

## Senate Education and Workforce Development Committee

March 1, 2011

Hearing Room B, 1:00 pm

### PRESIDENT RICHARD LARIVIERE REMARKS

Chairman Hass and members of the committee, I am Richard Lariviere, president of the University of Oregon. It is my pleasure to be here with you today for the introduction of the New Partnership bills, SB 559 and SJR 20. I have had the opportunity to visit with each of you about the bills, although my conversation with Sen. Shields was brief.

I appreciate the opening remarks by Senators Edwards, Beyer, and Nelson as well as the support of other members of the Senate and the House of Representatives. Their passion and commitment to these reforms is second to none. And it is your leadership that will help us make the big changes that we need to ensure higher education in Oregon is of the highest caliber and affordable for Oregon students and families.

I am here to talk about two important things as they relate to The University of Oregon: Governance and Access, and a new partnership with the state to achieve both. Before I go too far into the bills, I want to make several points. First, these bills should not be the ceiling but the floor by which we begin to drive meaningful reform throughout our entire public university system. Autonomy is a first step, but it is not and should not be the limit of our ambitions. Second, these bills are not the only answer to our challenges relating to higher education. They are not in competition with the other bills introduced this session and, in fact, complement the other reforms under development and debate this session. I commend Senator Hass and this committee for your deliberate attention to the challenges facing higher education in Oregon. I believe your work on SB 242 is an excellent first step.

A fair question I am frequently asked is how the ideas proposed in the New Partnership help the other public universities. First, none of these bills come at the expense of the other public universities. Second, a stronger University of Oregon means a stronger University system and a stronger Oregon. That's why we stand ready to help make them all a reality, from the New Partnership, to the OUS proposal, to the Governor's proposals. A stronger higher education system benefits us all as individual institutions and collectively as a state.

We achieve three things under the New Partnership:

1. We free our universities from a centralized state bureaucracy and provide greater autonomy for our management and operations;
2. We strengthen public accountability and involvement by establishing a dedicated governing board for the University of Oregon and other universities that want them; and

3. We prevent further budget cuts and the tuition increases they create by establishing public-private endowment authority for any university wishing to pursue it.

With these bills we can guarantee the preservation of our public mission to provide Oregon students the highest quality public post-secondary education. Without them we will continue on the path of disinvestment and will make a college education even further out of reach for too many Oregon families. Big changes are needed if we want our universities to contribute to the growth and support of Oregon's knowledge based economy. Under the status quo we not only fall short for our students, but we fall short for Oregon's long-term economic potential.

The University of Oregon is too large and too important to this state to continue operating without a dedicated governing board. Such a board would deliver greater accountability and transparency, as well as increased public involvement in the decisions made at the UO. Today the UO and other universities operate under a centralized management system in state government and without a dedicated board of directors to provide leadership and oversight. No \$800 million enterprise with nearly 30,000 students and employees—public or private—should operate this way.

Furthermore, obtaining a post-secondary education is essential if we want our students and our state to be able to compete and succeed in a global economy. You know probably better than I that families in Oregon aren't worried about which board or bureaucrat reports to whom. But they expect us to operate as efficiently as possible. And if that's not the case they expect us to fix it.

What families do care about is whether they will be able to afford to help their kids access a post-secondary education. They worry about whether their savings will be enough. They wonder how they will be able to make ends meet so that their sons and daughters have more opportunities than they did. They worry about what we are going to do, as stewards of their tax dollars, to ensure that higher education isn't just for those with means, but an open door of opportunity for all students who have the drive to attain a higher degree. And if that's in question, they expect us to fix that, too.

Today I'm here to talk to you about how we fix both. With your leadership, we can. SJR 20 and SB 559 are both key pieces to making sure a University of Oregon education remains affordable for low income and middle class Oregonians.

This is how we make this guarantee: at the request of the chief sponsor of SB 559, Senator Chris Edwards, and in consultation with Governor Kitzhaber, we support an amendment that will ensure that the Legislature and the Governor have a continuing role in tuition for resident Oregonians, providing some degree of accountability of the new UO public board for the decisions they will be asked to make regarding tuition. The amendment—in Legislative Counsel now—basically states that the new UO board will have the flexibility to increase tuition up to 5% per year for resident undergraduates if needed. However, if the UO board wants or needs tuition to increase above 5%, the

board must seek and secure the approval of the Legislature and the Governor. This amendment to SB 559 ensures that elected officials remain involved in the decision-making process regarding tuition at the UO for resident Oregonians, and requires the new board to justify why tuition above this threshold is necessary. The amendment offers a safeguard, a reassurance on the new flexibility and efficiency offered by the creation of the new local governing board at the UO.

The second key piece of our commitment to access and affordability deals with SJR 20. If we adopt the new public/private-funding model offered by SJR 20, the UO will move to put in place a tuition guarantee program, similar to what we did at the University of Kansas when I was there. This is how it will work: once the new funding model is in place, the new UO board will no longer need to increase tuition to offset reductions in state funding. Tuition increases will only be needed to cover inflationary costs, and more importantly, to enhance the educational experience of our students.

The problem with the current model is that most of the tuition increases over the last 20 years have been necessary to sustain quality, not enhance it. Once the new public/private endowment model is in place, we will establish a tuition guarantee program that states what it will cost for a resident Oregonian to attend the UO for four years. We will establish a tuition promise: your costs will only increase by a set percentage each year and your total cost for four years will be fixed.

Why is this important? The middle class in Oregon is being squeezed out of educational opportunity. We offer substantial financial aid at the UO for Pell eligible students—our lowest income students—through our PathwayOregon program. This program enables any Pell-eligible student to attend the UO free of tuition. We make up any shortcomings in their financial aid package through tuition remissions and privately funded scholarships. We do our best to take care of our most needy students and offer four times the amount of financial aid as the state for our students. The wealthiest students still get a bargain at the UO. It's the middle class that is getting squeezed by the current situation. The new endowment provides the funding stability that will allow us to transfer that stability and predictability to our students. We can't offer such a tuition guarantee program under the current structure because we have to maintain the quality of our educational experience and we have to keep the doors of educational opportunity open.

The only way to do this is to stabilize the funding situation. The combined effect of SB 559 as amended and SJR 20 is that Oregon will have an accountable local governing body, ongoing involvement of the Legislature and the Governor in tuition decisions, and a tuition guarantee program through the enactment of the new public/private endowment funding model. We believe SJR 20 and SB 559 offer a very real solution to a 20-year-old problem, and at no additional cost to the state.

Why is the New Partnership so important now? Because Oregon is falling behind, and without big changes we'll never catch up, much less get ahead. We can't help the state make progress on its 40-40-20 goals without addressing the funding issues. And in light of the state's economic situation, we can't count on state funding increases to be the

means by which we increase the number of students we educate. We have to leverage private investment to make real progress on Oregon's educational attainment goals.

Consider some facts: twenty years ago, in 1991, the University of Oregon received \$63 million in state funding support. Today, 2011, we are projected to receive \$58 million. If you take out the federal stimulus funding it will be only \$50 million. And we're serving 23,389 students today—an increase of 6,484 or 38.4% since 1991. Using this base state funding, we have \$11 million less than we did 20 years ago. Adjust for inflation over that 20 years and we have 43% less to support our students' education.

What does that mean? It means we remain behind our peers in state funding support per student; we remain behind our peers in competitive faculty salaries; and it means tuition has gone up 241% since 1991. It means that the UO receives just 7% of its funding from the state budget and ranks dead last in state funding per student among public universities in the Association of American Universities. It means that without change, resident student tuition at UO will skyrocket to \$17,000 a year by 2020. It means that we are violating the sacred trust of our mission to preserve public higher education.

This trend is not sustainable. But we have the opportunity this session, with these bills, to end it. We all know the problem too well. So the question before us today and during this legislative session is, "What are we going to do about it?"

The New Partnership offers a better alternative to the current system of governance, and opens the door to an unprecedented promise of a tuition guarantee. This partnership will provide stable funding; it will reverse the 20 year trend of disinvestment in our post-secondary education system; it will strengthen public accountability; it will allow us to focus on how to enhance the educational experience for our students instead of fighting for a smaller piece of the funding pie every two years.

To remind everyone of the details of the proposal, the New Partnership has three primary components:

### **1. Governance Reform**

The New Partnership has greater management autonomy from state government combined with a publicly appointed governing board for universities that want them. Our proposal for local governing boards fits nicely with the current State Board of Higher Education or the new board envisioned in SB 242—setting statewide policies and goals for Oregon's universities—or with Governor Kitzhaber's proposal of a new, single education policy and investment board. We believe universities need greater autonomy to be successful and greater leadership and accountability that will come from local governing boards.

### **2. Increased Accountability**

With a new governing board, performance goals established by a state-level authority will be more likely to succeed. SB559 decentralizes management, creating publicly appointed and publicly accountable governing boards for the UO

and other schools that want them. This plan already works effectively for Oregon's community college system, OHSU, the Port of Portland, and in many other states like Washington and Ohio. In fact, with the exclusion of the California universities, most of the top public universities in America have their own local governing boards—such as the University of Michigan, the University of Virginia, and closer to home, our Pac-12 peers the University of Washington and Washington State University. All of these states still have a state-level coordinating board that approves degree programs and holds these institutions accountable to serving their respective state's needs through performance metrics. We believe Oregon's model should be similar, and we have been working with a faculty committee for more than a year and have developed 15 accountability metrics to ensure that the UO remains focused on serving the state's needs. The performance goals range from in-state enrollment, to number of degrees, to research expenditures and patent and license income. We are committed to measuring our performance against serving the state's needs.

### **3. A New Funding Partnership**

By creating a public endowment using the existing funding provided by the state and matched with private donations, we can finally end the unstable and unpredictable funding of the last two decades. This new funding partnership will create certainty for the Legislature, for the University, and for our students and faculty—and at no increased cost to the state. Just to remind the committee, SJR 20 is a legislative referral that asks the voters whether or not state bonds can be used to fund state endowments. It has no immediate fiscal impact. It will be up to the Legislature and the Governor to determine at a later date how much and when bonds should be allocated for this purpose.

The governance change is important and critical to our mission. What's more important to families, however, is affordability—a guarantee that they can afford to send their children to an Oregon university. With the recent OUS proposal, we can make the promise that if you work hard and earn a 3.4 GPA, that you are guaranteed admittance to one of Oregon's universities. But we must make this guarantee meaningful and make sure that our university is also affordable. That is why we support the amendment to SB 559 that would cap tuition increases for Oregon residents. Under our amendment, the University of Oregon Board of Directors would only have the authority to increase tuition up to 5% on an annual basis. Anything over 5% would require approval by the Legislature and the Governor.

As a reminder, SB 559 already establishes unprecedented student involvement in the decisions around tuition, as a UO student will serve on the new UO board as a voting member.

We feel strongly that in order to truly make the University of Oregon operate at full capacity with the highest quality of faculty, staff and students, we must work on both the governance and funding issues in concert with one another. It's the only means to addressing the issue of tuition and affordability. We fail our students if we offer them

affordability without the full promise of quality and accountability. I hope to work with you further on both of these issues.

This is a unique moment in the history of our state and higher education. We have a window of opportunity to finally address long-standing challenges and to reposition our universities to become even stronger. This will help position the state for greater economic success when we come out of this current recession. If we are successful, we will be able plan for our future and create a better educational experience for our students. We can be known as a state that values higher education and invests in our state's economic future by investing in our students. We can also be known as a state that finds solutions to our state's hard challenges.

It has been said time and time again, but we truly are at a point where if we don't take actions similar to what we have outlined here, we will never be the Oregon that we have the potential to be. I know that you join me in wanting more for our students and our state. Change is seldom easy. It is always suspect in some quarters. But it is inevitable. We have the power to chart a course of change that will improve our state. We stand ready to help take the hard but necessary steps so we can chart a new path for higher education in Oregon and be a leader in this as we are in so many other areas.

Thank you for hearing the bills today. I appreciate your attention to these critical issues and look forward to addressing your questions.