

HOUSE COMMITTEE ON
GENERAL GOVERNMENT AND REGULATORY REFORM

Hearing Room
Tapes - 9

MEMBERS PRESENT:

Rep. Bob Tiernan, Chair
Rep. Mike Lehman, Vice-Chair
Rep. Ron Adams
Rep. Jerry Grisham
Rep. Cedric Hayden
Rep. Bryan Johnston
Rep. Bill Markham
Rep. Lonnie Roberts
Rep. Barbara Ross
Rep. Charles Starr
Rep. Ken Strobeck
Rep. Sharon Wylie

ISSUES DISCUSSED:

Government Efficiency
Oregon State System of Higher Education
Oregon Health Sciences University
Department of Motor Vehicles
Employment Department

STAFF PRESENT:

Greg Moore, Committee Counsel
Anne Tweedt, Committee Counsel
Kay C. Shaw, Committee Assistant

Annetta Mullins, Committee Assistant

MEASURES HEARD:

Government Efficiency
Department of Higher Education
Employment Department
Department of Motor Vehicles
Oregon Health Sciences University

These minutes contain materials which paraphrase and/or summarize
statements made during this session. Only text enclosed in quotation marks

report a speaker's exact words. For complete contents of the proceedings,
please refer to the tapes.

TAPE , A

004 CHAIR TIERNAN: Calls the meeting to order at 1:06 p.m. and announces
that those members not present are absent. REPS. ADAMS, JOHNSTON,
MARKHAM, ROSS and WYLIE are ABSENT. He then outlines the agenda and
reviews questions for the agencies to address.

REP. MARKHAM arrives at 1:08 p.m.

CHAIR TIERNAN: Continues his explanation to the state agencies on how they
are expected to provide information.

063 REP. WYLIE arrives at 1:12 p.m.

063 DR. JOE COX, Chancellor, State System of Higher Education, presents

information on delivery of services by the State System of Higher Education:

> \$2.4 billion dollar enterprise; for every state dollar, the system generates \$3

> system serves 60,000 full time students and 100,000 in evening degree programs, 90,000 in non-credit programs, and in state-wide public service possibly another 600,000 individuals

088 He submits information on a priority bill for their agency: SB 271, the

Higher Education Efficiency Act (EXHIBIT A).

100 > integration of efforts between Office of Community College Services and the State System of Higher Education to provide higher education in Central Oregon

129 > audit services are required and are required to be purchased from Secretary of State. \$400,000 savings can be replicated again and again to run the business side

144 > three to four times the 60,000 students will be served electronically

> because of nature of Health Sciences University, they are moving all the way to public corporation status because they are in the health care business; our business does not make sense to move all the way and the support was not there. May be back asking for full corporation status for OSSHE schools.

169 REP. ROBERTS: Electronically educate means Ed-Net, etc.?

CHANCELLOR COX: It is a combination of Ed-Net and some new technologies.

181 REP. JOHNSTON arrives at 1:21 p.m.

183 REP. ROBERTS: What happens when you have a student that has a question?

186 CHANCELLOR COX: Explains how classes operate through the Ed-Net system.

Nursing instruction is being offered from Southern Oregon this year to four different locations at the same time. It is interactive.

214 REP. ROBERTS: Under the corporation structure, would the state still set the standards for educational excellence?

216 CHANCELLOR COX: Responds affirmatively.

222 REP. ROBERTS: Does this mean that community colleges and Higher Education are working together?

223 CHANCELLOR COX: Yes.

227 CHAIR TIERNAN: When was the last time your agency was audited.

MR. IHRIG: The agency is audited every year. This year the bid went to DeLoitte-Touche.

237 CHAIR TIERNAN: What does an audit mean?

256 MR. IHRIG: The primary responsibility is to review our finances and to make sure we are not only meeting the fiscal integrity but also compliance with state and federal regulations. When they see that efficiencies can be

improved, they point those out to the Board.

269 CHAIR TIERNAN: If you had to start building your agency, what would you do differently than what is going on right now?

270 CHANCELLOR COX: I would probably come at it with a single university, but I recognize the reality is we have beavers, ducks and other animals and

that is probably not realistic. I think we have to find some balance between traditions and values and come back with some ideas short of that.

275 CHAIR TIERNAN: I wonder why the campuses have offices in other locations.

290 REP. LEHMAN: What do you mean by a single university?

291 CHANCELLOR COX: It would be a single organization with a president at the top and a campus executive. It is a more unitary structure.

REP. ROSS arrives at 1:27 p.m.

300 Discussion continues with Chancellor Cox on restructuring the higher education system.

CHAIR TIERNAN: How many employees are in the Chancellor's office, what is the overall budget and if you had the discretion to reorganized, could you reduce that employee complement by 10 percent?

308 CHANCELLOR COX: We have reduced it by about 40 over the course of Measure 5. There are 86 people in a wholly owned utility company that provides payroll, auditing, number crunching services, etc. from one location based on the OSU campus. We think we have some efficiencies by not duplicating those services at every campus. Much of those services will be distributed to the campuses. Thirty-five people are in coordination and management. Much of what goes on is a pass through function. The budget is \$58 million: \$5.8 million, 10 percent, is in leadership and management; \$15 million, 26 percent, in inter-institutional support, and 64 percent is in pass through functions where we are the pass through agency on bond payment, legal services, governmental assessments.

342 CHAIR TIERNAN: Under the proposal in SB 271, some services would be broken off from DAS. Are some of the things you are requesting also be things that should be requested of you by the individual universities.

388 CHANCELLOR COX: Yes. I would like to push accountability out and down.

398 CHAIR TIERNAN: It seems there are redundancies among the campuses. What are you doing to focus the dollars at being the best at what you are doing?

CHANCELLOR COX: Because of Measure 5, we took out 100 programs and have reallocated the dollars to 19 new programs; that took a hard whack at duplication.

TAPE 7, A

006 CHANCELLOR COX: Continues his explanation of efforts to eliminate duplicate programs.

023 REP. HAYDEN: OHSU is using about 14 percent state dollars and the university system is subsidized at about 60 percent of the cost of tuition.

027 CHANCELLOR COX: It is subsidized at about 25 percent of operations. Of the \$2.4 million dollars, about 25 cents on the dollar are from State General Fund. The ratio cost for the student is now up to about 40 percent.

058 REP. HAYDEN AND CHANCELLOR COX: Continue their discussion on tuition costs and the split between students and state funds, and student indebtedness at the time of graduation.

087 REP. JOHNSTON AND CHANCELLOR COX: Discuss efficiency and the Benchmarks to place Oregon students in Oregon colleges?

116 CHAIR TIERNAN: What are the efforts to keep students from going out of state?

125 CHANCELLOR COX: The percentage of students going to independent colleges is about the same as it always was. The percentage going out of state has gone up slightly. The top students are going out of state because of perceived instability.

130 CHAIR TIERNAN: Can you take a 8-10 percent personnel reduction?

CHANCELLOR COX: We have hit administration very hard. WE are generating about the same FTE with fewer faculty. We have to start putting some enrichment back into undergraduate and scholar programs.

140 REP. TIERNAN: Employee costs are controllable. Could you buy technology where you could do more with fewer employees?

140 CHANCELLOR COX: We are generating about the same enrollment as the previous biennium with fewer full-time faculty.

153 REP. ROBERTS: Are the standards and evaluation of bidders the same between the government agencies and the private sector.

165 CHANCELLOR COX: Yes.

165 REP. ROBERTS AND CHANCELLOR COX: Discuss how the decisions are made on cutting programs, and accessibility by students to programs.

OREGON HEALTH SCIENCES UNIVERSITY (OHSU)

207 LESLEY HALLICK, OHSU: President Kohler was unable to attend due to a prior commitment: Distributes a handout including the "Tulip Book" and a list of efficiency initiatives (EXHIBIT B). She reviews the history of OHSU and explains programs.

259 REP. ROBERTS: Do you train physician assistants?

260 MS. HALLICK: Yes. We will take the first class of 12 students this fall. Have received over 1,400 inquiries.

269 MS. HALLICK: Continues reviewing her handout on funding sources listed in the charts (EXHIBIT B).

310 MS. HALLICK continues her presentation on research institutes at OHSU.

336 MS. HALLICK reviews the map on the out-reach services programs and reviews the nursing program.

374 MS. HALLICK reviews some of the efficiency initiatives (EXHIBIT B).

TAPE 6, B

016 MS. HALLICK: Under the proposal for the status of "public corporation", OHSU would still be a public unit of government, but would not be a state agency.

029 REP. MARKHAM: Why not go all the way?

031 MS. HALLICK: We believe it would change our mission. The only way we could do that is to raise tuition.

042 REP. MARKHAM: Are we in control of our two-year nursing program at community colleges, or are you in control with the four-year program?

052 MS. HALLICK: We have nothing to do with the two-year community college programs; their graduates receive an associate degree. We have been tracking affiliation agreements with all 13 community colleges so those students can get credit for the community college experience at the upper division level based on their knowledge and go on and obtain the extra college courses they need.

071 REP. MARKHAM: Is your school trying to force another year on the two-year certificated registered nurse?

079 MS. HALLICK: We have nothing to do with the two-year community college program.

081 CHAIR TIERNAN: What amount of state general funds do you get?

082 MS. HALLICK: Sixty per year.

083 CHAIR TIERNAN: How many employees do you have?

083 MS. HALLICK: 6,651. OHSU is the largest employer in Portland. Last year it was around 6,550, but I will provide the exact number. The growth on the graph does represent additional people. They are going off General Funds and are bringing in revenue.

097 CHAIR TIERNAN: You don't have a good argument why you should be un-handcuffed from the regulations because you are an entity. Why shouldn't the legislature unbind everybody? Why should we treat you differently than other agencies.

103 MS. HALLICK: OHSU is fundamentally a business and it has to be operated in a changing health care market.

122 CHAIR TIERNAN: We have a lot of complaints from businesses who consider state competition not fair. How do you justify competing when you receive a subsidy?

137 MS. HALLICK: Explains OHSU provides education, and provides more indigent care than the total of all other hospitals. Those are provided by the subsidy.

149 CHAIR TIERNAN: Where do those dollars go? What overhead do they support? We need an accounting for the last two years of where the subsidy dollars were used.

155 MS. HALLICK: We will FAX those tomorrow.

152 REP. HAYDEN AND MS. HALLICK: Discuss providing indigent care.

203 CHAIR TIERNAN: The public corporation proposed this morning doesn't save any money; you are still asking for the same amount of money from the Legislature, correct?

205 MS. HALLICK: We have said we think we can accomplish the 14 percent reduction without impacting our mission. If we were to take further budget reductions, there would be impacts somewhere. We can absorb the reduction and survive in the changing health care environment if we have the freedom to enter into business-like relationships.

230 CHAIR TIERNAN AND MS. HALLICK: Continue discussing whether OHSU can absorb additional budget cuts.

265 REP. STROBECK: Why are the efforts continuing to merge Dornbecker and Legacy children's programs?

279 MS. HALLICK: Explains the hospital infrastructures are the same. A large number of the support systems are the same. The proposal to build a new one has to do with the out-moded facilities. They will use the same university infrastructure to support it. It is a private campaign to raise the money and no state money will be used.

326 REP. HAYDEN: What is the cost for four years tuition at OHSU?

348 MS. HALLICK: The average debt load of a graduating student is \$40,000 to \$80,000. Tuition is about \$11,000 a year.

357 REP. HAYDEN: Is the mission of the hospital to serve the sick and the poor or is it to operate with no General Fund dollars?

361 CHAIR TIERNAN: Good question.

366 REP. ROBERTS: How long has OHSU been involved with Ed-Net?

371 MS. HALLICK: Since its inception. She explains the use of Ed-Net in the nursing program.

407 REP. ROBERTS: Are the grants identified on the charts federal dollars?

MS. HALLICK: Most of them, 85 to 90 percent, are. That does not include dollars received by the Veterans Hospital. Some of the OHSU faculty are at the Veterans Hospital.

420 REP. ROBERTS: Is OHSU involved in biotech research?

424 MS. HALLICK: Yes. They are involved in the development of molecular tools.

TAPE 7, B

005 REP. ROSS: What are the five biggest efficiencies that would be attained by the proposal for a public corporation?

011 MS. HALLICK: Most savings will be achieved in purchasing and contracting.

032 REP. JOHNSTON: Do you think OHSU would be as involved geographically if the issue was making money or making ends meet?

MS. HALLICK: Yes. We see our niche as a state-wide resource. In the educational area it is also in training, but also in indigent and tertiary care.

064 CHAIR TIERNAN: Declares the meeting in recess from 2:35 to 2:45 p.m.

OREGON EMPLOYMENT DEPARTMENT

080 ROGER AUERBACH, Acting Director, Employment Department, responds to questions about his appointment as acting director and the dismissal of the former director of the department.

108 ROGER AUERBACH, Acting Director, Employment Department, introduces Tom McClellan, Fiscal and Economic Analysis Manager, and submits and explains items listed in the overview of the department (EXHIBIT C).

142 MR. AUERBACH continues his presentation.

192 MR. AUERBACH continues his presentation.

238 MR. AUERBACH continues his presentation

293 REP. ROBERTS: If you determine an employee cannot go back into a job, is your advice to retrain or re-educate?

MR. AUERBACH: It is personalized and is based on the benefit period. We will hit the whole realm. Some will go back to the same employer and we tell them what the department services are if it doesn't work out.

345 CHAIR TIERNAN: If you were going to build your agency from the ground up, what would you do differently that would save your agency a lot of money?

379 MR. AUERBACH: We would look at the services that can be done electronically.

399 CHAIR TIERNAN: Some agencies are bothered by DAS. What is your opinion? If you were to be released from DAS, do you believe you would be able to save dollars and operate more independently?

416 MR. AUERBACH: Because of my short time, I have not been aware of DAS being an obstacle. They have been very supportive.

TAPE 8, A

001 TOM MCCLELLAN, Fiscal & Economic Analysis Manger: We were a part of the Department of Human Resources; we are now a separate department. I think we have achieved some savings as a result of breaking away from the binds of a larger entity. I think there are some economies of scale that are achieved by having a central office like DAS helping with contracting, purchasing, accounting and budgeting. If that was passed back to agencies, it would add staff.

030 CHAIR TIERNAN: Page 19 of overview under Promote employment/Develop the Workforce, why couldn't a private entity provide those same benefits and services?

034 MR. AUERBACH: The flexibility and accountability asks the legislature for position authority to allow us to expand to where our federal grants have taken us. That is all that is in the budget package. Package 204 to shift supplemental employment from unemployment insurance is a \$2 million package. Because of efficiencies that we have already achieved and ones which we hope to achieve in 1995-97 is to take \$2 million out of unemployment insurance and move it to promote employment program. Contract hearings is something we do with Adult and Family Services for support enforcement hearings. The shared information system is a technological program with other state agencies to try to have a better system of gaining information.

048 There are private employment services that do have a part of the market. We are a general labor exchange.

055 CHAIR TIERNAN: Could you envision a 10 percent reduction in employees, and if so, how would you accomplish it. You are asking for a 12-13 percent increase.

058 MR. AUERBACH: Explains it is a shift to the re-employment side and off the unemployment side. With Package 204, there is a net gain. If someone said, do with 10 percent less, we would find ways to do it and we would look toward increasing and speeding up the technological improvements to try to make the savings.

069 CHAIR TIERNAN: If public employees strike, would your agency be able to operate the core essential services?

073 MR. AUERBACH: We are making our contingency plans. We had prioritized this in 1987 and are updating our plans to maintain services.

084 REP. GRISHAM: If I were unemployed, I could call up and file a claim by touch tone and have a check mailed to me or my checking account. How do you differ from a private employment agency? What is your number one goal?

095 MR. AUERBACH: We have, by technology and initiatives, created a system where job seekers can come into our office and make use of the services. We are a no-fee agency. In promoting employment it is to match skill levels and get the skill levels up to match the future demand for labor.

112 CHAIR TIERNAN: What is your total budget?

112 MR. AUERBACH: Including all the benefit checks we mail, it is a little over a billion dollars.

125 REP. GRISHAM: It seems your agency is doing everything but what I would expect it to do, which is to provide unemployment assistance to individuals who are out of work, but you are helping them be retrained and are providing child care and a library of resources and making it unnecessary

to be in a work search mode by being able to stay at home and not go look for a job. Does it make sense to you that the unemployment agency is doing

gang intervention and child care and couldn't it and shouldn't it be done by other agencies you are duplicating?

137 MR. AUERBACH: We have swung the pendulum to the other side and said we don't want people waiting in line; we want to make it easier so they can concentrate on re-employment services. We have very heavy emphasis on re-employment. We have taken some of the administrative requirements off and hopefully have freed them up to be able to think about nothing other than the job search. The lack of accessible affordable quality child care has been shown to be an obstacle for people working.

154 REP. JOHNSTON: Do you have an incentives plan for employees to improve their performance?

159 MR. AUERBACH: No. I have looked at some of the wage levels of those we are asking to do more and to learn more technology. We are somewhat restrained by a state entity which says how much money will go for wage increases and also are restrained by the collective bargaining agreement. It shouldn't stop us from doing something to look at incentives.

176 REP. ROSS: Have you reduced fraud?

MR. AUERBACH: We have been stable in our funding for fraud. I will provide information on how we have done on collections and the increases in the amount of money we have been able to recover.

195 REP. STROBECK: Are your job listings exclusive or are they also listed with private employment services?

199 MR. AUERBACH: We don't have exact numbers about how many are duplicated. I can get some information.

205 REP. LEHMAN: It appears there is a proliferation of employment-related agencies. Are we getting to the stage where we have to centralize so we are not duplicating services.

216 MR. AUERBACH: We don't do training per se. We have done a lot of work in integrating and consolidating with agencies who do training. In some areas we have staff located with JPTA programs. We have moved toward consolidation. There is effort on behalf of federal government to create one-stop centers.

242 REP. GRISHAM: On page 16 (EXHIBIT C) you say you have been placing fewer claimants since 1992. Why is that happening and what are the goals for 1995-97?

246 MR. AUERBACH: A lot of it was because there was such an emphasis on putting new technology in place. For 1995-97, we are geared toward improving the numbers on the performance measures.

271 CHAIR TIERNAN: You have 486 position. If we reduce the 500 (rounded) by 25 percent, it would save about \$12.5 million. If we were to give two-thirds of the savings to the state, we would save about \$7 or \$8 million dollars. That would give us \$3.5 or \$4 million and if we gave every employee a \$10,000 bonus that year for picking up the slack, we would still save the state \$7-8 million. Do you think if it were possible and an incentive program were developed and you could reduce your employment, increase productivity and put 3/4 of the savings into the state's pocket, would it give your employers an incentive to work smarter and harder?

294 MR. AUERBACH: It is federal money and I am not sure it could go into the state fund. The Department of Transportation has engaged in some programs where they have said if we can save money, then you can have part and we can have part. If employees knew they could have part of the money,

we would have more suggestions. A lot of employees know there are ways to save money.

OREGON DEPARTMENT OF TRANSPORTATION
DRIVER & MOTOR VEHICLE SERVICES BRANCH

350 JANE CEASE, Manager, DMV, submits and reviews an overview of the Driver and Motor Vehicle Services Branch (EXHIBIT D).

369 MS. CEASE continues her presentation.

404 MS. CEASE continues her presentation.

TAPE 9, A

021 MS. CEASE continues her presentation.

035 MS. CEASE: Continues her overview (EXHIBIT D, Page 7-11).

060 MS. CEASE: Continues her presentation.

086 MS. CEASE: The investment for the overhaul project is \$49 million. The biggest part will be next biennium and we will have to get approval for that from the Information and Technology Committee and the Ways and Means Committee. We will recover at a rate of \$7.6 million a year. Jobs will go away and there will be a 25 percent decrease in the work force.

098 Operation Green Light has had a test project for a number of years. It will allow commercial vehicles to pass through borders without having to stop and get their credentials shown on paper.

122 CHAIR TIERNAN AND MS. CEASE: Discuss customer service at local offices.

145 CHAIR TIERNAN: Over an eight or nine year phase in period for the computer system, perhaps it is something that should have been done in half the time.

151 MS. CEASE: We received information from the business community and other DMVs that there should be time to plan. The technology may change and it is something we will have to live with. Something of this magnitude

is not something to do all at once, but to do with a solid plan and to do it very carefully and to do it in phases.

166 CHAIR TIERNAN: When will you be completed with it?

177 MS. CEASE: By the end of the biennium, with the major parts being done in the first quarter of 1997.

178 CHAIR TIERNAN: Have you thought about putting a drivers license only facility in Fred Meyer stores where they provide the space for free?

187 MS. CEASE: We first have to get rid of the old system and process.

196 REP. GRISHAM AND MS. CEASE: Discuss customer service at DMV offices.

258 CHAIR TIERNAN: A bill that is being seriously considered that would impact your agency is as simple as you will open up on time, close on time,

if people are still waiting in line, they will be served, you will have customer comment cards and you will respond to those people within two weeks after getting the card and by 1997 you will have 15-25 more locations

in partnership with a private industry for driver licenses or registration purposes.

294 REP. JOHNSTON: Employees will be asked to have a much wider variety of

skills than in the past. Can you comment on what you think the appropriate compensation level for the directors and for rank and file people?

306 MS. CEASE: With DMV I am not sure the answer is right on with what studies usually show. Usually they show the higher managers are under compensated as compared with businesses of comparable size and complexity.

We have huge numbers of very low paid data entry operators, office specialists--that is the bulk of most of the work force except for the motor carrier Portland offices. I would like to get the actual numbers to show you.

334 REP. STROBECK: Since you are a customer service oriented organization, do you have specific training for your window people and is there any kind of evaluation at job performance time on their customer relations/satisfaction based on their performance?

347 MS. CEASE: We do have some training that includes how to deal with customers in a friendly way. It is part of our performance measures. I believe complaints against or compliments of people, go into the personnel file; it is dealt with on an individual basis.

365 REP. STROBECK AND MS. CEASE: Continue to discuss customer service performance by employees.

400 CHAIR TIERNAN : Declares the meeting adjourned at 3:57 p.m.

Submitted by, Reviewed by, Reviewed by,

Annetta Mullins Anne Tweedt Gregory G. Moore
Committee Assistant Committee Counsel Committee Counsel

EXHIBIT SUMMARY:

- A - Government Efficiency, explanation of SB 271, Chancellor Cox, 1 p
- B - Government Efficiency, information packet, Lesley Hallick, 27 pp
- C - Government Efficiency, legislative overview, Roger Auerbach, 23 pp
- D - Government Efficiency, overview, Jane Cease, 12 pp