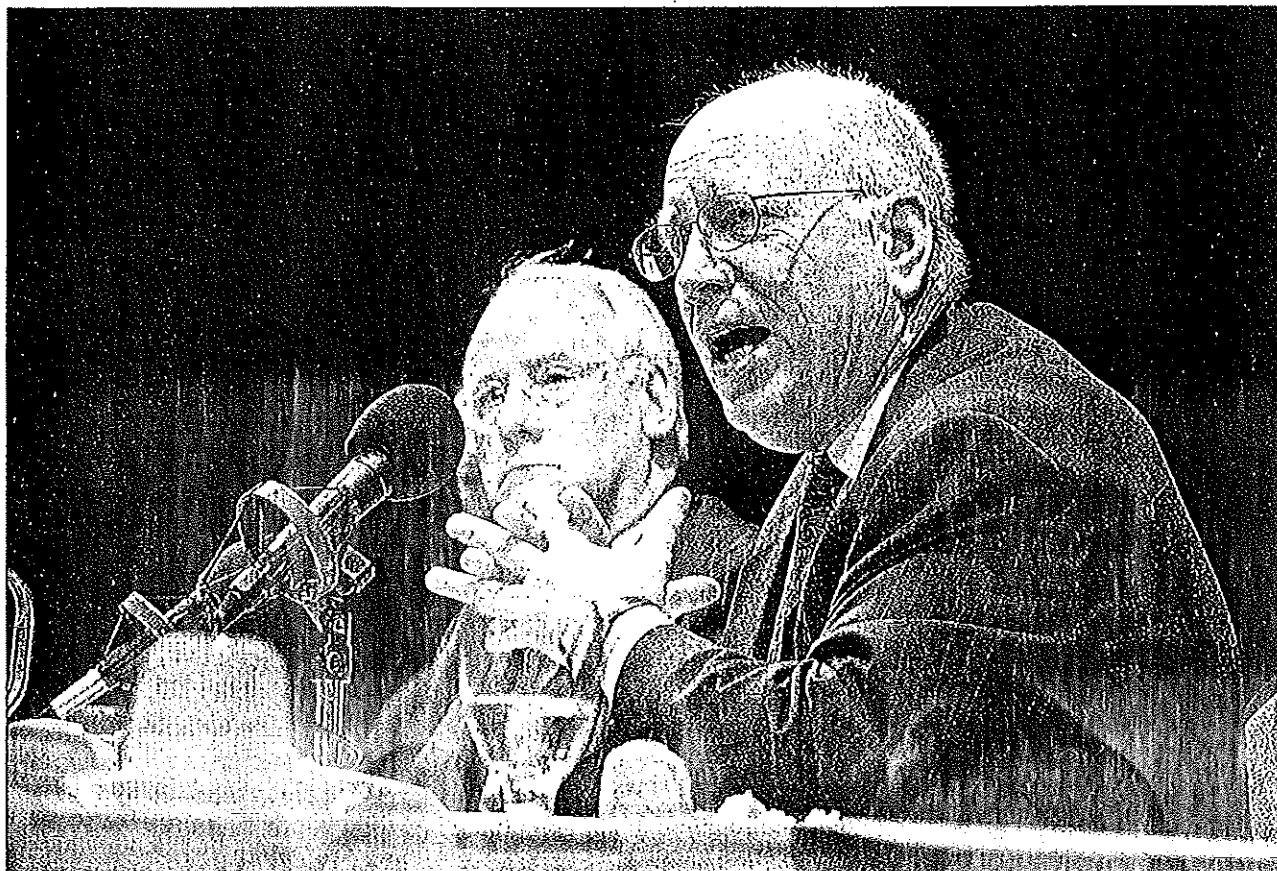


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George Pernsteiner, chancellor of the Oregon University System



MICHAEL CLOFF/THE OREGONIAN

Oregon State University President Ed Ray (left) and George Pernsteiner, chancellor of the Oregon University System, field questions from members of the City Club of Portland after their luncheon presentation on higher education reform Friday at The Governor Hotel.

# Oregon's universities make their case for a freer hand

Higher ed leaders push for independence on finances to maintain gains in enrollment and student achievement.

By **BILL GRAVES**  
THE OREGONIAN

The Legislature must cut Oregon's seven universities free of stifling bureaucratic regulations if they are to sustain unprecedented momentum in enrollment and student success, university leaders told the City Club of Portland on Friday.

"Oregon public universities are pretty much on track to bring the next generation of Oregonians to education levels never before enjoyed in this state," said

George Pernsteiner, chancellor of the Oregon University System. "If we lose that momentum, it will be hard to get back."

And the university system will lose momentum, he said, if it is forced to keep operating as a state agency with restrictions on how it manages, spends and raises money.

He and Ed Ray, president of Oregon State University, argued that universities deserve the kind of independence the state's 17 community colleges enjoy, as proposed in Senate Bill 242, because universities are getting less money from the state. Adjusting for inflation, state funding for the universities dropped 16 percent over the two decades ending in 2009 while enrollment climbed by 27 percent.

"The university system is subject to the

controls of thousands, thousands, of budget line items imposed by state government even though only a minority of the funds received by the universities come from the state," Pernsteiner said.

With the Legislature facing a \$3.5 billion budget hole for the 2011-13 biennium, the university system can expect to see state funding shrink by another 20 percent or more, Pernsteiner said. A cut of that magnitude "without this change from state agency status," he said, "will force big cuts. It will force enrollment losses. It will mean higher tuition."

Ray said state regulations bar OSU from spending its reserves on repairs. They also keep it from spending revenue it earned from a recent surge in enrollment to hire

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## Higher ed: Universities would accept accountability

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more professors. State restrictions "raise (university) costs needlessly" and "increase their financial and operating uncertainty," Ray said.

The university leaders said they could save millions of dollars if they had more flexibility and authority to issue bonds, make contracts and capital purchases, manage staff and benefits, and hire legal services. They could move faster on building projects. They could save millions in health insurance with the option to participate in plans other than the state's.

Their legislative proposal also would give universities more control over money they collect in tuition, a growing source of revenue. The Legislature no longer would be able to take the interest universities earn on tuition or raid their tuition reserves to spend on other state services.

In exchange for more freedom under the proposed bill, the university system would be held accountable to performance goals such as targets for enrollment, graduation rates, degrees awarded, research grants and affordability.

The bill is widely supported by education leaders and busi-

ness groups. Probably the biggest threat to it, Pernsterner said, is inertia should lawmakers become too preoccupied with the revenue crisis.

The University of Oregon is trying to blaze its own path to independence with a separate bill that proposes to give it more autonomy and its own governing board. The State Board of Higher Education opposes the bill. UO President Richard Lariviere also wants to create a \$1.6 billion endowment, financed evenly by private donations and state bonds, to operate his university.

Public universities in other states also are seeking more independence in the face of declining state support. Business leaders are pushing for fewer state regulations on spending, construction and tuition at Louisiana State University at Baton Rouge in exchange for performance goals in areas such as research and graduation rates.

The University of California at Los Angeles business school has offered to give up all state funding in return for more flexibility and the authority to raise out-of-state tuition to the level of private universities.

In Oregon, legislation to give universities more freedom could dramatically shape the state's destiny, Pernsterner said.

"This bill will, I believe, do more to ensure prosperity for Oregon and Oregonians than just about anything else the Legislature will consider this year."

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