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University of Oregon President Richard Lariviere asks legislators for $800 million in bond money

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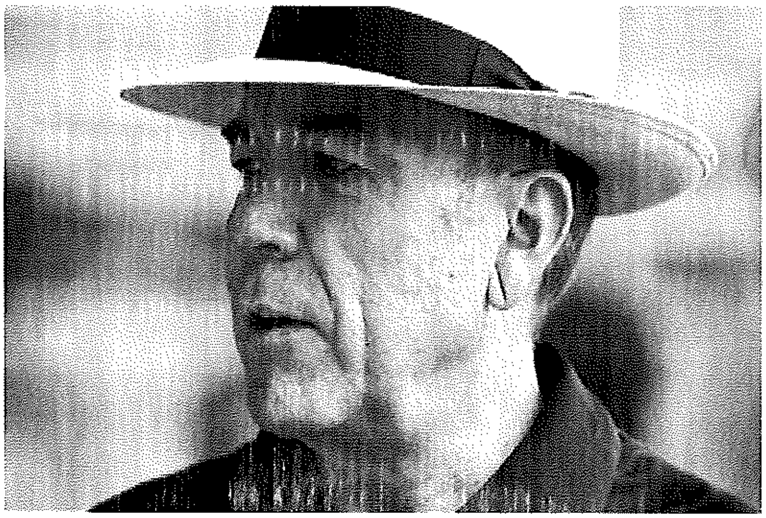
By **Bill Graves, The Oregonian**



Randy L. Rasmussen/The Oregonian

Richard Lariviere, president of the University of Oregon, hopes to use state bonds and an endowment to create more predictable, stable funding for the university so middle class students are not squeezed out by costs.

An impassioned **University of Oregon President Richard Lariviere** made his pitch before legislators today for funding his university with $800 million in state-issued bonds.

If the university does not find a new way to raise money, tuition will keep climbing an average 7.5 percent per year, as it has for the past 38 years, he said. That means annual tuition will hit $17,000 by 2020, he said, a price tag that will squeeze out middle class students.

"It is not fair," he told a legislative work panel reviewing a variety of proposals to overhaul the state's higher education system. "We have to do something."

Lariviere's controversial funding plan, which he says has never been tried anywhere in the country, will be introduced as a bill in the 2011 Legislature, said **Sen. Mark Hass, D-Beaverton,** co-chairman of the work group, which met at Portland Community College.

"This is one of the most significant proposals in higher education we have had in decades," Hass said.

Lariviere said he also wants the university, now governed by the State Board of Higher Education, to have its own 15-member governing board appointed by the governor.

In exchange for more independence, the university would agree to meet performance goals set by the Legislature on freshman retention, college completion and other measures.

The president has proposed the state use the money it now spends on UO, $63 million, to make annual payments over 30 years on bond money for the university. Payments at that level would support the financing of about $800 million in bonds.

The plan would be a bargain for the state, the president argued, because its annual obligation to the university would remain $63 million a year and not increase for 30 years.

"We are not asking for more money, " Lariviere said.

The university in turn would match the $800 million with private donations and put the entire $1.6 billion into its endowment, which would be invested by the university's foundation.

The university would then draw 4 percent to 4.5 percent of the fund each year for its operations. The foundation projects it could on average reap a 9 percent return on the endowment, which would grow to $6.9 billion in 30 years.

If the university had invested the same amount in 1994, the endowment would have grown to $3 billion by now, yielding $145 million for the university to spend this year, Lariviere said. His argued his plan would give the university predictable, stable funding that would allow it to lower tuition and spare families surprise spikes in college costs.

"This will change our ability to protect the middle class, and those are the people who are being squeezed," Lariviere said. "I feel passionately about this because I owe so much to public higher education, and I wouldn't be at this table if someone hadn't provided me with a good education."

State Treasurer Ted Wheeler recently warned the state should not sell more bonds until its finances recover. But Lariviere said the state should have more borrowing capacity by the time the university would collect bond money. His proposal needs approval from the Legislature and a voter-supported change in the constitution, and that's not going to happen before 2013.

Bob Davies, president of Eastern Oregon University, said Lariviere's plan is creative and has merit, but questions remain about how it would affect the rest of the university system.

He agreed with Lariviere on one point. "We have got to do something different."

-- **Bill Graves**