trying to resolve. He felt that the universities needed to break down barriers and provide incentives and reward systems to researchers, faculty, graduate students and undergraduate students enabling them to facilitate business and venture formation through economic development.
Ms. Bunnenberg stated that many people, both from higher education and from the business community, have tried to look objectively for possible sectors that would provide the momentum necessary to build an industry, such as in the area of biomedical science. She explained that a tremendous amount of work is being done at OHSU, particularly in the molecular science and biology departments. In addition, UO has a strong neuroscience department and OSU provides material science, information technology, and a new biology driven sector.

Mr. Imeson referred to the discussion regarding possible tuition adjustments and noted that the reason for the discussion of tuition is in part driven by the budget situation that the System currently faces, which is partly the result of the budget situation in which the state finds itself. He pointed out that the System is continuously faced with trying to determine what is the appropriate balance between resources utilized for undergraduate education and its other priorities, such as economic development. Mr. Imeson asked whether any of the panel members had comments about how OUS currently approaches the balance between resources devoted to undergraduate education and the more specialized areas and research that tends to draw interest from industry.

Ms. Saathoff noted that the problems currently being faced by the University System are the same problems being faced in many other industries. She appreciated that, when there is a market downturn, there are very tough decisions that have to be made about costs, access and revenue. She felt that, in higher education, one of the fundamentals of the business is survival, which includes research and technology transfer. She recognized the priorities of undergraduate training, graduate training and continuing education, but felt that a fourth priority should be research and technology transfer as a fundamental of business for the System. To disregard any one of these fundamentals would jeopardize the ability to survive.

Ms. Bunnenberg added that, in tough times, it is necessary to reexamine values and priorities. She recognized the importance of the System’s value proposition in relation to the students, pointing out that industry strongly supports the value of students but that there is also a value proposition in relation to the people of Oregon. She expressed concern that higher education is often viewed as nice to have and not as a necessity by the people of this state. She expressed the need to rebuild engagement between higher education and Oregonians to build a constituency that will provide higher education with the resources it needs to successfully deliver on all of its missions.

Mr. Newman argued that it isn’t possible to differentiate between high-quality undergraduate education and the quality of the research capabilities within the institution. To have high-quality undergraduate education you need high-quality faculty. Those faculty build their careers by obtaining funded research, by publishing in journals, and by enhancing their stature in the research community. Having a high-quality research institution is critical to attract quality faculty. He cautioned against taking an
approach to consolidate efforts into one area or institution. He felt that they should look upon the ability of technology to create virtual centers linking together each of the different institutions.

Expressing concern regarding the involvement of the natural resource sector in this exercise, Ms. Lehmann asked Dr. Lawton to talk about the role of higher education in relation to that sector as it has to do with the state’s competitiveness in the local economy. Dr. Lawton opined that there has been significant focus on the notion of high technology and argued that there isn’t a clear separation between technology-intensive and non-technology-intensive industries. He felt that most industry is competing based on capital or technology, as is the nature of the current economy at a time when the natural resource economy is suffering. He addressed the cyclical nature of high technology and noted that there are some structural challenges to face. He stated that the natural resource economy works and that researchers bring their research to the small and medium sized businesses that sponsor much of the research. He stated that it would be very difficult to replicate this type of relationship as a state system in many of the rural areas. Ms. Bunnenberg pointed out that the bioscience field is appealing not only because of the biomedical potential, but also the bioagriculture potential.

Ron Fox, Oregon Economic and Community Development Department manager of Business and Industry Programs, expressed the importance of creating a stronger and more direct linkage between existing capabilities within the System and existing or prospective businesses. Mr. Coonan said that the business community has a heightened interest in higher education, in spite of the current economy. He stated that part of the objective is to broaden thinking to include as part of the mission of the University the aspect of economic development and its role and relationship to the state.

Mr. Williams asked whether this presentation would be different if this were a private institution. Dr. Lawton responded that, as a state employee, he has a deeply held commitment to the citizens of Oregon. Ms. Saathoff added that the presentation wouldn’t be drastically different, arguing that a private institution of education would embrace the same missions to create critical thinking and innovative students. Mr Williams opined that a private institution would have a mission of “knowledge advancing knowledge” which may have an economic impact.

Mr. Newman reiterated that the primary objective is survival. He pointed out that the System is part of a larger organization, the state, and therefore its role must be to support the survival and prosperity of the state. In a private university, the competitive aspects are somewhat different because it would then compete against other universities on a slightly different level. Mr. Williams said that the focus should be on learning and the economic consequences would therefore be a byproduct. Ms. Saathoff pointed out that the primary mission of education and learning is inherently linked to the rest of the economy.
Mr. Lussier asked the panelists to identify the most prevalent barriers to improving the relationship between education and the private sector. Ms. Bunnenberg felt it is necessary to develop a climate within the educational institutions that encourages involvement with industry. She noted that it is difficult to grow little companies out of university-based research, in part because, in the tenure process, there’s a very stark trade off in most institutions between any kind of involvement in commercialization and academic career success. She felt it would be positive to find ways to make it possible for faculty members, who have an interest in taking their ideas into the world, to be able to do that without suffering the image in their prospects for tenure. She felt that the System could do a better job in conveying what resources are available within higher education. She felt that the System has an ability to play a role in helping encourage the development of capital for the translation of university-based technologies into the private sector.

Ms. Saathoff went on to say that the System needs to create a culture that believes in this vision and that everyone needs to have the same vision that they are part of the new economy that’s developing. She said that vision needs to be articulated by and originate from the Board.

**OSU Reorganization**

Vice President Lussier invited OSU President Paul Risser to provide a brief report on the OSU reorganization. President Risser provided the Board with a document titled OSU 2007, explaining that OSU plans to take a number of steps toward redesign through the year 2007. He noted that OSU has many high-quality programs, but in order to move the entire university to a top quality university, they would have to increase the annual budget by $20 to $30 million. He discussed some ways that he felt OSU could reach that goal, stating that the simplest plan would be to fund the cells at 100 percent of the average of the institution’s peers, which would enable them to provide competitive faculty and staff salaries as well as graduate student stipends and financial aid. He stated that OSU could accept the status quo hoping that state funding for higher education will increase significantly in the future while raising tuition, or it can try to determine its future by doing as much as possible through innovations to convey to the state that its investments will be leveraged even greater because of the efforts it has made.

President Risser expressed the importance of OSU’s main goals to offer the most compelling learning experience possible, to exude excellence, and to treat Oregon as a campus of OSU. He stressed that quality and excellence are important, especially in terms of faculty, staff and students, and that diversity is a core institutional value as well as an educational value. He said that one of the great strengths of OSU is that students have a very wide range of choices between disciplinary programs, interdisciplinary programs and professional programs. Global perspectives are incorporated throughout the University and engage both multiple public and private partners in this success.
He stated that OSU will set priorities and invest in those areas which they think are most important, particularly the five areas in which OSU has national strength: 1) arts and sciences 2) atmosphere, earth and ocean systems 3) biosciences and health 4) engineering and technology and 5) natural resources. He argued that the power of these five areas is the interaction among them as well as the strength of each individually.

President Risser said that OSU will also focus intentionally on integrated learning experiences so that students coming to the university will experience total immersion learning and can connect the learning which occurs inside the classroom with learning outside the classroom.

He noted that the responsibility of OSU to the residents of Oregon is important. He said OSU priorities are teaching, learning, research, discovery and outreach, but as a land grant university, the prosperity of the State of Oregon is also important. OSU accepts a role in terms not just of economic development, but also in the social and the civic dimensions of the state and environmental conditions.

President Risser went on to address the issue of increasing the budget. He stated that OSU will increase its private funding, explaining that the OSU Foundation has reorganized to that end. OSU plans to increase revenue from the growth of both core and perimeter programs, which are related to the core programs that are generating revenue, including professional development programs, summer and distance education programs, and technical workshops. He said the university will increase technology transfer and research and business partnerships, noting that last year OSU generated about $2 million in intellectual property revenue. He felt it is unreasonable to simply raise tuition without being able to tell the students that OSU is operating the University as effectively as possible, so they will focus on making sure that academic programs and administrative programs are streamlined as much as possible.

President Risser stated that OSU will explore some cost-effective relationships with the System, explaining that last spring the OSU board of advisors was asked to evaluate the relationship between OSU and OUS to explore more cost-effective ways of addressing different options.

President Risser stated that OSU is in the process of setting goals for the next five years. He recognized the challenge of making substantial changes in an already stretched environment. The question, he said, is whether OSU has the fortitude, structure and processes available to make these kinds of changes in a time of rapid growth. He explained that the faculty will be examining student services, curriculum, research and technology transfer and institutional management to address these issues.

President Risser asked that the Board recognize that OSU has a distinctive mission. He stated that as OSU goes through this process it will need some flexibility to make
changes which will occur faster than the current structure allows, but are needed to expedite the process. He asked that the Board help and support them as they explore different relationships between the university and the System.

Mr. Imeson asked which of the things requested did President Risser feel was the hardest to obtain from the Board. President Risser responded that recognition of OSU’s distinctiveness and undergraduate education is the highest priority, but that the issues of research, technology transfer, and reaching out around the state are also very important. Ms. Wustenberg asked, in reflection on the past several months, whether OSU was on the fast track with the financial management system study. President Risser stated that they have a group working on that as well as on information management and they will continue to do so.

Ms. Lehmann asked all the presidents to continue to provide advice and support to the Board in these difficult times. Mr. Lussier felt that, given the current economic difficulties being experienced nationwide, there is a lot of focus on how to go about recreating the future through strategic planning, building relationships, developing new plans and addressing chronic issues. He suggested the Board look at these issues as opportunities for the future and not necessarily as barriers, and pointed out that positive can come out of the process, particularly in terms of innovation.

**Adjournment**

The meeting adjourned at 1:47 p.m.