A NEW PARTNERSHIP BETWEEN THE STATE OF OREGON AND ITS UNIVERSITIES

Affordable access to public higher education
Legislative action required to address state funding crisis and skyrocketing tuition that are blocking Oregon families’ access to higher education
As state support for higher education declines, universities seek greater autonomy to stabilize funding and tuition

“What's at stake is Oregon universities' ability to provide a higher quality education to the next generation of students. The state slowly has been withdrawing from its role in that vital enterprise, and it seems certain to withdraw still further… If state government can't be a robust partner in financing higher education, it should at least support universities' innovative efforts to find their way forward.”

~ The Register-Guard EDITORIAL

“Universities: Cut us loose” June 4, 2010
Oregon families struggling to afford a college education

- Oregon is failing in its public mission to provide quality higher education to Oregonians at affordable tuition levels
- Dwindling state appropriations to universities mean skyrocketing tuition
- Current funding and governance are outdated and not applicable to new challenges facing the state or its public universities
- University of Oregon ranks dead last among AAU public universities in state funding per student
<table>
<thead>
<tr>
<th>University</th>
<th>FY2008 State Appropriations per FTE</th>
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<tbody>
<tr>
<td>Stony Brook University</td>
<td>$21,014</td>
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<tr>
<td>University of North Carolina at Chapel Hill</td>
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<tr>
<td>State University of New York at Buffalo</td>
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<td>University of California–Los Angeles</td>
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<td>University of California–Davis</td>
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<td>University of Minnesota–Twin Cities</td>
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<td>University of California–Berkeley</td>
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<td>University of Maryland–College Park</td>
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<td>University of Nebraska–Lincoln</td>
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<td>University of Kansas</td>
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<td>University of Michigan–Ann Arbor</td>
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<td>Michigan State University</td>
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<td>University of California–Irvine</td>
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<td>University of Washington–Seattle Campus</td>
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<td>Ohio State University–Main Campus</td>
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<td>Purdue University–Main Campus</td>
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<tr>
<td>The University of Texas at Austin</td>
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<tr>
<td>University of Virginia–Main Campus</td>
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<tr>
<td>University of Illinois at Urbana–Champaign</td>
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<tr>
<td>Indiana University–Bloomington</td>
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<tr>
<td><strong>University of Oregon</strong></td>
<td><strong>$4,071</strong></td>
</tr>
</tbody>
</table>

UO is DEAD LAST in state funding among peer institutions.

FY2008 state appropriations per FTE. AAU also includes University of Colorado, Penn State University, University of Pittsburg, and Rutgers University. They are excluded from comparison due to alternative funding model that does not use state appropriation.
UO TOTAL PROJECTED REVENUES, 2010–11
$726.3 MILLION

Tuition and fees $287,900,000 40%
Gifts, grants, and contracts $188,922,000 26%
Auxiliary enterprise and other $187,888,000 26%
State appropriations $53,400,000 7%
Federal American Recovery and Reinvestment Act funds $8,200,000 1%

Figures as of May, 2010; state appropriations have gone down since then.
1 Operating support from the 2010 American Recovery and Reinvestment Act state fiscal stabilization funds
2 Source: University of Oregon Office of Institutional Research.
There are solutions to the challenges.
OUS governance proposal is a good first step

- Tuition investment income accrues to OUS schools
- Accountability via performance agreements
- Greater autonomy over operations and finances
OUS Proposal + UO Plan = Best Solution

- Greater accountability for each university through local governing board
- Direct oversight for individual institutions
- State level board sets performance standards and benchmarks
Universities flourish under individual governing boards

GREATER ACCOUNTABILITY

• More direct oversight and expertise

• Governor-nominated, legislatively-approved board members

EFFICIENCIES

• Faster decisions on institutional challenges and opportunities

• Local insight into needs of individual institutions

• More efficient operations lead to institutional cost savings
Top universities governed by local boards
Local governing boards successful across Oregon

- OHSU
- Port of Portland
- Port of Coos Bay
- 17 community colleges
- 20 educational service districts
- 198 public school districts
- 36 publicly-owned electric utilities

“The public corporation allowed OHSU to be more nimble and flexible. We train more students, we do more research, we treat a lot more patients and have more outreach programs than would have been possible without the public corporation.”

~ Joe Robertson, president of OHSU

“Universities seek more autonomy” June 1, 2010
How do we stabilize tuition for Oregon families, making college accessible to all?
Public endowment offers promise of stable, affordable tuition
Bonding is used for a variety of services Oregonians depend on.

OUR STUDENTS SHOULDN’T BE LEFT OUT.
Public endowment funding model reduces risk and transfers accountability to universities

- Prior to any bonding by the state, institutions required to raise dollar-to-dollar matching funds from private sources

- For UO, state would continue $63 million dollar a year appropriation for annual debt payments on general obligation bonds that create the endowment

- UO Foundation manages combined public/private endowment

- With estimated 9% return on endowment investments and 4% annual endowment distribution, the endowment is projected to generate $64 million in its first year and grow each year to $263 million in its 30th year – at no additional cost to the state

- UO then is self-sustaining and off the state general fund in perpetuity
Without change, tuition continues to skyrocket as state funding erodes and enrollment grows.

COMPARISON OF UO STATE APPROPRIATION AND TUITION REVENUE PER STUDENT

State appropriation per student
State appropriation per student (projected)
Tuition and fees per student
Tuition and fees per student (projected)

ALL FIGURES 2010 DOLLARS  SOURCE: UNIVERSITY OF OREGON OFFICE OF INSTITUTIONAL RESEARCH
Public endowment leverages private investment in Oregon students at no additional cost to the state.
If an endowment had been created in 1990:

- Endowment balance would now be worth $4.1 billion
- The State’s obligation would be $63 Million for 10 more years, then zero in 2020
Public endowment: how it works

- Public and private dollars phase in over time
- Complete voter and legislative control

2011
Legislature refers bill to voters.

2012
Voters approve use of bonds for endowment.

2013
Pending voter approval, this marks first session when Legislature may approve bonds for endowment.

2014
As private dollars are raised, an amount of state matching funds is directed to endowment per legislative approval.

2015 and beyond
Legislature approves bonds until endowment is fully implemented. Legislature always retains control of amount and timing of bonds.

Bonds paid off; UO receives no further bonds for operations.

The UO is self-sustaining and ensures more stable tuition once the public/private endowment is fully implemented.
Why is the endowment model the best solution?

- Endowments have been used as successful funding mechanisms at private universities for centuries
- Can be managed for more flexible asset allocation delivering higher returns
- Provides predictable funding to ensure university self-sufficiency in perpetuity
- Risk transfers to university, not state
- Only possible proposal to address tuition stability
- Leverages tremendous private investment in Oregonians’ education
WHY ACT NOW?

“At its core, this new initiative is a means of extending the opportunity of a college education to the greatest possible number of Oregonians. It will stabilize the cost of a college education and will alleviate concerns that tuition rates at the UO may rise above many Oregonians’ financial reach.”

~ UO President Richard Lariviere

“A bold vision: the University of Oregon’s financing plan deserves thorough consideration.”

~ Mail Tribune editorial, June 4, 2010
ADDITIONAL RESOURCES & NOTES

www.uofoundation.org
www.newpartnership.uoregon.edu

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