

Register-Guard Editorials

Editorials

Lariviere: Cut UO loose

President proposes budgetary independence

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Before Richard Lariviere's plan for a bond-funded University of Oregon endowment can be understood, it's necessary to examine why the school's president would propose such a sharp break with the past. He's doing it because he sees little prospect of an end to the Legislature's chronic budgetary neglect, and has concluded that the UO could do better if it were given a lump sum to manage on its own. That conclusion flows from a depressing but realistic assessment of the state's weak commitment to higher education. Legislative leaders' initial response to Lariviere's idea has been chilly, but if they reject his plan they should accept the obligation to change the assessment that brought it forth.

The Legislature is providing \$65 million in state funding to the UO this year, about 9 percent of the university's revenues. The state contribution in 1991 was \$63 million, or \$108 million in inflation-adjusted dollars. Lariviere proposes locking in state support at the current level. The state would use its \$65 million to make yearly payments on an \$800 million bond. The university would match the bond funds with money raised from donors, and manage the \$1.6 billion pool of capital as an endowment.

If investment returns matched the historical performance of funds managed by the UO Foundation, the endowment would earn an average of 9 percent a year. At that rate, 4 percent of the endowment's funds could be distributed to the university each year, with the remaining amount plowed back into investments. The distributions would yield \$64 million in income for operations during the first year and \$263 million by year 30, while over three decades the amount in the endowment would grow to \$6.9 billion. Only under the most pessimistic projection would the university receive less from the endowment than it currently receives from the state.

There's more to Lariviere's plan, including the creation of a separate board of regents or trustees for the UO and the adoption of a set of performance goals to ensure continued accountability. But the primary aim is to achieve financial independence from state government.

Two harsh judgments underlie Lariviere's decision to seek such independence. One is that the UO would be better off locking in state support at its current low level, rather than hoping for increases in legislative appropriations. The experience of the past 20 years provides scant basis for such hopes. The state's political leaders know that the UO ranks last among members of the

American Association of Universities in per-student funding, that young Oregonians are less likely to have a college degree than their parents, and that a society's level of educational attainment is directly linked to its prosperity. Despite knowing all this, lawmakers have allowed higher education's share of the state budget to shrink by half over the past 20 years.

A second judgment is that even though the endowment's invested funds would be exposed to market risks, the threat to the university would be greater if it continued to rely on state appropriations. For the UO, Wall Street looks like a better bet than Salem.

House Speaker Dave Hunt said Tuesday that Lariviere's proposal is "not realistic." Oregon has other universities and other programs that need state support, Hunt said. The solution is to create an economy strong enough to support all of them, along with a robust budgetary reserve to sustain the state budget during recessions. Hunt compared the UO's president to a teenager asking for his entire summer's allowance on the last day of school.

Yet a teenager who has been given reason to expect a smaller allowance in August than in June is behaving rationally in requesting an up-front payment. The state has starved higher education in good times and bad. Among Oregon's seven universities, only the UO is in a position to shift to an endowment model of funding.

The real reason lawmakers are unlikely to approve Lariviere's proposal is that it would mean surrendering control over aspects of UO operations such as tuition levels — even though the state has manifestly failed to restrain increases in tuition. If legislators are intent on maintaining control, they should embrace their responsibility to ensure both quality and access. If the state's leaders can't or won't meet that responsibility, they should be willing to consider other means of sustaining Oregon's vital institutions of higher education.