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News

Thanks, But No Thanks

January 17, 2011

When Richard W. Lariviere describes the funding cycle for the University of Oregon, he sounds like he's talking about a crash diet. The university's president suggests it's simply unhealthy to subject an institution to the whimsy of state appropriations, which more often than not are insufficient to satiate Oregon. That said, Lariviere finds it remarkable that the university has done as well as it has with just 9 percent of its budget coming from state sources.

"We've been on a bread and water diet for so long, we know how to build muscle mass on that diet," he says.

But Lariviere doesn't think the model as currently defined can work in the long run, so he's joining an incremental movement in public higher education that's predicated on the notion of asking the state for flat or even *less* funding over time in exchange for greater autonomy. While his [plan](#) carries unique features, the proposal at Oregon has shades of existing [structures in Virginia](#), along with emerging [proposals in Louisiana](#) and within the [University of California at Los Angeles's business school](#).

It is a notable sign of the times: more college leaders are arguing that the traditional model of funding public higher education is dysfunctional, and advocates of a new way forward say they've reached this conclusion after frustrating years of legislative sessions that are typically defined by handwringing and disappointment. In his pitch to lawmakers, Lariviere says he's often reduced to the same tired declaration: "We're doing very important work for the future. We need more money to do it well. Please give us more money."

"We've been doing that for 30 years, or at least I have been, and it really hasn't pushed the envelope very far," he says.

At the heart of Lariviere's plan is a request that the state commit to its 2010 level of funding – about \$65 million per year – for 30 years, using the funds to pay debt service on bonds worth approximately \$800 million. The university would match the bonds with \$800 million in private gifts to create a \$1.6 billion "public/private" endowment, which would – along with the university's current \$435 million endowment and tuition revenues – sustain university operations within the first year, according to university officials' estimates.

In making the case to Oregonians, who would have to approve the bonding arrangement through a constitutional amendment, Lariviere has suggested that the predictability of the endowment returns – estimated at an average of 9 percent a year – will allow the university to accurately project stable tuition increases in the neighborhood of 4 to 5 percent a year.

Anyone who has seen the [beating endowments have taken](#) in the last couple of years is sure to be skeptical of the certainty with which Lariviere discusses projected returns. But he argues that, over time, investment returns on endowments have been far more predictable than the decisions of lawmakers.

Part of Lariviere's plan, now embodied in [two separate pieces of legislation](#), would be for the University of Oregon to have its own governing board, rather than remaining under the umbrella of the Oregon State Board of Higher Education, which oversees the system's seven universities. That's created some tension with board members, who have questioned whether ripping the flagship from the system would undermine the political leverage of the other institutions.

"We don't stand in opposition to that potential outcome, but we have not in effect crossed that bridge," Paul Kelly, the board's president, says of the flagship having its own board. "That's where the rub is, because the University of Oregon is saying we've already figured that out, so give it to us now.... It's kind of 'damn the torpedoes, go full speed ahead' on their approach."

There is common ground between the board and the flagship, however, when it comes to the need for changing the relationship public universities have with the state. The board has put forward its own proposal, also captured in [new legislation](#), which would remove the university system from "state agency" status. Such a change would leave universities no longer subject to regulations many view as cumbersome and arcane.

By way of example, Kelly notes that universities don't even have the flexibility to spend the tuition money they collect. If an enrollment boom leads to higher than projected tuition revenues, for instance, universities have to get permission from the Legislature to use the funds, Kelly says. On a related note, there is some precedent for the Legislature raiding university tuition reserves for other purposes.

"That's maybe the example we beat the drum loudest on," Kelly says. "Almost anyone can look at that one and say that's not fair. You have student tuition money and you're going to use it for what? Prison guards?"

While Kelly and Lariviere both project enthusiasm for their proposals, the fact that these discussions are even taking place is something both say is lamentable. If state support were more reliable, after all, none of this would be necessary.

"It's just very, very unfortunate for the country and its future that we find ourselves in this position, and collectively all states have to find a way out of this pickle or we will undercut the future economic well-being of the country," Kelly says.

Bold Plan in Bayou

Many of the same state-level encumbrances driving the discussions in Oregon are causing concerns in Louisiana, where business leaders are [pushing](#) for Louisiana State University at Baton Rouge to have greater autonomy. Dubbed the Louisiana Flagship Coalition, the business group suggests Louisiana State submit to accountability measures, such as research benchmarks and improved graduation rates, in exchange for being free of state regulations that govern procurement, construction and tuition rates.

"The argument is, over time there is less reliance on the state. And over time, because you are looking less and less like every other state agency, it makes sense to take these shackles off," says Sean Reilly, co-chairman of the coalition and president of Lamar Advertising Company.

The coalition cites a series of state regulations that, if lifted or relaxed, could save the university \$85 million in the first five years, in part by eliminating 115 positions that would no longer be necessary.

The plan amounts to an attack on bureaucracy, suggesting there's a very real cost to the hoops the university must jump through as a state agency. For instance, state agencies must annually "tag" any item worth more than \$1,000 in inventory reports. Raising that threshold to \$5,000, along with loosening other procurement rules, would help cut 18 positions and save \$32 million, the coalition estimates.

"All those rules that ensure nothing could ever go wrong have a cost of their own," says John (Jack) M. Hamilton, Louisiana State's provost and executive vice chancellor.

Underlying the coalition's argument is the suggestion that Louisiana's flagship university could rise in stature if lawmakers would only treat it like one of the nation's preeminent flagship institutions. The often-cited examples are Virginia and Pennsylvania, which have seen public research institutions thrive in tandem with loosened state regulations.

While there is [some debate in Virginia](#) about whether lawmakers have honored the "restructuring" agreements that granted several universities greater autonomy, the commonwealth is frequently mentioned as a trailblazer for redefining the state-university relationship in the name of greater flexibility.

"If you give us a model like Virginia, we will start moving closer to the outcomes that Virginia has in terms of graduation rates," Hamilton says.

There's a long way to go before that happens. For the class entering in 2004, the six-year [graduation rate at Louisiana State](#) is 61 percent, and that number falls to just 26 percent for four years. Comparatively, Virginia's [six-year graduation rate](#) is 93 percent, and its [four-year rate](#) is 85 percent.

Faculty at Louisiana State generally support the underlying premise of allowing the university greater autonomy, but the limited details of the proposed plan have already caused some concern, says Kevin L. Cope, president of Faculty Senate at the Baton Rouge campus and chair of the Louisiana State System Council of Faculty Advisors. Not surprisingly, some of those faculty concerns echo those in Oregon, where there are fears that giving the flagship special status will mean splitting it off from other campuses and thereby weakening the political power of both the flagship and the other institutions left to fight on their own. As Cope explains,

Louisiana's other systems – the University of Louisiana, the Louisiana Community and Technical College System, and the Southern University System for historically black colleges and universities – might have more power in the halls of the Legislature if Louisiana State were carved up in some way from a governance perspective.

"It would be a slightly dangerous thing if this were to issue in the breakup of the LSU system, unless the other ones were broken up" too, says Cope, a professor of English and comparative literature.

As for John Lombardi, the system's president, he says the coalition has "effective leadership and we all look forward to its campaign." But will lawmakers go for the plan? He's not so sure.

"Whether the legislative and executive branches of state government will agree to relinquish the tight controls they now exercise over higher education in Louisiana remains to be seen," Lombardi wrote in an e-mail to *Inside Higher Ed*. "Traditionally, this has been a difficult challenge, but perhaps in the privatizing mode that is now more popular, some will see the contradiction that exists between centrally controlled government regulation of public higher education and the push to move government services into a competitive marketplace where the success of public institutions becomes a function of their ability to serve their constituencies."

There are also concerns about whether the protections of staff would be weakened if they were removed from the Civil Service System, which sets regulations regarding pay and hiring and firing employees.

"We don't have any other protection for the staff services in the state," Cope says. "Once civil service is gone, they are in a lawless environment.... They become, in the purest sense, at-will employees. I would submit that is cruel and unacceptable in the modern and presumably academic-inspired environment in which we work."

Proponents of the Flagship Coalition plan haven't been bashful about the fact that exempting the university from the Civil Service System would make it easier to remove staff. Indeed, the plan specifically states that the exemption would allow for "more efficient layoffs and reorganizations."

And then there's the matter of how this movement came about. While the Flagship Coalition's goals align with those of many faculty and administrators at Louisiana State, Cope says he's concerned about the way the process has played out thus far.

"Already, some people have noticed there is no faculty input into the Flagship Coalition," he says. "This is happening at the very top of the trees among people who are politically connected and wealthy."

And because the coalition's membership leans toward a business orientation, their ideas are often couched within the context of filling Louisiana's workforce needs, rather than building a comprehensive university, Cope says.

"This is also an area where the Flagship Coalition may need to get some vision or certainly will come into criticism," he says. "You seldom find any support [in their proposals] for basic research or the core traditional disciplines in the humanities."

— **Jack Stripling**