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University Update No. 1

To provide members of the University community with official information from the administration, the Office of Public Services will publish in this format statements, answers to current questions, responses to rumors, and facts about the budget crisis as details become available. Students, faculty, and staff may address questions to "University Update," c/o Office of Public Services, 111 Susan Campbell Hall. This is the first report.

The President's Views on the Governor's Proposed Ten Percent Reduction of General Fund Support of Higher Education (a condensation of remarks made January 4, 5, and 6, 1982):

The Governor's proposal calls for a ten percent reduction ($28 million) for the eighteen-month period, January 1, 1982 through June 30, 1983, to be implemented in two separate five percent steps. For the University of Oregon each five percent step would equal $2.9 million or a total of $5.8 million in eighteen months.

The University had already reduced its 1982-83 base budget by approximately $4 million through selective budget cuts across the institution before the new cuts were proposed.

Further Tuition Increases Opposed

To implement the first of the Governor's five percent reductions, a combination of program cuts, tuition increases and a 1.5 percent salary reduction would take effect within the State System. President Olum opposes additional tuition increases because of the resulting denial of a college education to students of modest means and on the grounds that legislative action in 1981 has already required tuition increases totaling forty-two percent. Any further increases would very likely be self-defeating since they surely would cause a significant enrollment drop. Resulting losses in tuition income could very well undo a large part of the present effort to raise additional revenue from this source. Raising tuition further is simply not sound policy from a ethical, educational or financial point of view.

Salary Cuts Opposed

Part of the first five percent cut and the entire second five percent cut in the Governor's proposal rely on reducing the salaries of University employes who have already suffered a serious loss of salary base in recent years. It is terribly unfair to ask only higher education employes to take salary cuts to relieve the State's revenue shortfall, rather than sharing this burden more broadly across the state. Such salary reductions would most likely drive away large numbers of faculty, many of whom have excellent offers now from other institutions, but who remain with the University because they care about it, believe in it, and are committed to its students. For even the most loyal, there is a limit to the sacrifice which can be imposed on them. A most serious consequence of the salary reduction plan is that it will require a formal declaration of financial exigency by the University. This is the academic equivalent of institutional bankruptcy. It says we cannot honor the employment commitments and contracts we have made in goodfaith. Such a declaration will have a devastating impact on the reputation of the institution and on its ability–for many years–to hire first-rate faculty.

Should Programs Be Cut?

The implications of the only other possibility–additional program cuts beyond those already implemented–must also be considered. If an additional five percent ($2.9 million) were to be taken entirely from new reductions in the University's programs, the only option left this University would be to eliminate completely certain major academic units. The Provost's Office has calculated amounts that could be realized by closing some of the professional schools to effect necessary savings. It should be noted that while the University saves the costs involved in operating a school, the tuition generated by its majors and the overhead generated by federal grants and contracts administered in those schools would be lost.

Hypothetical Example

Before proceeding, President Olum made it clear that the calculation was performed only to show the extraordinary consequences of the alternative, and he stated that the University would regard any such action as utterly unthinkable.

In fact, the termination of three professional schools would not save the required $2.9 million. In the Provost Office example, closing four professional schools, i.e., Law, Music, Architecture and Allied Arts, and Education, would generate a net saving of $3.3 million, slightly more than is required. By exchanging the Labor Education Center and the Bureau of Governmental Research for the College of Education, the $2.9 million figure would be more closely approximated.

Closing the four schools would deny some 3,800 (about twenty-five percent) University students the opportunity to complete their professional academic programs. Some $7 million in contract and grant funds would be lost by these closings, and about 275 employes would be dismissed–for just one five percent budget adjustment.

The closure of schools is disruptive, unethical and possibly even illegal in its consequences to students launched in their professional program training. The effect on the integrity and excellence of the University would obviously be disasterous.

Economic Loss Forecast

There would be a significant impact of such actions also on the economy of the Eugene/Springfield/Lane County area. If these four professional schools were to be closed, the University would remove some $9.5 million in salaries paid to faculty and staff as well as funds for supplies and services, etc. from the cash flow of the area. Note: only $3.3 million of this $9.5 million is actual budget "savings"; $5 million would be lost when the affected 3,800 students no longer enrolled stopped paying their tuition and fees. The remaining $1 million represents the loss in overhead funds from abandoned grants and contracts.

The University estimates its students, on the average, each spend approximately $2,500 per year in the community for goods and services provided by local firms and merchants. So the total funds which would no longer find their way into the local economy would be some $19 million. Using the modest multiplier effect (the number of times money changes hands within a community before moving out of the community) the loss to the local economy becomes a real loss of about $47.5 million.

That sum is equivalent to around 2,400 mill-workers' jobs at $20,000 each. This estimate does not include the impact on the local community of the loss of about $7 million in grants and contracts which would also have been spent largely on salaries and services in this area.

University Aids State Economy

While the loss of nearly $50 million to the local area would also be felt throughout the entire State, a severe deterioration of the quality of higher education would also have extremely negative implications for the future economy of the State of Oregon. These consequences go well beyond the direct impact of lost income.

The State of Oregon urgently needs economic diversification. To achieve this, it needs to and can attract high technology industry. One of the single most important requirements for attracting such industry is a strong and flourishing system of higher education, particularly of the research university quality. Such industry wants the advantages of easy contact with university researchers, the special qualities of living made available in a university community, and the trained technical work force which can be provided by such institutions. Surveys by Economic Consultants Oregon for the Eugene Development Commission and by the Stanford Research Institute of Palo Alto at the request of House Speaker Hardy Myers indicate that this requirement is more important even than the nature of the corporate tax structure in determining where such industry will locate.

One of the most important steps which ought to be taken to attact new business and industry to Oregon is to assure the strength and quality of higher education in the State.

In concluding his remarks, the President urged his listeners to write to their legislators to express their views on the proposed budget cuts.

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The Education Subcommittee of the Joint Ways and Means Committee last week strongly opposed the second five percent budget cut package (which funds would be saved entirely from cuts in salaries).

Considerable sentiment opposing the 1.5 percent salary cut in the first five percent package also was expressed. Additionally, offsetting some portion of the proposed tuition increase in this first package has been suggested. Since the program cuts made in the first five percent package are based on reductions already made at the Chancellor's instructions in anticipation of the revenue shortfall, it would be possible under these conditions to preserve the central elements of the University.