Gambling Oregon's education

U of O president wants $1 billion to invest in higher ed

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University of Oregon President Richard Lariviere has submitted a "white paper" which proposes a $1 billion bond sale to fund the university for the next 30 years. Did anyone else read that in their best Dr. Ehrlich voice?

The proposal outlines a plan in which the current $85 million the university receives from the state each year is frozen. For the next 30 years, the university and State Legislature would use that $85 million to finance state general obligation bonds worth between $800 million and $1 billion, according to Lariviere.

U of O would then have upwards of a $1 billion endowment supplemented by private fund raising—or, basically, Phil Knight of Nike. Four percent of the yield from the endowment would fund operations of the school while excess returns will be reinvested. According to Lariviere's white paper analysis, he expects a nine percent return on the investment each year.

Of course, that prediction leaves out the risk factor. Lariviere addresses this in one of his models. If one assumes an annual return of nine percent with an associated risk factor of 15 percent, the range of annual returns skewed over the 30-year horizon and relative to a $55 million contribution from the state would be between $45 million and $140 million by 2025. What's troubling is that payouts in the 25th percentile (i.e., a year that yielded a little less than 13% returns) would be equal to the current level of state support the university receives. Why not freeze the current state support and get a guaranteed $55 million?

Many of the issues Lariviere tackles are in line with his predecessor David Frohnmayer's critique of the sad state of funding in Oregon. Both men provide comparative graphs and charts that paint a disheartening portrait of a state that supposedly values education. Oregon ranks No. 43 in the nation for state funding per college student. Both men understand the need for greater autonomy and accountability for the university. Lariviere's proposal calls for a pact between the state and university where the state provides predictable funding and the university provides outstanding education.

The current system, according to Lariviere, will not be able to meet the state's needs in the coming decades. According to Lariviere's white paper, "Governor Ted Kulongoski, the Joint Boards of Education, and state legislators have challenged Oregon with an ambitious goal for educational attainment: by 2025, 40 percent of Oregonians will have a bachelor's degree or higher, 40 percent will have an associate's degree or postsecondary credential and 20 percent will have at least a high school diploma." This 40-40-20 model is a beautiful idea, but impossible if the current conditions are not radically changed. The state's goal for 2025 would mean a 66.1 percent increase in annual associate and bachelor's degree production. With state funding decreasing each year and the university's further reliance on private gifts, we will slowly see what little autonomy the university currently holds shrink away.

Lariviere's solution seems intelligent and wonderful on paper, but that's where it should stop. A guaranteed return of nine percent is essentially optimistic given the current state of Oregon's economy and Wall Street. His idea to freeze state support is spot on. In the past, varying support from the state had a dramatic effect on tuition rates and support for students. In an unpredictable economic climate, having one constant would allow the university to make actual changes rather than scenarios.

Lariviere stresses the "no man is an island" belief, which assumes that a well-educated population benefits the entire community. I'm a little more selfish. I'm paying for my education and I will be for the next decade. I'm firmly in debt, but it's good debt. I didn't use $50,000 to buy a Porsche or have a great weekend in Vegas. Instead, I invested in myself. U of O shouldn't gamble the education of its students on the stock market or risky investments. Take the money instead of losing it all on the million-dollar question. Reconfigure an operating budget based on past low-funding years and reinvest the excess from windfall years.

Ask Phil Knight for more money. I'm serious. Make him match what he donates to athletics to the rest of the university. He has donated tens of millions to the Autzen Stadium expansion, $100 million of the new $200 million basketball arena, and created the 40,000-square-foot John E. Jaqua Academic Center for Student-Athletes. Does anyone remember the other students that viewed school as a means for education rather than the NFL?

Lariviere's white paper will pour our discussion just as Frohnmayer's report did. The complaints are the same, but they will remain silent until the legislature wakes up and imposes real change. Oregon's future depends on...