Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:
Establishes governing boards for University of Oregon and Portland State University.

Government Unit(s) Affected:
Oregon University System (OUS), Employment Relations Board, Higher Education Coordinating Commission

Summary of Expenditure Impact:
See Analysis.

Local Government Mandate:
This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis: This bill establishes institutional boards for the University of Oregon (UO) and Portland State University (PSU) separate from the Oregon University System (OUS) and vests these boards with specific duties and rights. Allows UO and PSU to use all, some, or none of the shared services offered by OUS. Establishes a timeframes for Oregon State University may elect to establish an institutional board. The bill also provides a methodology by which other universities may establish institutional boards. Establishes the Special Committee on Regional and Technical Universities and the Work Group on University Shared Services. In addition, the bill allows the institutional boards to issue revenue bonds.

The –A23 amendments to SB 270 makes technical changes to ensure consistency with HB 3120, changes the composition of institutional governing boards to include representation of faculty, student, and non-faculty staff as voting members, provisions to ensure collaboration and cooperation between the universities, clarification of shared administrative services, the ability of regional universities to form their own governing boards and timelines for doing so, and the expansion of the Special Committee on University Governance and Operations.

In addition to the support of the Board, the primary drivers for the fiscal impact to UO and PSU would be to what extent the universities use the shared services offered by OUS. The following is a list of the shared services currently performed by the Chancellor’s Office (CO):

- Accounting and Reporting
- External and Internal Audits
- Financial Services
- Legal Affairs
- Payroll and Labor Relations
- Employee Benefits
- Treasury and Banking including daily operations and Bond Issuance and Debt Service
- Student Building Fees and Associated Debt Service
- Interest Earnings
- Administrative Systems Management

- Risk Management
- Purchasing and Contracting
- Institutional Research
- Legislative Relations
- Public Relations
- Coordination with other educational entities
- PEBB

OUS has developed estimates for a university that elects to provide, internally, the shared services that OUS currently provides all universities in the system. OUS outlined two different scenarios in which in scenario #1 it is assumed that the university provides board support and continues with selected shared services. Scenario #2 assumes board support and discontinuing all shared services and providing these services internally. Each scenario has a high a low estimate of the costs. In addition, OUS calculated the fiscal impact to the CO's office. The –A16 amendment requires universities with governing boards to continue shared services for employee benefits, collective bargaining, and risk management until July 1, 2015. If universities with governing boards choose to discontinue these services after July 1, 2015, and this discontinuation of shared services has a negative impact on the remaining universities, the Higher Education Coordinating Commission will compensate the negatively impacted universities by reducing appropriations to the universities opting out of the shared services.

	Scenario #1 - Institutions with Local Governing Board Continue Selected Shared Services (amounts per campus)		**Scenario #2 - Institutions with Local Governing Board Discontinue All Shared Services (amounts per campus)**		**Effect on Other Campuses/Chancellor's Office**	
Annual fiscal impacts per campus to an Institution with a local governing board	**Low**	**High**	**Low**	**High**	**Scenario #1**	**Scenario #2**
Total per Campus (OSU,PSU,UO)	$1,190,000	$2,620,000	$3,065,000	$5,860,000	($57,000)	($1,618,785)
Total Per Campus (EOU, OIT, SOU, WOU)	$710,000	$1,610,000	$2,460,000	$5,250,000		

In addition to the above costs, if the universities (UO, OSU, and PSU) were to opt out of PEBB there would be savings to OSU, PSU, and UO of $1.2 million per year that would need to be absorbed by the remaining universities. In addition, the CO's office would receive lower assessments of $3.8 million per year. UO, PSU and OSU will participate, at minimum, in PEBB, collective bargaining and risk management shared services until July 1, 2015. After this time, they may propose an alternative shared services model.

This bill would also exempt a university with an independent governing board from Chapter 240, State Personnel Relations, which provides for the administrative expenses and costs of operation for the Employment Relations Board (ERB). Approximately one-half of the cost of operating the Employment Relations Board (ERB) is funded through a monthly per employee assessment on state agencies, including OUS. General Fund and a limited amount of fees pay for the remaining cost of the agency. This bill would exempt a university with an independent governing board from paying the state agency assessment under ORS 240.167; however, ERB would still be required to provide services to such a university. Therefore, the cost would become a General Fund expense. ERB would require approximately $100,000 General Fund for the second year of the 2013-15 biennium to replace the lost revenue from OUS and approximately $200,000 General Fund for the 2015-17 biennium.

The bill adds responsibilities for the Higher Education Coordinating Commission (HECC). Upon the request of Eastern Oregon University, Oregon Institute of Technology, Southern Oregon University or Western Oregon University, HECC is required to determine if they have the capacity and demand to be governed by an independent board and provide recommendations to the Legislative Assembly. In addition, HECC will perform a number of other duties including the following with respect to the provisions of this bill:

- Report annually to the Legislature on the universities with independent boards' progress on achievement compacts signed with the Oregon Education Investment Board (OEIB).
- Approve universities mission statements, all academic programs and significant changes to academic programs, and allocations among institutions.
- Submit a biennial funding request to the Governor after receiving requests from universities and the State Board of Higher Education.
- Distribute appropriations made by the Legislature.
- Approve increases in tuition and mandatory enrollment fees in excess of five percent if requested by the universities. The universities may also request approval from the Legislature.
- Enter into a performance compact with the state in exchange for state appropriations.
- Report biennially on capital construction projects.
- Monitor, along with the State Board of Education, compliance with discrimination statues and withhold funding from a university that is deemed out of compliance.

The Executive Branch submitted a fiscal impact to HECC for this bill of approximately $860,000 General Fund, 6 positions (4.25 FTE) in the 2013-15 biennium and $1.2 million, 6 positions (6.00 FTE) in the 2015-17 biennium. This estimate includes the impact of this bill as well as the existing responsibilities of HECC as outlined in law. Currently, HECC does not have a budget for the responsibilities currently in law.

The 6 positions include a higher level executive or agency head (PEM F and a support staff position for 24 months. The remaining staff would start three to six months into the biennium (funded for 18 to 21 months). These other staff positions include two Ops/Policy Analyst 4, two Education Program Specialist 2 and one Procurement and Contract Specialist 3.

This estimate also corresponds to the Executive's Branch's fiscal impact for HB 3120 where there are a number of similar responsibilities added for HECC. Regardless, this estimated impact is higher than it should be for this bill exclusive of the existing HECC responsibilities and those included in HB 3120. There currently is no 2013-15 budget for HECC even given the responsibilities included in current law. It should be noted that the Governor's budget includes $1.7 million General Fund for HECC and the OUS Chancellor's Office budget was reduced by $1.6 million tied to policy related activities.

The –A23 amendment also clarifies the Governor's role in the board appointment process and clarifies the Special Committee will be considering questions related the future academic coordination of the seven universities.