

# Understanding the 'New Partnership'

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President Lariviere believes an individualized governing board will keep tuition costs at bay

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NEWS REPORTER

A culture of boom-and-bust funding for Oregon's higher education system left the University considering drastic, untested changes to its systems of governance, accountability and funding.

In May of this year, the University's Office of the President penned an authoritative report, known as a white paper, called "Preserving Our Public Mission Through a New Partnership with the State." The document, still in draft

form, proposes a shift away from the centralized governance of the State Board of Higher Education by creating a more localized governing board, as well as the creation of a new \$1.6 billion endowment composed of state and private funds.

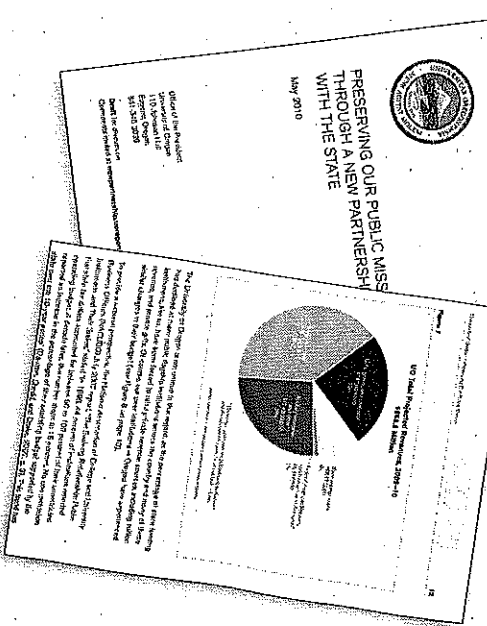
In a fall 2010 Oregon Quarterly article, University President Richard Lariviere said the new plan was catalyzed by past years of fiscal uncertainty, which often left the school scrambling to manage its \$700 million annual operating budget with the less than 10 percent that the state affords it each year. Because of such uncertain financial straits, the University struggled to keep tuition costs consistent, though students have come to expect steady 7 percent annual jumps in costs.

"You can see that there is a tremendous and growing burden on middle-class families who send their students to us for education," Lariviere said in the article. "It threatens to put higher education beyond the reach of an expanding segment of worthy students, and that is a frightening prospect for all of us."

As a result, Lariviere's argument for the change in funding holds that middle-class Oregonians are being bereft of the experience of higher education, compromising the state's competitiveness and value of its human capital.

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**WHITE PAPERS** • OFFICE OF RICHARD LARIVIERE  
"Preserving our public mission through a new partnership with the University of Oregon."



## NEWS

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"Oregon is engaged every day in an economic competition with other states, regions, and countries," Lariviere wrote in the report. "Today's economy is knowledge-based, and our state is in danger of losing the advantages that our political, educational, and business leaders have gained for us over many years."

Included in the New Partnership document is a figure from the University's Office of Institutional Research delineating the state funding that 30 different institutions of American Universities schools received per full-time student in 2008. The University ranks dead last with roughly \$4,000 per student, less than what half a dozen California universities and other Pac-10 schools like the Universities of Washington and Arizona receive.

Taking into account all of these disconcerting factors, the University has proposed the New Partnership in order to change this paradigm.

### Funding

Faced with a 2010-2011 Fiscal Year state and federal allocation of \$61.9 million — less than 9 percent of its budget — the University is asking the state to float \$800 million in bond money to the University. Then for the next 30 years, the only financial obligation from the Oregon Legislature will be a \$65 million fixed annual debt service. In what the University is touting as a win-win situation, the state will not have

to increase its funding for three decades while the school itself will have a dependable source of invested income insulated against state budget shortfalls.

"We are trading political risk for financial risk, and the financial risk is less significant," the University's Senior Vice President and Provost, Jim Bean said.

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RICHARD LARIVIERE  
UNIVERSITY PRESIDENT

This financial risk revolves around the fact that the University's economic future will depend on lucrative investment by the University Foundation, which has projected a 9 percent average annual return on the \$1.6 billion principle amount. Since 4 percent of the return will be withdrawn out of the endowment every year to cover operation costs, the University is depending on a optimistic stock market to keep it functioning. The realistic risk factor is debatable, but University administrators have said the school will be much worse off financially if it remains dependent on the state.

"If we don't do this, I guarantee you we will have much less money to deal with," Bean said. "This is about stopping the bleeding."

### Governance and Accountability

Under the proposed model, the University will establish a

public governing board similar to those functioning in Virginia and Washington, where each public university has an opportunity to house its own board to make financial and operational recommendations. University administrators said that even with this decentralization of control, the school would still be held accountable

to the state because the majority of the governing board members would be appointed by the governor and confirmed by the Senate.

"There is a lot of talk out there that we will get out of control of the state," Bean said. "That is not true at all."

According to the New Partnership draft, "all governing and budget decisions related to the University of Oregon would rest with the local campus board."

Bean said this arrangement is preferable because many aspects of the institution are too complex to be governed in tandem with Oregon's other six public universities.

"We are interested in being governed by a group that understands more of the complexity of the institution," Bean said. "We want to be run by more invested oversight."

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