In recent months, the members of the Oregon University System have been engaged in multiple conversations regarding how we might respond structurally to the past and current crisis of funding for higher education in Oregon.

When addressing seemingly intractable problems in government, business, and civil society, international facilitator Adam Kahane argues that “problems are tough because they are complex in three ways. They are dynamically complex, which means that cause and effect are far apart in space and time and so are hard to grasp from first-hand experience. They are generatively complex, which means they are unfolding in unfamiliar and unpredictable ways. And they are socially complex, which means that people involved see things very differently, and so the problems become polarized and stuck.” (2007, pp. 1-2)

This delineation of the dimensions of complexity provides a useful starting point for reflecting on our problems as a system of public higher education for Oregon. In the following pages, we summarize the ways the problem has been defined and briefly discuss the major proposals for responding to the current and ongoing crisis. We then present our perspective, insisting on the importance of continuing a unified system approach to governance and securing public funding, raising questions about the assumed relationship between a restructured system and funding potential, calling for an approach to any increased “flexibility” that engages faculty and staff as real partners and ensures a tuition policy that truly safeguards access, and seeking a stronger consideration of alternatives for increasing state funding for our state universities.

**DEFINING THE PROBLEM**

The formal proposals, reports and statements of principle calling for a redefinition of the Oregon University System’s relationship to the State’s Government have centered around two fundamental issues: persistent disinvestment in public higher education and lack of OUS and campus autonomy.

1. **Persistent Disinvestment in Public Higher Education**

The State of Oregon does not provide adequate financial resources to support a high quality, affordable system of public higher education in Oregon. The state has not made available adequate support for services to students or to our faculty, who in terms of salaries, remain at the lower quartile among our comparator institutions. The success of ballot measures to decrease taxes or to require increased expenditures on public safety have meant greater competition for available state funds.
As Kahane’s definition of “tough problems” suggests, having a clear sense of cause and effect with respect to tax reduction measures or public safety measures, separated by many years and shifting policy debates, becomes difficult with a public discourse shaped by sound bites and short attention spans. The failure to fund public higher education adequately—year after year—becomes over-determined—almost a thing of nature—and as evidence (to the despairing) of a majority population that does not care if its higher education treasures are cut to the bone or become inaccessible to vast number of qualified Oregonians.

2. Lack of OUS and Campus Autonomy

The numerous constraints and restrictions imposed on each campus by state agency regulations make it extremely difficult for OUS to achieve its stated mission and goals. This point is sometimes expressed with reference to the tortuous process of having to be accountable to the legislature for over 6,000 budget line items for the projected $751.5 million for the next OUS budget cycle. This seems excessive on its face but is especially onerous when considering that the K-12 system requires approval of only a single budget category after negotiating on a few specific areas for the $6.2 billion they received in the last biennium. This lack of autonomy has been demonstrated most recently in the requirement to approval from the E-Board to use funds generated by increased tuition and employee furloughs during the past biennium. The possibility that these funds, needed to pay for the increased expenses incurred by increased enrollments or equalization of salaries lost, might be “swept” to pay for other state purposes, has made it more clear that our current relationship with the state must be adjusted.

PROPOSED STRUCTURAL CHANGES THAT ADDRESS THESE TWO PROBLEMS

1. Establish a funding floor for state General Funds

University leaders have urged the state to provide a stable foundation for higher education through a “funding base” or “funding floor.” This proposal appears in a variety of formal documents prepared by individual university presidents and is reinforced in a joint statement of principles signed by all System presidents.

Frohmayer: From The Coming Crisis in College Completion: (We) “...strongly argue for substantial reinvestment in the state’s universities as an urgent priority. A reasonable, sustained appropriation, based on costs of comparator institutions in comparator states, would be $1.55 billion per biennium compared to the current level of OUS funding of $751.5 million. Comparing OUS to national averages of State General Fund per student FTE also signals significant underfunding of $1.059 billion per biennium, if funded at the U.S. average.” (November 2009, p.29)

Wiewel: Restructuring PSU’s Relationship with the State: The Case for Change (draft document) calls for “...establishment of a state funding floor to ensure state contributions do not continue
to decline. In return, PSU would agree to meet specific performance and accountability goals.” (November 2009, p. 4)

**Ray:** Reset Committee Testimony: “Stable real dollar funding per student FTE from the state could provide the Universities with greater year to year predictability in their overall resource availability and promote longer term planning for instructional support and research activities. (January 2010, p. 4)

**Lariviere:** *Preserving Our Public Mission Through a New Partnership With the State.* There are many ways a new financial partnership can be structured...The University of Oregon proposes an entirely new conceptualization for the form of the state’s funding, creating incentives for private investment in public higher education, and stabilizing the funding support provided to the institution through the creation of a public quasi-endowment...We propose that the state capitalize its investment in the University of Oregon and create a public endowment earmarked to fund educational opportunities for future generations of Oregonians.” (May 2010, p. 18)

**Presidential Consensus Principles for OUS Restructuring:** Regardless of which model is used, it should be grounded in five principles: ...(2) Establishment of a state-funding floor per student to ensure that state contributions do not continue to decline. Funding would be provided as long as the universities meet relevant, measurable performance goals and would be based on student enrollment.” (Jan. 4, 2010)

2. **Establish One or More of the State Research Universities as Public Corporations**

As described to date, these proposed new entities would maintain an association with a statewide System Board, but with individual institutional governing boards, and with much greater autonomy in seeking funds and in general operations.

This proposal is a centerpiece of Dave Frohnmayer’s proposal, and has been promoted by former State Board members John Von Schlegell, Kirby Dyess, and Don Blair both in a letter to the governor (Von Schlegell, 2009) and in commentary to the Portland City Club in November 2009. While the proposal for forming Public Corporation has been provocative and has stimulated the restructuring conversation in productive ways, there has been a lack of clarity on the meaning of the concept and no positive consensus on this as a direction for the System at this time. In his response to the Frohnmayer proposal, WOU President John Minahan (December 2009) raised questions about the argument for a public corporation model as a solution to the current crisis and encouraged the Board to examine carefully the explicit and implicit premises (both logical and observational) on which this proposal (or any proposal for change) has been based.

3. **Provide Option of Individual Governing Boards for All State Universities**

Initial responses to the proposal for one or more research universities to reorganize as public corporations raised concerns among other university leaders regarding potential consequences
for their own institutions. While the most recent proposal from University of Oregon President Richard Lariviere embraces the model of an independent policy board, as has Portland State President Wim Wiewel, most presidents are less unconvinced of this model as a way to address the funding crisis, and would not support such independence for some universities and not others. While agreeing that organizational efficiencies, better operational processes and procedures, and greater effectiveness in securing regionally-based or mission-specific funding could require more institutional independence, there has been no consensus among campus leaders about individual policy boards’ purported ability to achieve these outcomes.

Additionally, a local board, by definition, assumes primary advocacy for its individual campus. Proponents of separate governing boards have stated their continued commitment to collaborative efforts with other educational institutions, citing evidence from other state systems with independent boards. Skeptics argue that given the history of higher education in Oregon, a strong central policy board can be more effective in prioritizing and providing incentives for joint efforts—in programs and research, and in seeking legislative support to address state educational needs in toto. For the smaller and regional universities, the wide range of autonomies implied by independent governing boards also raises concerns related to legal representation and other System-level assistance that have been unaddressed in this proposal.

Perhaps anticipating limited support for state approval of individual governing boards at this time, at least one campus leader informally urged the OUS Board to seek authority to create separate governing boards in the future, if provided assurance of the continuing commitment of the institution(s) to the public education goals of the OUS Board.

4. Establish a New Compact with the State that Changes the Current State Agency Status

At OSBHE’s annual retreat in December 2009, Board members agreed that the current state University System is not sustainable given the current funding level provided by the state legislature. The Chancellor’s Office staff and state university leaders also argued that state agency status has not been a good fit for the kinds of institutions governed by OUS. Based on these assessments, the Board determined to seek “a new compact with the state” that would exchange greater flexibility in managing the institutions for mutually agreed-upon performance outcomes related to the promotion of public higher education goals for the state. The State Board’s Governance and Policy Committee was charged to review current practice and prepare proposals for consideration of the full Board.

OSBHE Governance and Policy Committee discussions have been wide-ranging, and organized within the general frame of “this is what we would want to see regarding (tuition policy, financial flexibility and accountability, performance measures, etc.) whatever restructuring model is determined.” Tentative consensus has been reached regarding general principles and values related to governance and broad mission goals, with specific emphasis on commitments to ensuring access for persons from different demographic groups and geographic areas and to collaboration among institutions. Discussion continues on specifics of tuition policy, approaches
to need based aid, and the shape of an overall performance framework for the OUS and the campuses. (See Governance and Policy Committee working documents.)

The most recent planning document presented by Chancellor Pernsteiner for consideration by the Governance and Policy Committee of the Board makes strong arguments for the creation of a new public entity of higher education outside the current state agency status, tentatively called A Public University. This document makes clear that the state agency model, while providing strong legislative oversight, does not facilitate the efficient and sustainable operation of our state universities. Pernsteiner’s review of the current situation summarizes state requirements that are universally experienced as overly prescriptive and restrictive.

The proposal seeks on-going financial support from the State of Oregon in exchange for a specific performance compact with the state. The State Board of Higher Education “would commit to providing a certain level of enrollment, a certain number of degrees, etc., and would provide funding to the campuses to achieve these results with the targets and funding for each campus being established...The Board and Chancellor would be responsible for determining those targets (in consultation with the campus leadership), for allocating funds, and for monitoring and evaluating performance.” (May 27, 2010, draft document, p.4)

While specific proposed structural arrangements are yet to be determined, this proposal seeks a “similar level of flexibility and insulation from political and bureaucratic intrusion as is enjoyed by Oregon’s public community colleges” while acknowledging that achieving “the Board’s long-term and statewide goals and the essence of the statewide performance compact it may negotiate each biennium with the state demands that the efforts of the universities be orchestrated.” (p. 5)

University presidents have proposed specific financial and operating flexibilities that they argue are essential to the efficient and sustainable operation of their institutions.

1. Authority, such as community colleges have, to go directly to regional voters for funding support (desired by PSU).
2. Ability to manage tuition at individual university-level
3. Ability to control capital expenditure decisions and issue their own bonds.
4. Assumption of a student-based funding model for state allocations.
5. General operational flexibility. As the PSU restructuring document argues: “Accountability and responsibility for managing operational functions such as information technology services, purchasing, vendor relations, auditing, financial reporting, personnel and benefits are key to PSU’s ability to function efficiently.” (Wiewel, draft proposal, 2010, p. 4)
6. Seeking funding stability with a public university model funded through a new major public-quasi endowment, creating incentives for matching the endowment with private monies, and with greater autonomy to fulfill the university’s mission (University of Oregon, Lariviere, draft proposal, May 2010).
Other voices have included a statement of principles from the Interinstitutional Faculty Senate that is neutral about particular structures but insists that any change should maintain a strong System and acknowledge the important continuing role of all of the universities. Collective bargaining organizations representing OUS employees as well as the Oregon Students Association have made their own formal and informal statements of principle related to potential restructuring plans—insisting on the importance of a strong System, and raising concerns in particular about how to protect tuition affordability and negotiated or past practice rights of employees (faculty and staff).

OUR FACULTY PERSPECTIVE

As Kahane (2007) argues, problems are socially complex because our definitions of important issues differ, and we are too often unwilling to listen to other definitions. This can cause us to become stuck—and unable to seriously consider alternative futures. What Kahane suggests as a way out involves a process of intensive listening, and of creating different scenarios that need not pursue allegiances until multiple stakeholders have had the opportunity to construct futures that “might” be possible (both positive and negative) without permitting one proposal or agenda to frame the discussion. We applaud the efforts of the Chancellor and the Board to seek broad consultation on principles and values that should drive any proposals for change. This kind of listening is essential, and we will benefit from these conversations in any changed relationship. Still, the restructuring conversation has been largely framed by the proposals that were the primary catalysts for a reconsideration of our relationship to the state.

The publication of both the Von Schlegell letter to Governor Kulongoski and the Frohnmayer report occurred in a context where the only structural scenario being presented as an alternative to the status quo was a devolution of the System (at least with respect to the research universities) into public corporations—a concept that was not generally well-understood. Given the recent and increasing privatization and commercialization of multiple aspects of U.S universities (Bok, 2003, Slaughter and Rhoades, 2004), initial negative reactions to these proposals for restructuring OUS assumed that the goal was to transform the largest OUS institutions into private, not public, corporations. While this was clearly not the intent, the misunderstanding illustrates “the power of the rumor.” The power of the rumor equals the importance of the information times the ambiguity of the situation (Lernoux, 1980, p. 472). With ambiguous but expected consequences for working conditions and benefits, tuition policies, academic program continuations, and even the fate of whole universities—the power of the rumor is, in this instance, significant.

As the OSBHE Governance and Policy Committee is about to consider specific restructuring models for OUS that will be proposed to the state legislature for the next session, we offer a perspective as faculty members of the State Board. Listening to the proposed solutions, and engaging in the discussions ourselves as members of the Board, we were concerned that there had been little empirical investigation of the premises on which the proposed solutions are based. How, for example, would the lack of support we experience now be significantly altered by these solutions? We were not convinced of a demonstrable and direct connection between
the proposed changes and the problems they appeared designed to resolve. Still, when we started this essay, in early March, we were committed to a neutral position with regard to the two major issues confronting the System and the proposed changes to the state’s authority. We primarily wanted to step back to consider the proposals and the data/evidence relevant to them. Our major initial concern was to examine the assumptions behind the specific proposals for change, and to respectfully challenge the attributions of causality regarding the primary obstacles to the efficient and sustainable operation of OUS and our individual state universities.

Subsequent events have caused us to modify this initial position. We do believe there is value in a systematic investigation of various approaches to the structure and conduct of public higher education. We continue to question whether the kinds of structural changes suggested will result in greater financial stability without risking an even greater de facto privatization of our universities and the diminishment of access at the very time we have so strongly advocated for the increased participation of all Oregon citizens in higher education.

However, during the current economic crisis, we have been powerfully reminded that our state-agency status makes all funds collected or held in reserve by OUS institutions vulnerable to action by the legislature in “sweeping fund balances” for other state needs. We have been encouraged by the words of Senate President Peter Courtney (at the June 14, 2010, State Board meeting), and by subsequent positive response by the legislative Emergency Board to a request for increased funds limitation for this biennium. Still, as we reviewed the financial picture of the past year, we have recognized the importance of changing our status to something other than a “state agency.”

Universities must be able to budget responsibly to use money collected from students for educating students. In the past year, tuition was raised as much as 8% at some universities, which was above the level agreed to with OSA (not more than 3% above increases in median Oregon family income). Large increases in enrollment in addition to the tuition increases, and wage give-backs from staff and faculty furloughs (where these occurred) led to a $130+ million surplus Systemwide, which campuses clearly need to provide quality education for these new students and to pay competitive wages to faculty and staff. The right of the legislature to access such funds, even if it is not exercised, threatens the ability of the state universities to fulfill their missions, and makes long-term financial planning impossible.

Thus, while we are convinced of the importance of a “new compact with the state” that secures some financial operating independence and flexibility, we are unconvincéd that separate institutional governance and policy boards could actually lead to a better capacity to fulfill our educational and research missions. Establishing individual boards might lead to increased financial stability for single institutions (although we are not yet convinced that this would necessarily follow). We assert that such a step at this time would unavoidably reduce our common focus on creating a sustainable system, and in the current economic climate would risk even greater financial instability for smaller institutions, whose contribution to our statewide education mission remains essential.
We have witnessed increasing collaborations among our institutions in the past few years, with a stronger sense of our common work than ever before. Additionally, we believe that our successes in the 2007-2009 Legislative Session in obtaining increased public funding were greatly influenced by our speaking with a unified voice. Thus, proposals supporting separate boards and even separate compacts with the state are disconcerting, strongly suggesting a “re-siloing” of our enterprise just when we (as a System) were beginning to demonstrate the kinds of deep cross-institution collaborations that most other public systems of higher education have not achieved to the same degree.

The Governance and Policy Committee discussion to date makes no commitment to a governance model along the lines of proposals presented by Frohnmayer, Wiewel, or Lariviere. But with increasing consensus on the goal of achieving independence from state agency status, we may too easily accept the framing of independence provided by such proposals. “More powerful than any invading army, than any constitution, is an accepted frame of reference.” (Howard, 2001, p. 8) With the current frame of “public university” as a placeholder name for the structure we may propose (Pernsteiner draft, April 29, 2010), we need to ensure that what we take from those earlier proposals for independence support the principles endorsing a unified system approach to the future.

We have concerns in a several areas where possible consequences and alternatives should be fully considered in any final proposal:

1. The Importance of a Unified Approach to Securing Public Funding

The models being proposed assume the continuation of base funding from the Oregon legislature. We think that the unified front OUS has recently presented with some success could continue under most proposed restructuring plans. This hope, however, does not take into account the limits to persuasion that would result from separate boards making individual appeals.

Further, in their assumption of a continuing disinvestment by the state, current proposals do not acknowledge significant recent actions by the Oregon legislature that resulted in increased funding for higher education:

a. The 2007-2009 biennial budget provided a dramatic increase in OUS funding from the legislature. Admittedly, the global economic crisis eroded the promise this increase had provided. However, in approving the increase, the legislature responded positively to collective action across all campuses that involved students and faculty presenting their stories in a persuasive manner. Presidents, Chancellor’s office, OSA, and others went before the legislature as a common lobby, speaking strongly and with one voice. The structure we propose as a Board must include incentives for this kind of collective action, with awareness of predictable negative competition resulting from institutions all seeking specific individual legislative support.
b. While it is true that state support for higher education has declined (especially since the passage of Measure 5 in 1990), in 2009, the legislature sought to reduce the negative impact of the economic crisis by producing two revenue measures designed in part to continue essential funding for higher education institutions. These measures, which were then approved by Oregon voters, increased the corporate minimum tax from $10 to $150 and increased income taxes for individuals making over $150,000 and $250,000 for joint returns.

We need to ask if the downward trend lines for state support over the past years are really immutable. Are these recent funding measures simply insignificant blips or upticks that will shortly be forgotten, with disinvestment returning as the dominant narrative? Or do these positive actions suggest that we might be able to increase the state’s future commitment (acknowledging the challenging current financial situation) with an even stronger and more unified approach in presenting the case for public support for higher education?

2. The importance of Clarifying the Assumed Relationship between a Re-structured System and Funding Potential

As we consider the claim that a re-structured relationship will provide a new foundation for seeking more and alternative sources of funds, we need to take account of the following:

a. The limitations of reliance on external funding: The ability of OUS faculty to secure significant research funding (5th in the nation in per-capita awards) is impressive, and clearly such funding will continue to be critical to the research mission of OUS. However, we worry that institutions may come to rely too heavily on grant funds to support permanent faculty teaching positions, and believe the experience of OHSU faculty is instructive. Moving to a public corporation model for OHSU has meant increased expectation for faculty to raise much of their own salaries through external funding, and for students has resulted in very high tuition. We also worry that institutions responsible to raise a majority of their own funds under a public corporation model might prioritize support for faculty who emphasize research with proprietary potential. Relying on private corporate grants for such research will reduce opportunities for knowledge production that do not have immediate economic applicability.

b. Clearly faculty at teaching institutions, and faculty in the humanities and some social science fields, will not be able to make as large a contribution in securing external funds. This could lead institutions to cut programs that do not have significant independent funding capability, even though these programs are typically more than self-sustaining because of large student enrollments. (Watson, Chronicle Higher Education, March 21, 2010)

c. While we support renegotiating our status as a state agency to achieve autonomies that would result in better stewardship, better ability to plan, and a reduction of overly prescriptive budget reporting requirements and approval processes, we do not yet see
the evidence that increasing autonomy itself will lead to greater funding potential. Further, while the funding model used by private universities includes a strong emphasis on alumni giving, many of our universities—especially the small rural regional universities and the urban-serving PSU, are not likely to be about to count on many wealthy alumni to make the kind of long-term funding commitments that would be required for financial sustainability.

d. The most recent economic downturn led to requests for sacrifices at several levels with some unanticipated consequences. First, campuses were urged to reduce or suspend spending in certain areas in the event that voters would reject the two revenue ballot initiatives. This eventuality did not come to pass and the consequences of their passage led to budget gains on many OUS campuses. Secondly, tuition was increased for the 2009-10 academic year. On some campuses, this increase exceeded previously agreed-upon percentage caps on tuition based on a percentage of the Oregon median family income. This tuition increase, coupled with record level enrollments across all post-secondary education sectors, led to increases in campus funding. Finally, faculty and staff furloughs led to significant savings that contributes to these unanticipated budget surpluses. This appears to be good news in the short-term.

Less clear are the costs associated with these temporary gains in budget position. Students may have taken on the largest stress in this situation, increasing their debt load by a substantial amount. Faculty and staff, already at the low end of income when compared to our comparator institutions, continue to have to while ever increasing demands are placed on their intellectual capital and scarce time.

We have asked faculty to increase class sizes to accommodate increases in enrollment. This is an unfunded stressor. We have asked faculty to engage in ever more productive grant applications in a highly competitive environment where they compete with faculty from better resourced public and private universities. We have asked our faculty to take the extra effort to develop even more creative areas of research and scholarship, to develop even higher quality courses and programs of study that will be responsive to the state’s economic development and social service needs. All these factors together lead our most talented and productive faculty to consider leaving for more manageable quality of life situations elsewhere. We may not be getting our top candidate choice when hiring faculty as well, and we have heard many informal reports of high rates of employee stress, in general.

We need to understand more clearly how proposed structural changes would address these ongoing issues. A state funding floor could help with predictability, but we do not see how the pressures on students or faculty would lessen—and could increase dramatically with higher tuition for students and more expectation for faculty to secure external support.
e. The State of Oregon should not be relieved of its responsibility to provide adequate funding for a quality system of public higher education—creating an educated and globally competitive workforce, with critical and creative capabilities required of citizens in a healthy democracy. This requires the strongest advocacy for a view of public education, and especially public higher education, as a public good and not just a personal or private good. A strong version of late consumer capitalism suggests that students (defined as “customers”) are primarily responsible to pay for individually beneficial career or vocational services (Kirp, 2004). In this conception, the democratically transformative value of higher education for all qualified applicants is viewed as a luxury the fiscally limited state cannot afford. As a System, in our statements of principles and values, we have rejected this conception of higher education.

Instead, as a System, we have taken decisions based on our understanding of our collective mission to promote the public good. This is not simply a wish that all Oregonians be better educated citizens, although the value of that goal for a vibrant democracy is undeniable. The employment implications are clear. As the American Association of Colleges and Universities (AC&U) informs us, employers (as well as our own Oregon Business Council and others) want a workforce that has a strong liberal education background with precisely those skills in communication, creativity, and critical thinking that will spur innovation and the economic development essential to Oregon’s future.

This commitment on the part of the state must be more than providing a predictable funding floor, or base, with an expectation that significant or even majority funding for this mission must be sought from private donors and corporate sponsors, from federal sources, or even from local/regional sources (as has been proposed by PSU).

Our accountability to all citizens of the state of Oregon should make us cautious about exchanging the current experience of micro-management by the state legislative leaders for the micro-management that also result from targeted and restricted private funding.

3. The importance of involving faculty and staff as real partners in creating new “flexibilities” for the System

Conversations about restructuring have certainly included a faculty voice. The Interinstitutional Faculty Senate is represented at the Governance and Policy Committee discussions and engaged in wide ranging conversations with the Chancellor over the past six months regarding faculty concerns. Our position as faculty members on the Board also demonstrates the importance of that perspective in policy-making for the System. Still, we have concerns about the potential consequences of changes in established relationships guaranteeing strong faculty and staff voice on individual campuses in matters essential to their economic security and working conditions. In talking with faculty and staff about proposed re-structuring proposals, we have heard the most concerns about flexibilities regarding possible new salary and benefit
plans (acknowledging that draft statements indicate these would be “subject to collective bargaining where appropriate” (Pernsteiner, Governance Committee draft, May 27, 2010). In addition, we heard testimony at the last State Board meeting (June 4, 2010) from SEIU representative Marc Nisenfeld, seeking more engagement of classified employees in discussions about restructuring.

We have seen, through our involvement on the Board, a real concern by the Chancellor and his staff, as well as university presidents, about maintaining financially sustainable institutions that can maintain secure employment and good working conditions for System employees. We also know that the restructuring of organizations permits administrators the chance to change established practices in ways that might reduce gains made by employees over time. We understand that rising costs make sustaining and even increasing employee compensation difficult. But we understand, as well, the wariness with which faculty and staff view “flexibility” in this context, especially with regard to the suggestion for even more “tiers” in benefits. We urge the Board to make every effort to engage faculty and staff representatives as real partners as we move forward.

4. The Importance of a Tuition Policy that Safeguards Access

Proposals we have reviewed argue that with increased autonomy, campuses will be able to manage tuition more effectively at the campus-level. Given decreased state funding, tuition has become the major source of operating revenue for OUS institutions and managing it effectively a key to financial sustainability. Campus administrators state that they know their constituencies best, and that they should be trusted to devise appropriate tuition plans. Empirically, we know that whenever universities have the authority to raise tuition, they do—sometimes dramatically—if this is the only way they believe they can meet their obligations and maintain quality programs.

In making his argument for autonomy, President Lariviere references the work of Frank Newman, Lara Couturier, and Jamie Scurry (2004) on higher education and the risks of the market. We too, think this thoughtful analysis deserves mention. These authors claim that: “The shift in organization of the higher education sector toward a market is likely to make the problem of access and completion even worse...The intensifying competition for students with higher tests scores, or students from wealthier families, has resulted in an increase in honors programs and honor colleges and increasing use of merit-based financial aid programs. At the very time that society needs more low-income people entering and exiting the gate of higher education, the market is, as currently structured, pushing colleges and university in the opposite direction.” (2004, p. 166)

To support our call for a more careful study of each area of proposed changes, we point out that, consequent to its shift to public corporation status, OHSU’s tuition now rivals that of many private universities. While we do not appear to be moving towards such a public corporation model, clearly such a choice would have a dramatic impact on our access mission. In his provocative analysis of state disinvestment in higher education as “a forty year assault on the
middle class,” Christopher Newfield reminds us that “private funding can build great universities for elites but private funding cannot and will not do the same for society’s majority.” (2008, p.271)

We are concerned that a predictable increase in tuition at Oregon’s state universities will have a number of negative, even catastrophic, consequences:

— With higher tuition, many of our best students and their families will decide that for the new, higher prices they can attend universities in other states or enroll in private colleges, some of which offer substantially better financial aid packages. For example, in 2004, 20% of OUS attending dependent students had family incomes over $100,000 compared to 17% of dependent students attending Oregon independent (private) colleges (OICA). Fifty-five percent of OUS and 60% of OICA dependent students were from families earning between $40,000 and $100,000. The trend to decide to attend private colleges is reflected in the number of degrees these institutions award each year as a proportion of total degrees awarded in Oregon, which has increased from 18% in 1970 to 34% in 2007.

— Higher tuition will deter first generation, lower income and under-represented students from attending a four-year university. We are told that a High Tuition/High Aid policy will mitigate this concern. Some current data suggests this might not be the case. For example at PSU, the Diversity Scholarship awardees have declined from 220 to 180 over the period of recent tuition increases.

— The promise of high aid as a reserved portion of higher tuition cannot begin to meet the demand we have identified for need-based aid, as the recent experience of the over-subscribed Oregon Opportunity Grant illustrates. We do not yet have any proposals that offer a realistic alternative.

— Increasing tuition and other financial costs place an extremely heavy burden on students. College loan debt can make a college education less financially rewarding than we often claim. For example, using data from the College Board in its Education Pays reports, we are told that “The person with a college degree will earn at $1 million more over their lifetime than a person with a high school degree.” This figure has been challenged, with Charles Miller (2008) arguing that as tuition rises but wages do not, the differential will be less than $300,000 over a lifetime.

There was a time when the costs of a public higher education for U.S. citizens, many of whom were recent immigrants, at places like the City College of New York or the University of California at Berkeley were ZERO! It was Free! Even as late as the 1960s, tuition at State Universities was as low as $400 a year. This fueled what some have claimed as one of the greatest economic expansions in history. In a passionate plea for “saving ourselves by saving higher education,” economist Nancy Folbre argues that “advocates for public higher education should develop a plan to finance free public
higher education for all who can prove that they will take good advantage of it” (2010, p. 144). She states that “a conservative estimate of the total cost of eliminating tuition and fees would be about $80 billion a year in the near term” (2010, p. 160)—far less than the annual expense of the Iraq war and achievable through such measures as rescinding Bush era tax cuts for the wealthy.

Given the current fatalistic assumptions about public disinvestment in higher education, the likelihood of a “free tuition” proposal gaining traction at this time is clearly negligible. That this should be so demonstrates both the poverty of our imagination and our general acceptance of the frame of expected continuing disinvestment by the state. As other nations (especially Pacific Rim nations) dramatically increase their investment in higher education broadly conceived, U.S. students face ever-higher personal costs and increasingly turn to for-profit postsecondary institutions emphasizing specific short-term programs that promise a quick return on investment.

— Oregon students are understandably wary of proposals about tuition flexibility. They have seen the future in what has already happened with Oregon tuition and the enormous increases in states like California, Arizona, and Washington. Whatever proposals we put forth regarding tuition, we must ensure that all those who are qualified to attend our universities are able to do so. The evidence we have seen, both in recent tuition increases for OUS and nationally, suggests that this pledge will be very difficult to keep.

5. The Importance of Focusing on Increasing State Funding as an Alternative Response to the Crisis

The word “crisis” is a powerful term that deserves closer attention. Consider conservative economist Milton Friedman’s assessment: “Only a crisis—actual or perceived—produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around.” (as quoted in Naomi Klein, 2007)

A crisis thus creates an opening (expressed more often as a necessity) for proposing new structures that in more prosperous times would not gain much traction with legislators, governors, or governing boards. In the case of OUS, the idea that had been “lying around” was Dave Frohnmayer’s public corporation model, presented years earlier to less sympathetic ears but for the past months has powerfully shaped the framework for a state-wide restructuring discussion. As we consider why we need to restructure, we need to keep as strong a focus on the problem of state support as we currently have on the restrictions of state agency status. State Board Director Tony Van Vliet advocated just such a focus as he completed his term on the State Board this year (December 2009):

“I have always appreciated Dave Frohnmayer’s ability to frame problems facing his institution, but he scooted by the real issue without offering his always creative mind to the basic problem...For him it remains an unfair distribution of money...
Higher Education relies on two major sources of funds – the general fund and tuition—we have no property tax base (the most stable tax of all) as K-12, Community Colleges, and local Government have!

One idea is to create a statewide “local” option allowing a funding source based on the total statewide value of assessed property values ($285.4 billion).

A second idea is to confront the four Federal Government agencies that occupy Oregon land. The Dept Agriculture (USFS), Dept of Interior (BLM), Bureau of Indian Affairs, and the National Park Service account for 62% of Oregon land. In the past…the Feds were contributing a portion of their sales income in lieu of taxes to local government...It does not seem unreasonable that the Feds pay something in lieu of taxation on 16 million acres of land. Five hundred million dollars a year dedicated to higher education (80%) and local government (20%) seems a fair occupation fee.”

Whatever the merits or workability of his specific suggestions, Van Vliet lays bare the crux of the problem. The current structures did not create the problem and changing them will not solve the funding and greater campus autonomy problems. A changed relationship to the state, with the ability to be responsible stewards of all funds, would provide important protections for our educational mission. However, without an increasing investment by the state, we will either become increasingly privatized (Johnstone, 1999), with all the risks to access that implies, be unable to provide the high quality education Oregon citizens deserve, or have to make painful decisions about eliminating programs and even institutions.

SUMMARY AND CONCLUSION

We have been privileged to participate in current efforts to address the problem of inadequate state funding and to consider proposals for increasing the autonomy of our institutions in meeting their educational and research missions. From a faculty perspective, we remain unconvinced that requesting a state funding floor from the legislature, permitting the establishment of public corporations with individual boards, and even seeking an appropriate change in our state agency status will actually achieve the desired outcomes, or relieve the deep stresses on faculty and students that current state funding levels have created.

We urge the Board to focus on the importance and recent effectiveness of a unified approach to securing public funding, consider very carefully the assumed relationship between a restructured System and funding potential, involve faculty and staff as real partners in on-going plans, ensure a tuition policy that safeguards access, and focus more attention on alternatives to increase state funding for state universities. Economist Folbre asks, “When does a state university stop being a state university?” and answers: When the state stops supporting it.” She adds the oft-cited assessment of University of Michigan President Emeritus Jim Duderstadt: “We used to be state supported, then state-assisted, and now we are state-located.” (2010, p. 46) Here in Oregon, we have been state-supported, and the proposals under consideration
for a “new compact” assume we will be state-assisted. Without a concerted and collaborative campaign to restore the state’s ability to provide access to higher education for all qualified Oregonians, being state-located will likely be our future too.

These are desperate times. In some sense we are in the process of redefining public higher education. It may need such a redefinition. Our appeal is that we move forward together with carefully considered evidence-based decision making, and with audacious aspirations for the future.

Sources:


