

SENATE COMMITTEE ON
EDUCATION

February 14, 1995 Hearing Room
 Tapes 32 - 34

MEMBERS PRESENT:

Sen. Tom Hartung, Chair
Sen. Ken Baker
Sen. Shirley Gold
Sen. Marylin Shannon
Sen. Cliff Trow

STAFF PRESENT:

Fallie Calder, Committee Administrator
Carolynn Gillson, Committee Assistant

MEASURE HEARD:

SB 271 Higher Ed Administrative Efficiency Act, PUB

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 32A

005 SENATOR TOM HARTUNG, Chair: Calls meeting to order at 8:03 a.m. as a
subcommittee. Sen. Gold is delayed.

PUBLIC HEARING ON SB 271

Witnesses: Joseph Cox, Oregon State System of Higher Education (OSSHE)
 Herb Aschkenasy, Oregon State Board of Higher Education (OSB HE)
 Weldon Ihrig, OSSHE
 Linda Kane, University of Oregon (U of O)
 Ron Anderson, OSSHE
 George Pernsteiner, OSSHE
 Jay Kenton, Portland State University (PSU)
 Kaaryn Keller, Western Oregon State College(WOSC), Oregon Student Lobby
(OSL)
 Audry Symes, OSSHE

010 JOSEPH COX, Chancellor of Higher Education: Explains what their
presentation will include. Provides written testimony (EXH. A)
 > Outlines the strategies for getting through Measure 5.
 > Needed way to focus more resources to instruction.
 > Budget note from last session required looking at becoming a public
corporation. Was viewed as moving too far toward privatization. Backed away
from that concept except for OHSU.
 > Moved to Higher Ed Efficiency Act - reviews what it would do
 > Proposed name change deleted from bill and the engrossed bill draft was
the result (EXH. B).

> Consulted with Peat Marwick, Management Consultants. Found Oregon has tendency to create multiple layers of preapprovals involving the state and the way it does its business.

> Recommended legislative changes that would provide more management authority for the Board of Higher Education, hold the Board accountable and

transfer authority approval directly to the public appointed Board.

Attempt to reduce state processes that do not add real value to the end result.

> Notes this is not succession but renegotiation of the working relationship between the executive branch of government.

> Moving on to putting resources into direct services - instruction, research and public service.

130 HERB ASCHKENASY, OSB HE: Makes brief introductory comments.

> Reviews information provided to the committee (see EXH. A) concerning the Administrative Efficiency Act of the 21st Century.

> SB 271 is aimed at efficiencies only in the areas not including teacher research and service.

210 SEN. CLIFF TROW: Peat Marwick study tended to identify student services as administrative costs. Are those support services going to continue?

COX: Clearly, student services were hit with cuts but support services for students have to be maintained.

250 SEN. MARYLIN SHANNON: Requests copy of executive summary from the BARC review mentioned in their testimony. Suggest committee may want to look at

the state rules and policies that require multiple layers of approvals. Talking about a symptom and we need to deal with the cause.

COX: OSSHE would make an excellent prototype to test some of the ideas.

> Will give you some examples in next part of presentation that are relevant to other agencies.

289 SEN. KEN BAKER: Explain what you are doing so professors can spend more time with students.

COX: The bill does speak to the administrative side of the enterprise. Not preventing more efficiency on the instructional side.

> Reviews gains in productivity - more in control there. Not the same at every institution because the missions are different from one institution to another.

> Pleased Oregon ranks fourth or fifth in the country in research productivity. Not in Oregon's best interest to all be the same.

360 SEN. BAKER: Need to get beyond how Oregon compares to other states. Like to see more direct contact with students.

COX: Explains how it has happened at PSU. Bill does not speak to that side of reform.

402 CHAIR HARTUNG: Is the Board in total agreement on SB 271?

ASCHKENASY: Yes, the Board is in agreement. We need to continue to address issues like productivity more effectively. This is the part where we need your help to accomplish the efficiencies.

> Explains how many people were involved in drafting the legislation including former Board members.

445 CHAIR HARTUNG: Talks about cooperation between OSB HE board and community college board?

ASCHKENASY: Relationship strained in past, but not so any more.

480 COX: Will provide committee members with summary of report concerning faculty activity.

TAPE 33A

010 COX: Will go through what would not change and what the goals are.

015 WELDON IHRIG, OSSHE, Finance and Administration: Goal of Efficiency Act

is to focus resources more on the primary missions of the state system as well as provide more flexibility to adapt to changes not only in technology

but they way we conduct business.

> Want people to review everything at the decision-making level rather than have layers of review.

> Reviews the relationships that would not change with the Legislature, Governor, State Treasurer, Secretary of State, and Attorney General.

> Rulemaking process, open meeting and public record laws would continue to apply.

> Refers to summary on second page of handout on what would change (see EXH. A).

> One key area is responsibility for classified and management service employees.

> Also included is section by section summary of the legislation.

082 LINDA KANE, Director of Human Resources, Uof O, Personnel: Two problems in the existing personnel system are how positions are classified and getting qualified pools of applicants.

> Classification paperwork takes 40 to 50 hours a month. Establishing a new classification can take up to two years.

> More crucial problem is the class system does not have classifications that meet positions at the school.

SEN. TROW: Are you proposing using a different classification system?

KANE: Would probably modify it to develop classifications that fit the universities and colleges. Keep the classifications that do work.

SEN. TROW: If substantial changes are made, will you continue consultations with the affected parties?

KANE: Yes, the collaboration will continue.

SEN. TROW: Will it be sensitive to equal pay and gender issues?

125 KANE: Yes. Current system is large and cumbersome and takes a great deal of time to operate within.

> Reviews recruitment problems in a high volume and highly centralized system.

> Current system does not accommodate different labor markets across the state.

> Explains how the proposed changes were arrived at and what the considerations were.

176 RON ANDERSON, Assistant Vice Chancellor, Personnel, OSSHE: Reviews the changes in their proposal which separates OSSHE Personnel completely from the state system.
 > Badly need new technologies to make their process more efficient.
 > Currently paying state \$1.9 million assessment per biennium for personnel

services.

 > Proposal takes part of assessment and creates their own personnel system which could operate for approximately \$1 million less.

 > Need additional staff centrally for a more efficient and less costly system.

237 CHAIR HARTUNG: What type of association would you have with OHSU?

 IHRIG: Will be totally separate and operate on their own within the public corporation.

 SEN. TROW: Would OSSHE have it's own collective bargaining with classified employees?

 IHRIG: That is what we are proposing.

 > Goes on to proposed changes in the area of contracting, procurement and leases.

 > Propose Chancellor's office be in nonprocessing mode and campuses have freedom to do their own business and choose how to do it.

284 GEORGE PERNSTEINER, OSSHE: Reviews what their testimony will cover in the areas of purchasing and contracting.

 JAY KENTON, Director of Business Affairs, PSU: Talks about problems with the mandatory use of state price agreements and duplicate efforts between professional purchasers at colleges and universities.

 > Similar problems with personal service contracts.

 > Explains how PSU and other institutions are saving money in the contracting and purchasing process.

 > Examples are use of an air travel contract, procurement card, American Express travel card and lock box payment processing system in taking credit

cards and payment of debts.

 > Institutions need flexibility to use modern, competitive contracting and purchasing strategies.

420 PERNSTEINER: Buy things for an educational purpose.

 > Difficult to bring in something new under the current purchasing system with the state. Lose opportunities to save money while waiting to get purchasing approval.

 > Create system that gives people flexibility to make good business decisions without trying to fit it in with existing policies. Gives example of how difficult it is to take advantage of opportunity under the state's rules.

TAPE 32B

044 PERNSTEINER: All DAS rules for purchasing ended on 12/31/94.

 > Requesting approval for changing the way OSSHE operates.

 > Need to look again at existing state purchasing laws and rules - one size

does not fit all.

 > Explains how current contracting laws and rules affected the costs to repair earthquake damage at Oregon Technical Institute in Klamath Falls.

 > Flexibility in laws and rules will pay big dividends as we move forward.

 > Want system that is competitive, open and impartial, but flexible.

Emphasizes not just price but also timing, local service and quality. It will encourage partnerships and reduce costs.

105 IHRIG: Key is flexibility and the need to quickly be able to make the choice of moving in a different direction if money can be saved.

> Talks about ways to save in research projects.

> State Treasurer would continue to invest for OSSHE. Would be more productive and earn more money if the returns on cash investments are returned to OSSHE instead of the general fund. Reason is incentive system for better cash management. Take the risks as well as adding incentives for investment.

> Talks about changes in purchasing insurance coverage - get best coverage for the price.

170 > Continue to adhere to various social policies of the Board.

> Summarizes areas they are looking at. Focus on results rather than the processes.

> Reviews what would remain the same concerning the audits by Secretary of State, legislative appropriation process, Governor appoint and Senate approval of Board members.

> Provide annual report to Legislature and Governor.

> Expand their internal audit operations - change focus to looking at business processes.

> Full accountability built into proposal.

231 IHRIG: Reviews three clarification amendments (EXH. C).

248 SEN. TROW: Will OSSHE continue the state's liability limit of \$200,000?

PERNSTEINER: Retain current state coverage for tort liability.

SEN. TROW: Will OSSHE property still be owned by the state?

PERNSTEINER: Property is owned by state acting by and through the Board which will continue.

> Listing of surplus property will be by OSSHE and not by DAS.

> Campuses are named in the bill so only the Legislature could close a campus. Presumable the Board could sell property.

SEN. TROW: Will you come to the Legislature for capital construction authority?

PERNSTEINER: Would seek legislative approval for any projects involving debt.

SEN. TROW: Will Legislature be involved in deferred maintenance on campuses?

PERNSTEINER: Legislature continue to be involved.

SEN. TROW: Board continue to be open to student council?

IHRIG: No change in composition of Board.

SEN. TROW: Will faculty continue to be involved in governance of institutions?

IHRIG: No change in current relationship.

339 SEN. BAKER: Where are the most efficiencies in the Higher Education Administrative Efficiency Act?

IHRIG: Purchasing and contracting, state personnel practices, and

investment of funds.

374 CHAIR HARTUNG: What effect will this have on DAS?

IHRIG: Held discussion on Chancellor's role, Board's role and campuses role. Heavy processing activities taken away from the Chancellor's office.

> Opportunity with DAS of refocusing their energies - look at holding company role. Look at parameters of operation and accountability.

TAPE 33B

003 SEN. TROW: Thinks that is a good approach. True some of the costs of layering come from the state level, but it is also an internal problem with

each institution and within the system itself.

IHRIG: Agrees the problem exists. What PSU has done to get rid of the layering process is significant - set model for other campuses and Chancellor's office to follow.

028 KAARYN KELLER, OSL: Reviews written testimony in support of the changes proposed in SB 271 (EXH. D).

CHAIR HARTUNG: Has the proposed bill been distributed to other OSL Board of Director members from other institutions?

KELLER: Yes, Board made decision to support it. Real benefit to have two students on OSB HE.

SEN. GOLD: Would like to hear more about the personnel changes.

100 IHRIG: Begins review of the new language in the bill - Sections 1 and 2 (see EXH. A & B).

SEN. GOLD: Is the term semi-independent defined in the bill?

116 AUDRY SYMES, OSSHE, Chancellor's Office: Semi independent is not defined in bill. It is what the state uses for an agency which is not subject to all state statutes.

IHRIG: Talks about three agency administrative models. Scope is defined in legislation.

SEN. GOLD: Suggests for clarification reasons referencing language that is currently in statute.

IHRIG: Continues reviewing changes Sec. 3 and 4.

SEN. TROW: Suggests preparing a summary sheet of exempted statutes.

189 IHRIG: Bring more annotated listing on Thursday.
> Continues review with of Sec. 5, 6, 7, 8, and 9.

241 SEN. GOLD: What kind of discussion took place concerning the exemptions in Sec. 4?

IHRIG: Keeping those agencies informed of what we are doing and have continuing discussion regarding their activities. Have kept DAS and State Lands fully informed. There were no requests on their behalf to testify

before the Board.

> Goes on to Sec. 15 concerning the State Treasurer issuing revenue bonds which are infrequently used.

SEN. TROW: Can a revenue bond may be issued without going through the Legislature?

PERNSTEINER: No. ORS 288 does require the bond bill which the Legislature approves each session to be passed and authorization to issue revenue bonds would have to be included in that legislation. Only use these in situations that do not qualify for tax exempt bonds.

316 IHRIG: Continues with Sec. 17, 18 and 19.

365 SEN. TROW: If you should choose less insurance coverage than the state has, would DAS have the ability to say no?.

IHRIG: Yes, this section requires us to work with DAS to reach an agreement.

> Reviews language in Sec. 20 concerning record retention.

SEN. TROW: Does having the Board retain their own records save money?

IHRIG: It reduces another review step in the approval process.

> Currently archive their own records.

> Goes on to Sections 21 and 22.

TAPE 34A

036 SEN. TROW: Does this mean you will need additional staff to buy insurance?

IHRIG: Currently have risk management people within the system. Annual total savings would be about \$1 million.

065 SEN. GOLD: Have those unions with collective bargaining contracts within OSSHE chosen to have any input in those sections of the bill concerning employee relations?

IHRIG: Explains how they continue to deal with faculty unions - bill does not change relationship until contracts run out. Negotiations in the future would be with the Board.

> Classified employees have statewide contracts with the state. Any change in agreements would be with OSSHE. Still have a few points to work on.

PERNSTEINER: Two different agreements going on. Relationships with faculty and unions would be precisely the same. Not seeking exemption from collective bargaining. Seeking the authority to collective bargain with the unions for state system employees that the state now bargains for.

124 CHAIR HARTUNG: Adjourns meeting at 10:05 a.m.

Reviewed and submitted by,

Carolynn Gillson
Assistant

EXHIBIT SUMMARY ON SB 271

A OSSHE

2 pages

B	OSSHE	45 pages
C	OSSHE	1 page
D	OSL	3 pages