

# Universities lobby for freedom

The chancellor and OSU president make their case for reducing the Legislature's control over higher education

By DAVID STEVES  
The Register-Guard

PORTLAND — Two of Oregon's leading figures in higher education on Friday urged power brokers in the state's largest city to get behind their proposal to greatly loosen legislative and other government control of public universities.

George Pernsteiner, chancellor of the Oregon University System, and Ed Ray, president of Oregon State University, made the case to about 200 at a City Club of Portland luncheon for legislation that would end the state's treatment of the seven public universities as a state agency.

Pernsteiner said it is "a relic



George Pernsteiner

of a decision made by this state in 1929" that universities are treated as a state agency. As a result, they are burdened with thousands of regulations, he said. In addition, universities' tuition sur-

pluses that have resulted from ongoing record-level enrollment are at risk of being diverted into other areas of state spending, such as operating prisons, he said.

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## Universities: UO pushes its own plan

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State higher-education officials for years have tried intermittently and with only modest success to reduce control that state legislators and others exert over the state's public universities.

This time around, the lobbying is complicated by the fact that the University of Oregon is pushing its own breakaway plan, which is separate from and in some ways more radical than the plan being pushed by Pernsteiner. Both the state board and the UO are arguing that their plans have merit given state government's severe budget crisis.

Pernsteiner and Ray both made their pitch Friday for Senate Bill 242. The state Board of Higher Education's recommendation is to give the university system far greater autonomy from government regulations than other state agencies receive.

The 176-page bill has yet to be taken up, but is expected to be heard by the Senate Education Committee after the Legislature resumes on Feb. 1.

The UO was conspicuously absent from the panel of speakers Friday. It is pushing a separate plan — which the Oregon University System opposes for now — to set up its own governing board and establish a large endowment, partly with state money. That proposal is contained in Senate Bill 559.

Under his plan, UO President Richard Lariviere would shift much of the authority for setting tuition and managing the UO's affairs to a new, separate UO governing board, rather than keeping it with the Legislature and the state board.

Lariviere's plan also calls for the Legislature to allocate \$800 million in state-backed bonds matched by an equal amount in donations to be raised by the UO to establish a \$1.6 billion endowment that most likely would be controlled by the University of Oregon Foundation. The state would pay principal and interest on the bonds, and the UO would use the earnings from the endowment to help run the school. In return for receiving the state bond proceeds, the UO

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GEORGE PERNSTEINER  
CHANCELLOR, OREGON UNIVERSITY SYSTEM

would forgo its annual allocation — currently about \$62 million a year — from the state's general fund.

Under Lariviere's proposal, the UO would remain part of the Oregon University System, and a member of the state higher education board would sit on the UO board. The state board would hold the UO accountable for meeting specific performance goals, but the UO board would have responsibility for all governing and budget decisions related to the university.

The proposal by the higher education board follows similar lines but with important differences. It would allow the university system to operate with more independence from the Legislature, similar to how the state's community colleges are now run, but without the power to impose property taxes.

The state board's plan doesn't include any endowments, and the state would continue to allocate money each biennium for universities from the general fund. But universities would have more freedom to raise and spend tuition, manage their budgets, raise private money and build buildings. Also, universities would keep all their tuition revenue, including the interest earned on tuition while it is deposited in state accounts. Currently, that interest goes to the state general fund.

Pernsteiner told his audience that the university system sees its autonomy plan as the most promising option available as it navigates a future of continued decline in state support. Since 1990, Oregon's share of spending for the Oregon University System has dropped from covering 70

percent of the cost to 20 percent.

Voters in 1990 passed Measure 5, requiring the state to take up an expanding share of public school budgets as property tax rates were capped. As a result of that and other growing spending demands, the state Legislature has devoted less and less to universities.

That in turn has forced a sharp increase in tuition. Twenty years ago, tuition covered 30 percent of the cost of education; it now covers 70 percent.

With the state facing a \$3.5 billion shortfall — about 20 percent of the cost of maintaining general-fund programs at 2009 levels — for the 2011-13 biennium, Pernsteiner said, he would not make the "ask" that higher education supporters may have expected.

"I could ask for more money. I could make the case for more," he said. "But I'm not going to do that because there just isn't any more."

He and Ray rejected the options of cutting spending and capping enrollment on campuses or raising tuition — something that led to a 40 percent tuition boost in the 1990s and resulted in what Pernsteiner called a "lost generation" of Oregonians who aren't contributing to the economy as they might have, had they attended public universities.

The only remaining option, they said, would be to cut public universities loose from the current scheme of state control.

Ray and Pernsteiner said passage of SB 242 wasn't a sure thing. Pernsteiner said the biggest barrier is that legislators could be so caught up with the state budget that they don't give sufficient consideration to the university system's proposal.

Ray said the biggest potential obstacle is the natural reluctance among elected officials in the Legislature to give up a large share of their own control of public universities and trust education leaders to comply with their proposed accountability benchmarks on tuition, affordability, efficiency and achievement.

"There is a bit of a leap of faith, a bit of an element of trust that has to be involved here," Ray said.

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