A bold vision

The University of Oregon's financing plan deserves thorough consideration

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As state leaders grapple with yet another gaping hole in the budget, the University of Oregon has put forward a bold idea for financing the university's operations. Many questions remain to be answered about the plan, but it is worthy of serious consideration from the Legislature and from Oregon voters.

In its simplest terms, the UO plan would tap $800 million of the state's bonding authority, matched dollar for dollar with private contributions to the university, to create an endowment. The state would continue to contribute annually what it does now — about $65 million — which would satisfy the debt service on the bonds.

In the second year, the endowment would begin generating more money for the university than the state pays now. After the 30th year, the state would pay nothing, the bonds would be retired and the endowment would be self-supporting.

On its face, this sounds like a good deal for the university and for the state, which has failed miserably to support higher education in recent decades. But it raises the larger question of what to do about the state's remaining six public campuses. It also calls for tying up half the state's bonding capacity for a single institution.

UO President Richard Lariviere makes a convincing case that the plan would work for his university because it has the proven ability to raise enough money to match the bonded amount dollar for dollar, while the smaller campuses such as Southern Oregon University may not. That still does not solve the funding issues facing the other campuses.

Lariviere acknowledges the audacity of asking for $800 million in state-issued bonds for one university, even if it would cost taxpayers no more. He suggests the bonds could be sold in phases over three years to lessen the impact.

Another question involves the governance of the state's public universities, and whether this plan would limit the Legislature's control over public higher education. If lawmakers had made sure the University of Oregon received adequate state financial support over the years, they would have a stronger case for retaining authority over its operations.

But the state's flagship university lags well behind other public institutions in the level of state support it receives. In 2008, UO received less than $4,000 per student in state funding — not only much less than comparable universities in other states, but less than every other campus in Oregon.

The difference has been made up in large part from increases in tuition, in the process pricing too many Oregon students out of a college education.

Lariviere says a key goal of this proposal is to allow the university to know how much it needs to charge in tuition over several years, so it can say to prospective students and their parents, "This is how much it will cost to attend the University of Oregon each year for four years." That predictability
alone would be a tremendous improvement over the status quo.

All these questions and more must be answered before this plan can become a reality. Implementing it would require a vote of the people to amend the state Constitution to extend the state's credit to benefit the university.

This is a bold proposal, one that would forever change the relationship between the state and its flagship university. It deserves thorough and careful consideration.