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Former higher education leaders say Oregon's system needs overhaul

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By **Suzanne Pardington, The Oregonian**



John von Schlegell

Five years ago, Gov. Ted Kulongoski recruited a new slate of business leaders to serve on the State Board of Higher Education and charged them with saving the state's university system.

This summer, the last of those appointees stepped down, feeling disappointed and frustrated over the structural and political roadblocks to making the big changes needed for dramatic improvements.

John von Schlegell, who resigned from the board recently, sent Kulongoski a letter this week calling for an overhaul of the way the state manages and funds its seven universities.

"If people just wait around for more money and don't change the system with pretty radical changes, we're just dying a slow death," von Schlegell, managing director of a Portland-based private equity firm, told The Oregonian.

Two former members of the 12-person board, who were also appointed in 2004 and stepped down this year, said they support von Schlegell's letter.

Kirby Dyess, a private investor and retired Intel executive, and Don Blair, vice president and chief financial officer of Nike, said they agree that the state needs to make fundamental changes to meet its higher education goals.

"The reality is, we are not going to have money to throw at this and write blank checks," Blair said. "Now is the

time to push hard and step up and take some risks."

Kulongoski is equally frustrated with the slow progress, said Anna Richter Taylor, his spokeswoman.

"It is not easy to tackle a system that is decades in the making, and change is really hard," she said. "But the governor agrees that we have got to find a way to provide more stability to our schools and students."

Von Schlegell proposes setting up higher education as its own public corporation headed by a CEO and citizen board with more power to control its income and costs, such as tuition and health benefits.

The new system would be more efficient and the board would be held accountable for its results, he said.

It's a plan the board has been talking about for years but "we haven't accomplished a lot of it," von Schlegell said.

Wim Wiewel, president of Portland State University, said that getting rid of additional layers of paperwork alone would save money.

In addition, the university could be more entrepreneurial if it could negotiate its own benefit packages, set different tuition rates for some programs and act more quickly in real estate deals, Wiewel said. "A governor can't change the economy, but the structure of government they can actually affect."

Kulongoski plans to give von Schlegell's ideas to the governor's "reset Cabinet," a panel of advisers on making big changes to state government.

"Everything is on the table," Taylor said.

That's the same thing the governor told his new recruits to the board in 2004, von Schlegell said.

All three former members stopped short of personally criticizing the governor. But they clearly felt that Kulongoski had recruited them to make changes that the structure prevented them from doing.

"The reality is that there were a lot of things that were not on the table, and it was very frustrating," Dyess said.

Blair said that building a consensus among faculty, students, employees, the Legislature and the governor, all of whom have slightly different agendas, can leave a "morass of compromise."

"What you end up with is the status quo," he said.

When the board members started in 2004, they wanted to change the world but instead they made a lot of incremental changes, Blair said. "Did we put the system on a path to long-term stability and to be competitive

with the global economy? I'd say, not yet."

The push for change lost much of its public momentum in 2004, with the departure of former Gov. Neil Goldschmidt, who resigned as president of the board after admitting that he had sexually abused a 14-year-old girl in the 1970s.

The state system serves 86,500 students in seven universities. Oregon's per-student spending on its university system, \$5,624, was ranked 45th in the nation last year, according to a report by the State Higher Education Executive Officers.

State lawmakers boosted university funding significantly, to \$893.2 million in 2007-09 but cut it back by about 8 percent to \$820.9 million for 2009-11.

Former board members give Kulongoski credit for protecting university funding as much as possible during the recession. Using his veto power, he restored \$13.4 million in general funds that legislators cut in the final hours of this year's session.

But money is only part of the solution, they say.

Von Schlegell proposes giving the system a lump sum instead of breaking it into 6,300 different line items in the state budget. The per-student funding should be no worse than 25th out of 50 states, he wrote.

Von Schlegell said the board also lost institutional memory in the turnover of board members.

"I felt if I left this," he said, "at least I'd be on the record with what I learned over the five years."

-- *Suzanne Pardington*; spardington@news.oregonian.com

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