

SENATE COMMITTEE

ON EDUCATION

February 28, 1995           Hearing Room 343

7:00 a.m.           Tapes 41-45

MEMBERS PRESENT:           Sen. Tom Hartung, Chair  
                              Sen. Ken Baker  
                              Rep. Shirley Gold  
                              Sen. Marylin Shannon  
                              Sen. Cliff Trow

STAFF PRESENT:            Fallie Calder, Administrator  
                              Carolynn Gillson, Assistant

MEASURES DISCUSSED        SB 2, regarding OHSU -PUB

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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 41A

005        SENATOR TOM HARTUNG, Chair: Calls the meeting to order at 7:00 a.m.

PUBLIC HEARING ON SB 2

Witnesses:            Sen. Gene Timms  
                          Chancellor Joe Cox, OSSHE  
                          Grattan Kerans, OSSHE  
                          Rhonda Troutman Reese, OSB HE student member  
                          Dr. Peter Kohler, OHSU  
                          Dr. Leslie Hallick OHSU  
                          Janet Billips, OHSU  
                          Jim Walker, OHSU  
                          Neil Goldschmidt, Public Corporation Advisory Committee  
                          Fred Buckman, Public Corporation Advisory Committee  
                          John Woodward, Payne, Webber, Inc.  
                          Doug Gough, Ater, Wynee et al  
                          Randall Edwards, State Treasury  
                          Chuck Smith, State Treasury  
                          Governor John Kitzhaber  
                          Doug Hurd, AFSCME  
                          Diane Lovell, AFSCME  
                          David Cook, OHSU  
                          Gail Ryder, Oregon Newspapers  
                          Jodie Fisher, Oregon Rehabilitation Assoc.  
                          John Murphy, Portland Habilitation Center  
                          Robert Noose, OSL  
                          Greg Kantor, Public Corporation Advisory Committee  
                          Wayne Martin, Salem  
                          Ed Patterson, Oregon Association of Hopsitals (OAH)

008        SEN. GENE TIMMS, District 30: Refers to his proposed amendment changing representation on the OHSU Board of Directors (EXH. A).  
> Up to Governor to appoint Board members.

047        JOE COX, CHANCELLOR, OSSHE: Explains the process followed by OSB HE, the

Chancellor's office and OHSU to arrive at SB 2.

> Talks about two concerns addressed in SB 2 - representation on the Board of OHSU and OSB HE retaining programmatic authority for academic instructional programs.

> Only remaining issue is the responsibility for bonded indebtedness that OHSU will take with them. Believes OHSU, OSSHE and State Treasury are close

to working out language to address that issue.

> OSSHE remains responsible for the academic programs.

118 SEN. CLIFF TROW: What about quality of curriculum and student involvement in developing programs?

COX: Current statute language maintains a joint responsibility.

SEN. TROW: What about statutorily guaranteed interrelationship of faculty and research programs?

COX: Have to count on the professional integrity of the faculty, deans and associates in place.

> Hopes OHSU provost remains member of academic counsel.

> Not specifically addressed in statute.

163 SEN. TROW: Requests further explanation of bonded indebtedness.

COX: OHSU takes their portion of bonded indebtedness with them. Not addressed in the bill but close to final language addressing main concern.

SEN. TROW: Budget accrediting needs to be addressed.

COX: In SB 275 prior to Sen. Timms bill but only for academic instructional programs.

SEN. TROW: Some kind of synchronization might be useful.

238 SEN. KEN BAKER: Refers to language in Sec. 3, and asks how OHSU research will be sensitive to social issues and be accountable to OSSHE, the Legislature and the Governor?

COX: Chancellor's office and OSB HE do not attempt to set perimeters for research now.

SEN. BAKER: Talks about research being highly sensitive - cautious about researchers getting ahead of where society is leading them.

COX: Balance will occur when the Legislature meets with OHSU officials as their budget comes before you on a biennial basis. Confident in leadership of OHSU. Believes they are sensitive of certain areas now.

327 GRATTAN KERANS, Director of Government Relations, OSSHE: Reviews his memo addressing issues the committee asked about at the February 23 meeting.

> Refers to list of differences between SB 2 and SB 275.

> Reports that representatives of OSSHE, OHSU and State Treasury have not reached a final agreement on bonded indebtedness.

427 RHONDA TROUTMAN-REESE, dentistry student, OHSU School of Dentistry: Testifies for student representation on the new OHSU Board.

> Explains students are why OHSU is unique. Academic university teaching state's new health care professionals. Very strong measure of good faith to place student membership on the Board.

TAPE 42A

039 REESE: Talks about currently serving on OSB HE Board.

067 DR. PETER KOHLER, OHSU: Supports having student representation on the Board and has prepared an amendment for Legislative Counsel to draft.

> Consider education to be their primary mission. Also involved in research, health care delivery and indigent health care.

SEN. TROW: Would hate to see a wall develop between the OSB HE and the OHSU Board.

DR. KOHLER: Anticipate OHSU Provost will participate with the Academic Counsel. Not sure if it is necessary to be in statute.

COX: Neither of the counsels are spoken to in statute now - they were created by OSSHE over the years.

SEN. TROW: Maybe there needs to be a general clause that talks about the importance of interconnection and directing OHSU and OSB HE to maintain such a connection.

128 DR. LESLIE HALLICK, OHSU: Issue addressed in Sec. 12 without specifying the mechanics.

149 JANET BILLIPS, Legal Policy Advisor, OHSU: Provides explanation and description of SB 2 with all the technical changes (EXH. C). Refers to SB 2-8 amendment which replaces the original bill (EXH. D).

> Continues reviewing language in the bill with Sec. 13 concerning the budget process and Sec. 14 concerning audits.

SEN. BAKER: Would the language in the last sentence of Sec. 14 allow OHSU to deny audit information requested by the Secretary of State?

BILLIPS: We are still subject to the public records law and there is no exemption for disclosure of an audit report.

SEN. BAKER: Suggests considering an amendment to the language.

247 SEN. TROW: Nothing would exclude the Legislature or Secretary State to do an audit.

DR. KOHLER: Section written because of audit concerns for clinical operations. Language may need to be revised for clarity purposes.

270 SEN. TROW: Talks about the budget and the language in Sec. 13.

296 JIM WALKER, Finance and Administration, OHSU: Only concern OHSU would have on coordination of the budget would be on their ability to issue debt and the impact that could have. Talks about budget authority.

SEN. TROW: Need some kind of consultation or coordination on budget issues. Makes sense to have some consistency between what the two boards are doing in this area.

382 WALKER: Expect that coordination since there will be a OSB HE member on the OHSU board.

DR. KOHLER: We would be happy with any form of consultation that did not interfere with our ability to borrow money at the best rate.

416 BILLIPS: Continues reviewing language in the bill (see EXH. C) with

Section 15 concerning current OHSU employees and Sec. 16 concerning OHSU public contract policies.

TAPE 41B

052 BILLIPS: Continues with Sec. 17 - 21.

SEN. BAKER: What restrictions are there on using Certificates of Participation (COPs) which are outside the normal bonding scope?

WALKER: Talks about Board's authority for issuing of debt. Currently, no limit on amount of certificates.

SEN. BAKER: Goes into more detail about his concerns.

WALKER: Talks about COPs and the market place.

SEN. BAKER: What if we limited COPs but left you with bonding authority?

DR. KOHLER: Suggests bringing up staff from State Treasury.

145 NEIL GOLDSCHMIDT, Chair, Public Corporation Advisory Committee: Talks about the objectives and conclusions of the advisory committee on the proposal to convert OHSU to a public corporation.

> Reviews information in his written testimony (EXH. E).

186 FRED BUCKMAN, President and CEO, PacifiCorp and Advisory Committee member: Talks about OHSU becoming a public corporation and about serving on the advisory committee.

> Satisfied the proposal represents the kind of transformational thinking that will allow OHSU to become a first class institution.

SEN. TROW: What are some of the specifics of the transformation?

BUCKMAN: Steps OHSU is taking allow it to reduce it's costs and have more freedom to act and behave in a competitive way. Be a force in the health care market and attract the kind of people that will allow it to achieve top ten status.

234 CHAIR HARTUNG: Can you address the committee's concern that OSSHE maintain a meaningful connection with OHSU after it becomes a public corporation?

GOLDSCHMIDT: Major issue for the advisory committee was what would happen to the teaching mission at OHSU and to the cooperation between the research

and teaching faculties and faculty relationships inside OSSHE and with other teaching organizations.

> Faculty said they would not support the change if it meant interruption of their relationship with other educational institutions.

> Advisory committee never saw the need for concern they expected to find about the change.

> Faculty will continue to teach and do research and the volume will grow.

> Talks about recruiting and hiring a chief executive officer.

341 BUCKMAN: Talks about the recruitment process. Open meeting law makes it difficult to explore and attract the very best people for an organization in a competitive environment.

GOLDSCHMIDT: Feels the proposal will pry loose more opportunities for the state.

394 BILLIPS: Talks about revenue bonds and explains who will be addressing

the committee.

TAPE 42B

026 JOHN WOODWARD, VP, Payne Webber, Inc, Municipal Securities Group: Have been advising OHSU but not engaged on a contractual basis.

> Assisted OHSU in meeting with three major rating agencies in New York City.

> Have seen same type of restructuring in other states and the track record has been favorable.

> The rating agencies will focus on the dichotomy and decision-making of management and ability of the Board to provide oversight.

> The change does not imply the state is pulling back from financial support of OHSU.

078 SEN. TROW: There needs to be coordination of who is bonding and for what. Department of Administrative Services (DAS) and the Legislature are responsible for total amount of bonded indebtedness and total number of COPs put out there.

WOODWARD: Anticipates future debt would be structured with the obligation based on the support and revenues available from OHSU. Board's approval would be limited to those issues secured by those revenues.

SEN. TROW: When one part of state movement is allowed the freedom to do as much as it wants to, it will affect what the rest of state government can do.

SEN. BAKER: If COPs are only limited to OHSU revenues, how would it affect the rest of the state's bond structure?

WOODWARD: Ability to issue debt will be based on the market's perception of this entity's ability to cover that debt from it's future revenues.

132 DOUG GOUGH, Ater, Wynne et al, Attorneys at Law: Structure of the bill is to take the general obligation bond authority away from OHSU. It will rely on the revenue and other monies available to the public corporation including state appropriations. It is not going to be state debt.

> Talks about certificates of participation as one avenue available to raise capital.

> Moving from a tax-backed borrowing structure to a purely revenue-backed structure.

> OHSU will be moving from relying on state credit to relying on their own credit.

> Refers to Sec. 18 in bill in response to Sen. Baker's earlier question.

SEN. TROW: Need some kind of check and balance in the system - perhaps a mechanism for the State Treasury to use.

GOUGH: Talks about the importance of having flexibility.

WOODWARD: Real safeguard lies in oversight by the Board.

SEN. TROW: Concerned about oversight of the Board.

300 RANDALL EDWARDS, Office of State Treasurer: Provides testimony outlining the concerns they have with the bill (EXH. F).

> Explains how they are concerned about OHSU structure for debt authority and general obligation authority. The -8 ( see EXH. D) and -9 amendments (EXH. G) take the general obligation authorities away from OHSU.

> Talks about outstanding obligations OHSU has to the state. Concerned

about having mechanism to protect the state's credit. They want to go to the market with their own revenue financing. We believe it is a fair and appropriate way for them to go.

> Close to striking an agreement.

370 CHUCK SMITH, Director of Debt management, Office of State Treasurer: Talks about what COPs are and what they do. Form of financing that lowers cost of capital.

SEN. TROW: They also make a commitment for future budgets and create an on going expense for state agencies. Only can do so much with COPs.

SMITH: Treasury is concerned about financing large capital projects.  
> Continues to describe what OHSU and the state could do.

TAPE 43A

028 SMITH: Explains that both the -8 and -9 amendments limit COPs and bonding authority only to revenue received.

049 SEN. BAKER: Does Treasury Department have a mechanism to look at the total state debt?

EDWARDS: Yes. Very aware of and tracking state debt.

SMITH: Will come back with amendments.

082 DR. KOHLER: Believes risks and rewards will be in the new structure for administration and the Board.

SEN. TROW: Do you see a new Board with a business enterprise in mind?

DR. KOHLER: No. Believes focus will always be an educational institution.  
> Structure of Board must have the expertise to compete in the market place.

123 BILLIPS: Continues with Sec 22 concerning OHSU retaining it's current right of eminent domain and Sec. 23 - 31 concerning general public policy provisions (see EXH. C).

203 CHAIR HARTUNG: Welcomes Governor Kitzhaber and talks about committee concerns.

221 GOVERNOR JOHN KITZHABER: Believes converting OHSU to a public corporation is compelling because without the change OHSU will have difficulty fulfilling it's potential and attract world class talent.

> Proposal is dramatic statement that we know now to go about reorganizing government.

> OHSU will be more efficient and cost effective as a public corporation.

> Heard nothing about it being bad idea. Not a step towards dismantling our system of higher education.

> OHSU has a large role of delivering health care.

> Academic program review still has OSB HE oversight.

> Intent is to try to move the state funding component to zero and OHSU will be self sufficient.

> Supportive of students serving on the Board.

CHAIR HARTUNG: Want to be reassured of the continuing role of education at OHSU.

GOVERNOR KITZHABER: One of the central components of the mission is to continue to operate a world class institute of educational training. Teaching academia is critical and relevant.

322 BILLIPS: Continues with Sec. 32 - 51 concerning transfer of assets, property and obligations - transition provisions (see EXH. C).

375 SEN. SHANNON: Refers to Sec. 25 and asks if OHSU's health care providers are required to agree to do abortions?

BILLIPS: No they are not. The point of view of health care providers is respected and their personal belief is accommodated.

SEN. TROW: The property tax exemptions will flow with the property, right?

BILLIPS: Yes.

SEN. TROW: Is the state going to be free of all obligations related to the property?

BILLIPS: Believes the real property is subject to the care, custody and control of OHSU.

> Mentions a federal law that also applies to real property

> Responds to question concerning police authorities for personnel at OHSU.

TAPE 44A

043 BILLIPS: Sec. 52-62 concerning public finance were discussed earlier.  
> Sec. 52-56 concerning general obligation bond authority were deleted.  
> Reviews technical amendments in Sec. 61-89 (see EXH. C).  
> Sec. 80 continues OHSU exemption from State Health Division regulations.

If the Health Division gets a waiver from the federal Clinical Laboratory Improvement Act (CLIA), this section would sunset. Will check on the language with Legislative Counsel.

137 > Reviews language in Sec. 90, 91 and 92. Need the effective date to be July 1, 1995.

> Talks about the definition of public corporation, including one student representative on the Board, and allocation fees in -8 amendment (see EXH. D).

227 Recess for 10 minutes at 9:33 a.m.  
Reconvenes at 9:44 a.m.

236 DOUG HURD, AFSCME: Reads testimony supporting OHSU's endeavor to become a public corporation (EXH. G).  
> Want representative of labor on Board of Directors.  
> Support the amendments.

295 SEN. TROW: Will the collective bargaining process continue to work as it has been working?

HURD: Believes it will be more effective and more efficient.

333 DIANE LOVELL, AFSCME: Believes most of the job classifications at OHSU will stay in effect. A number of jobs are not described accurately in the state classification system. Will isolate those that are not working and address them. Don't believe any changes the state makes in the classification structure should automatically be adopted by OHSU.

DR. KOHLER: Agrees there is a strong need to revise the classification system at OHSU and will make it a high priority.

423 DAVID COOK, President of OHSU Faculty Senate: Faculty Senate supports SB 2.

> Teaching mission, research and patient care will not diminish.

TAPE 43B

029 GAIL RYDER, Oregon Newspapers: Reviews written testimony in support of SB 2 but opposed to proposed amendments that would damage Oregon's Public Records Law (EXH. I). Believe OHSU should continue to operate with the same public disclosure requirements as other Oregon colleges and universities.

> Concerned about proposed amendment dealing with the openness of the process when OHSU is selecting a president.

112 SEN. TROW: Is there precedent for a closed selection process?

RYDER: Will look into that.

CHAIR HARTUNG: Talks about public corporations operating differently than other institutions.

RYDER: The law already provides those kinds of protections. Like to know specifics of general language that could be interpreted in other ways.

166 JODIE FISHER, Oregon Rehabilitation Assoc: Speaks in support of the -8 amendments from OHSU.

> Refers to list of existing contracts included with their testimony (EXH. J).

174 JOHN MURPHY, Portland Habilitation Center: Reviews testimony concerning OHSU's commitment to the employment of people with disabilities (see EXH. J).

Testimony submitted by Oregon Medical Association in support of SB 2 (EXH. K).

WORK SESSION ON SB 2

231 FALLIE CALDER, Committee Administrator: Suggests committee consider amendments -8 which replaces the printed bill, -6 from the OSL, -4 from Sen. Timms concerning make up of Board of Directors and -7 from Sen. Timms relating business records and financial information.

MOTION: Sen. Trow moves to adopt -8 amendment.

MOTION ADOPTED: No objections.

238 ROBERT NOOSE, OSL: The -8 amendments satisfy most of the concerns we were addressing in the -6 amendment (EXH. L).

> Fine with eliminating the building fee cap language.

> Reviews their remaining concern of having two students on the Board of Directors so there will always be one student member already serving on the

Board to bring a new student member up to speed..

> Further discussion concerning student board members.

345 KERANS: The -4 amendment from Sen. Timms (see EXH. A) provides that one nonstudent member from OSB HE serve as an ex officio voting member on the OHSU Board of Directors.

SEN. TROW: Suggests adding the Chancellor as a none voting participating member of the Board.

KERANS: OHSU and OSB HE came to the conclusion that one representative is sufficient and the Board would have the power to name a member as an

ex-officio voting member.

450 DR. KOHLER: Would prefer asking Governor to decide who should be on the Board.

TAPE 44B

016 CHAIR HARTUNG: What was the advisory committee's recommendation?

020 GREG KANTOR, staff to Public Corporation Advisory Committee: The Advisory Committee was concerned that the Board did not look enough like private sector equivalents and recommended the OHSU President serve on the Board and the remaining seats be filled by the Governor. Discussed having 7 or 9 members on the Board

DR. KOHLER: Anticipate reports from the faculty and the students at each Board meeting.

- > Will collaborate with other institutions.
- > Talks about the OHSU president serving on the Board.
- > Need balance between Board representation and functions the Board must carry out.
- > Further discussion of Board members.

148 KANTOR: Notes the advisory committee made it's recommendations prior to the Governor's bill and Sen. Timms's bill and did not discuss Board members.

KERANS: Notes both he and Dr. Kohler agree with Sen. Timm's amendment.

203 MOTION: Sen. Trow moves to adopt the -6 amendment.

MOTION FAILS: In a roll call vote, the motion fails with Sen. Gold, Baker and Hartung voting NO.

PUBLIC HEARING ON SB 2

246 WAYNE MARTIN, from Salem: Refers to his proposed amendment -11 (EXH. M) which would make the grievance process uniform.

CHAIR HARTUNG: This would affect all eight higher education institutions. Shouldn't it be under the efficiency act -SB 271?

MARTIN: Still be operating under federal law. Ambiguous in OHSU existing policy. Does not meet federal law. Takes time and money for student to get involved in suit.

CHAIR HARTUNG: Have you taken this to OSB HE?

MARTIN: Not yet. Talks about student grievance process at OHSU. Civil remedy should be included in their process. Students need to be informed of civil remedy.

SEN. BAKER: This would be in conflict with what we already have in place for employees.

NELSON: None of the institutions have a clause to let a student who has received their final decision from the President know they can pursue action through a civil procedure.

- > Most students afraid of doing something about it.
- > Students cannot afford legal representation and cannot meet the 60 day deadline.

> Took amendment to OSSHE. Need to present amendment to House side on SB 271.

432 ED PATTERSON, OREGON ASSOC. OF HOSP: Testifies in support of SB 2.

SEN. BAKER: Are hospitals concerned about competition from another entity?

PATTERSON: Level playing field is of concern. View OHSU as a resource for all the hospitals.

> There are tradeoffs.

TAPE 45A

011 CHAIR HARTUNG: Adjourns meeting at 10:55 a.m.

Reviewed and submitted by,

Carolynn Gillson, Assistant

EXHIBIT SUMMARY ON SB 2

A	Sen. Gene Timms	1 page	
B	OSSHE		2 pages
C	OHSU		56 pages
D	OHSU		60 pages
E	Public Corporation Advisory Committee	21 pages	
F	Oregon State Treasury	2 pages	
G	Oregon State Treasury	1 page	
H	AFSCME		2 pages
I	Oregon Newspapers		3 pages
J	Oregon Rehabilitation Assoc.	3 pages	
K	OMA		2 pages
L	OSL		2 pages
M	Wayne Martin		2 pages