

HOUSE COMMITTEE ON EDUCATION

March 16, 1993 Hearing Room E 1:30 p.m. Tapes 31 - 33

MEMBERS PRESENT: Rep. Carolyn Oakley, Chair Rep. Jim Whitty, Vice-Chair
Rep. John Meek Rep. Patti Milne Rep. John Schoon Rep. Larry Sowa Rep.
Sharon Wylie

STAFF PRESENT: Linda Sample Brown, Committee Administrator
Carolynn Gillson, Committee Clerk

MEASURES CONSIDERED: HB 2670 - Authorizes each institution of
higher ed to be autonomous under State Board of Higher Education, 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. [--- Unable To Translate
Graphic ---]

TAPE 31, SIDE A

004 REP. CAROLYN OAKLEY, Chair: Calls meeting to order at 1:35 p.m.

PUBLIC HEARING ON HB 2670 Witnesses: Rep. Sam Dominy Robert Duehmig,
Ore. Fed. of Teachers, Education and Health

Professionals (OFTEHP) George Richardson, Oregon State Board of
Higher Education

(OSB HE) member Bob Bailey, OSB HE chair Chancellor Thomas Bartlett,
OSSHE Weldon Ihrig, Oregon State System of Higher Education (OSSHE)
Robert Nosse, Oregon Student Lobby Roger Bassett, Office of Community
College Services

015 REP. SAM DOMINY, District 44: Reads testimony in support of HB
2670 (EXHIBIT A). > Reviews findings in the executive summary of the
Board Administrative Review Committee (BARC) study which is included
with his testimony. > Reviews a partial breakdown of costs of
Chancellor's office. > Refers to remaining material in his handout.

159 ROBERT DUEHMIG, OFTEHP: Reads written testimony explaining why he
does not believe abolishing the Chancellor's office is the best
direction for higher education (EXHIBIT B). > Talks about HB 3414 which
would implement changes in the Chancellor's office from the BARC study.

192 GEORGE RICHARDSON, member of OSB HE: Opposes passage of HB
2670. Two issues involved with elimination of the Chancellor's office
- 1) a

governing structure that provides educational leadership within the
state and 2) cost reduction or containment of a particular office.

218 BOB BAILEY, chair of OSB HE: Opposes passage of HB 2670 because
someone needs to be in the position of administering public higher
education in Oregon.

240 REP. JOHN MEEK: As a board member, how do you justify allowing the Chancellor's office to grow to \$10 million?

BAILEY: I am not saying the findings in the BARC study are wrong. The fifty percent reduction of costs in the BARC study are mostly for direct support functions that would be transferred to each campus. Someone is going to have to administer the academic functions such as program coordination and make the resource decisions currently made by the Chancellor's office.

RICHARDSON: I am not so sure the growth of the Chancellor's office is a mistake.

314 CHAIR OAKLEY: How much money does the proposed updated computer system save?

325 THOMAS BARTLETT, Chancellor of OSSHE: Estimated cost for a financial information system is about \$18 million. After six years it will be

paid for and there will be significant savings. Believes savings from that investment are clear enough to justify the investment. > Refers to the fiscal impact statement containing information on the

three programs administered by the Chancellor's office (EXHIBIT C). > Looking at centralizing portions of the services where they can be done most efficiently.

393 REP. JOHN MEEK: What does it cost annually to contract out the services that will be part of proposed financial management system?

WELDON IHRIG, vice chancellor Finance and Administration, OSSHE: We are contracting out the purchase of software which is upgraded on an ongoing basis. Part of the ongoing costs of the system are the upgrades that come with it. We are looking at having an outside firm do facilities management. The four universities in the state system have administrative computing capability with which to operate the system.

Each of those campuses would operate their section of the system, with a central operation on one campus. We need to make sure we have consistent management information on finances and personnel from each of the eight state institutions so the Board knows the total cost of the operation. The human part is a bigger investment than the hardware.

016 CHAIR OAKLEY: What will the upgrade costs be on an annual basis?

IHRIG: We will provide that information.

TAPE 32, SIDE A

025 REP. SHARON WYLIE: Does each campus have it's collective bargaining process?

CHANCELLOR BARTLETT: Three of the eight campuses have collective bargaining.

REP. WYLIE: Are faculty hired by each campus?

CHANCELLOR BARTLETT: Classified personnel are employed under one process for all campuses. Unclassified employes, typically faculty and senior administrators, are generally recruited by individual departments under general guidelines.

REP. WYLIE: Does each campus have a fully equipped financial processing department?

CHANCELLOR BARTLETT: Much of that is done centrally. None of the campuses have a financial services department. The costs of all the central services is about \$11 million.

055 REP. WYLIE: Are insurance and risk management one of the central services provided?

IHRIG: There is a central risk-management office that primarily focuses on prevention activities. OSSHE is under the same risk-management of all state agencies.

REP. WYLIE: Does the central function have a legal staff?

IHRIG: There is one lawyer in the Chancellor's office who coordinates all the legal activities among the campuses and we contract our legal services with the Department of Justice.

REP. WYLIE: Does each campus have it's own purchasing function?

IHRIG: Yes. Each campus has their own people coordinating purchases. We do not have a purchase function in the central office. The cost varies for each institution.

095 REP. LARRY SOWA: Has the Board taken a position on this bill?

BAILEY: The Board has not taken a position that changes from having a Chancellor's office. We have a lot of issues on the table because we need to make some tough decisions. The role of every institution, department and individual has to be evaluated. We are going to have to

evaluate reorganization of the entire system. Making the system into one entity versus eight was one item the Board took off the table.

RICHARDSON: The executive summary of the BARC study indicates retaining the Chancellor's office and determine it's future role in shifting responsibilities. I would suspect our Board members would almost unanimously reaffirm the value of the Chancellor's office and pass a resolution to retain it.

144 REP. MEEK: What assurance can you give us that the recommendations in the BARC report will take place?

BAILEY: Explains how the BARC study came about. Talks about the budget cuts in administration and programs over the past two years. The Board is looking at how to change the way higher education is funded. We are trying to get all the options on the table and make those decisions. When you have to find over \$80 million dollars, you have to make some cuts in services and it has not been easy. This Board has made those decisions with the guidance of the Legislature. 211 REP. JIM WHITTY: I have not seen the Board or the Chancellor's office advocating any solutions to the problems. Why is the State Department of Education coming up with possible solutions and OSSHE is not?

RICHARDSON: The Board felt it would be best not to go out and talk about the values of higher ed in context of needs and revenues because there are other needs the state needs to deal with such as health care. We recognize there are those who we believe we have a spending problem and those who believe we have a revenue problem. It is useless to think we should have a state position when the Legislature does not have one as well.

267 CHANCELLOR BARTLETT: One of the constitutional realities is higher education is legally and structurally treated as a department of state

government. I am not elected. It is not headed by a group of elected officials. We are part of the service providing structure in government and part of the Governor's budget proposal. > Reviews the thorough examination higher education has been going

through since he became Chancellor. > When Measure 5 came about, higher education was the first public

service that was severely hit. Seventy programs were cut in 1991 and 10 percent of the entire program listings were eliminated in the 1991-93

budget. > BARC project has been going on for two years. > Beginning the same kind of examination and process with the academic

culture of our institution. > Talks about position reductions in the Chancellor's office. > Should continue process of shifting administrative activities onto

campuses. We cannot just stop our administrative processes. This is a process which higher ed initiated, supports and participates in. It is not an adversary hostile procedure and it must continue to get the job done in more efficient ways.

415 CHANCELLOR BARTLETT: My salary is 11 percent below the national average for people in my position. > Points out the salary information provided earlier was not for senior higher education positions in other states. > Took a 30 percent reduction in his compensation when he came from

Alabama. > It would be hard to find a state in which the senior higher education officials make less than the Governor.

TAPE 31, SIDE B

005 CHAIR OAKLEY: What has happened to the budget in the Chancellor's office since you started?

IHRIG: Starting 10 years ago until the end of the last biennium before Measure 5, the Chancellor's office staff increased by one. The fourteen positions cut in the Chancellor's office were in both classified and unclassified positions. Will provide that information to the committee.

058 REP. WHITTY: I am more interested in the administrative costs in the Chancellor's office on a per student basis. It seems the more education you have the more salary you should get. CHANCELLOR BARTLETT: What people get paid in certain positions is a question of labor pools. It is not any different from any other wage and salary structure.

REP. WHITTY: Talks about the number of vice-chancellors and associate-chancellors and their salaries according to a 1990 salary. Do salaries have to do with longevity or responsibility?

IHRIG: Salaries are determined according to longevity as well as talents. Often new people come in at higher salaries. Salary increases are based on performance when funds are available to give increases.

121 REP. WHITTY: Do you delegate the decision-making responsibility

to the president of each university, and is the faculty consulted before a

final decision is made?

CHANCELLOR BARTLETT: Describes the budget-making process.

202 REP. WHITTY: The students do not seem to be included in the process and they are the ones who talk to us.

CHAIR OAKLEY: What is the Chancellor's budget during this biennium?

CHANCELLOR BARTLETT: It is about \$20 million for the year.

IHRIG: During the 1989-91 biennium it was near the same amount.

Projected budget for next biennium is around \$17.5 million annually.

Outlines where the cuts were taken.

CHAIR OAKLEY: Are the current salaries of the Chancellor and Vice-Chancellors expected to change?

CHANCELLOR BARTLETT: There is no expected change. It will depend on general state salary policies.

CHAIR OAKLEY: Requests information on salary increases for Vice-Chancellor since 1989.

256 REP. MEEK: Where is your office now on a mission or purpose statement?

CHANCELLOR BARTLETT: We went to the Board two meetings ago with a new directions set of options. We listed a set of very far reaching ideas.

The Board came up with three options: 1) converting the whole system into a public corporation; 2) converting two and maybe three institutions into semi-private public corporations. 3) centralizing the policy-making, priority and program setting but

increase the difference among the campuses. > Board decided to put into place a long-range vision process. > We see two opposite futures - a significantly expanded system of

higher education or a \$130 to \$150 million reduction in service levels. How do we revise a system that takes into account opposite signals?

360 CHAIR OAKLEY: Of the \$17.5 projected annual budget, how much is from the general fund? IHRIG: Chancellor's office is about 60 percent general fund. Will

provide a further breakdown to the committee.

370 REP. DOMINY: This is not a personal attack on you or your salary. The issue is if we are to change the structure of higher education, do we

still need a position titled Chancellor?

CHANCELLOR BARTLETT: Talks about the higher education structure in California. > OSSHE is a \$1.3 billion a year enterprise that employes approximately 17,000 people. Those things are not going to change. > The BARC study said the leadership capacity of the Chancellor's office needed to be strengthened. > The Chancellor's office must evaluate the quality of leaders on our campuses.

TAPE 32, SIDE B

037 REP. DOMINY: You did not mention the education of the students as your number one priority. Your number one priority seems to be in

administrating and responding to other managers. Could a different structure provide a better education to students?

CHANCELLOR BARTLETT: The Legislature set up the present system 60 years ago because of program duplication and intense competitiveness between the campuses. > In states where there has not been a central organizing authority, the most important value on campuses is their ability to compete effectively in the political arena. > Everything I do only has significance because of it's impact on the lives of students and faculty.

092 REP. DOMINY: It is my understanding the Chancellor's office was created so there would be one voice for higher education in Salem. In my

experience as a legislator, I have found there is a voice from the Chancellor's office and one from each campus.

CHANCELLOR BARTLETT: Talks about the legislative relations process of the Chancellor's office last session and how it is different this session. The Board, institutional presidents and the Chancellor's office decided the message should be consistent but more messengers are needed. > Are you hearing significant conflicts in the message or are you

hearing local versions of a common message? It should be the latter and not the former.

145 CHAIR OAKLEY: I would like you to look at your whole general fund budget and tell us what you office would look like with only 50% percent of the funding.

165 ROBERT NOSSE, executive director, Oregon Student Lobby: The lobby is a coalition of the seven state colleges and universities and

represents

around 58,000 students. > Reads his testimony opposing the bill and comparing OSSHE to the

higher education system in the state of Ohio (EXHIBIT D). > Reviews why the Legislature needs to carefully consider a form of

higher education governance where there is a weak board and strong

campus presidents. > Explains why he feels program duplication is fine. > There are 14 functions outlined in the ORS that will disappear if the Chancellor's office is eliminated. > What will a weaker board be responsible for and who will be

responsible for those 14 functions. > Explains how students are hurt by the type of higher education system there is in Ohio. > The OSL is not opposed to making changes but opposes the bill in its current form.

320 REP. DOMINY: All through your testimony you refer to a weak Board. This is nothing in this bill that would weaken the Board.

NOSSE: Without some kind of Chancellor's office to staff the Board, its ability to look at critical questions will be weakened.

354 ROGER BASSETT, commissioner of OCCS: Compares the organization of OSSHE to the role of OCCS in relationship to community colleges. > The OSSHE uses the state governing board model. OSB HE and the

Chancellor's office have substantial operational control over the campuses. The state agency status extends from the Chancellor's office to all of the campuses. This model involves substantial state funding.

The Chancellor represents both the quality of the system and attracts resources to the state. > The OCCS uses the state policy board model in conjunction with local

governing boards. OCCS has a coordinating not an operational role.

State agency status exists only for our office and office. Individual community colleges are under local jurisdiction. This model is usually

accompanied by substantial local funding. The administrator's job looks more like those in other state agencies. The primary purpose of the

OCCS is to exercise the direction of the Legislature in allocation of funds and accountability in community colleges.

458 BAILEY: The Board does not take offense about addressing these issues and will respond to whatever you ask of us. Ultimately our goal is the

same - to do the best for the students in Oregon using the resources we have. We are also doing a lot of soul searching over how to do business

better. We need access, quality and diversity. We also are looking at long-term relationships with community colleges and K-12. I don't know how we can work on the joint boards process without working as a state board and a chancellor's office.

Testimony concerning HB 2670 was received for the record from Delores M. Kornmann (EXHIBIT E).

TAPE 33, SIDE A

016 CHAIR OAKLEY: Adjourns the meeting at 3:30 p.m.

Submitted by:

Reviewed by:

Carolynn Gillson
Administrator

Sample Brown Assistant

EXHIBIT LOG: A - Testimony on HB 2670 - Rep. Sam Dominy - 26 pages B - Testimony on HB 2670 - OFTEHP - 4 pages C - Fiscal Analysis on HB 2670 - LFO - 1 page D - Testimony on HB 2670 - Oregon Student Lobby - 4 pages E - Testimony on HB 2670 - Delores M. Kornmann - 2 pages