Lariviere asks state for $800 million to keep college accessible to middle-class Oregonians

University President approached legislators to enact new budget plan

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University President Richard Lariviere asked Oregon legislators Friday for $800 million in state-issued bonds to be floated into the school's endowment to mediate tuition spikes and other costs.

Lariviere, faced with tuition rising roughly 7.5 percent annually if unmediated, made the request out of concern for the ability of Oregon's next generation of middle-class students to attend college.

If tuition increases persist, in-state students hoping to attend in 2020 will be expected to pay upwards of $17,000. This, the president said, will render a college education unaffordable for a greater portion of middle-income Oregonians.

"It is not fair," Lariviere told a legislative work panel reviewing various proposed overhauls to the state's higher education system. "We have to do something."

Lariviere's solution to such sharp periodic tuition spikes, as well as insufficient state funding for campus operating costs, is to take the $63 million the state allots the University annually and bundle it with the next three decades' worth of funding.

Asking for the nearly $1 billion up front and investing it in the open market, he thinks, will allow the University to sustain itself with investment income and to end its dependence on state budgetary kickbacks.

And the plan may be in the state's best interests, Lariviere said. According to Lariviere's plan, regardless of the University's fluctuating financial needs, the state's annual financial obligation to the institution would remain at $63 million for the next 30 years.

"Our proposal is to capitalize the state's current investment in the University without asking for more money," Lariviere told the Oregonian in May.

If the budget overhaul is adopted by the upcoming legislative session, the University's next step will be to match the state's $800 million with private donations and then place the resulting $1.6 billion into its endowment to be invested by the University Foundation.

As a result, the University would be able to draw roughly 4 percent of the maturing fund (compounding at 9 percent annually, the foundation projects) each year for its operations and provide an anticipated funding source to conciliate tuition increases and other unforeseen expenses.

"This will change our ability to protect the middle class, and those are the people who are being squeezed," Lariviere said.

Critics of the president's plan think it leaves too much to chance and places a disproportionate burden on taxpayers.

Mike Shedlock, an investment advisor representative for SitkaPacific Capital Management, said that protecting the University's nest egg is not worth tacking nearly $1 billion onto the state deficit.

"The state absolutely cannot afford to go $800 million into debt on a chance the idea will work out," Shedlock wrote on his blog at globaleconomicanalysis.blogspot.com. "I have a better idea. Given the university feels it can raise $800 million and earn 9 percent on it, (it) should do just that, and taxpayers should do nothing."

ASUO President Amelie Rousseau worries that the bond money could be spent on any number of expenses and that no clause of the new budget states that the state's money must be spent to moderate tuition rates.

"The proposal does talk about tuition stability, but I haven't seen proof whether (tuition) will decrease or increase," Rousseau said. "We just don't know how the money is going to be spent."

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