

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.

HOUSE COMMITTEE ON AGENCY REORGANIZATION AND REFORM

February 12, 1991 Hearing Room D 3:30 p.m. Tapes 21 - 22

MEMBERS PRESENT: Rep. Clarno, Chair Rep. Hugo, Vice-Chair Rep. Campbell Rep. Clark Rep. Katz Rep. Jones

VISITING MEMBERS: Rep. Markham Rep. Cease

STAFF PRESENT: Susan Browning, Committee Administrator Scott Kaden, Committee Assistant Sylvia Loftus, Legislative Assembly Research Assistant

MEASURES CONSIDERED: None - Informational Meeting Only

WITNESSES: Thomas Bartlett, Chancellor of the Department of Higher Education Peter Kohler, President of Oregon Health Sciences University

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TAPE 21, SIDE A

010 CHAIRPERSON CLARNO: Calls the meeting to order at 3:34 p.m.. Addresses the business of the committee.

023 REP. MARKHAM: I have a committee bill that you can introduce next Thursday.

025 CHAIRPERSON CLARNO: Introduces Thomas Bartlett, Chancellor of the State System of Higher Education.

029 THOMAS BARTLETT: General overview of the system. Oregon's system has a very good balance between centralization and decentralization. Oregon has a single budget process. The state institutions also enjoy a lot of autonomy. We get great results, considering the amount of money that we spend. Another positive aspect of the system is the State Board, which is made up of members who work as a group, adhering to a state-wide perspective rather than regional preferences. Our campus

presidents enjoy a harmonious relationship, which has not always been the case. - Problems and challenges: 1. Higher education in Portland - issues of policy and leadership. 2. Chancellor's Office was in disarray, with three of the four top positions vacant upon my arrival. We have developed a whole new office, and that is not yet complete. 3. The Office had a credibility problem with the Governor and the Legislative leadership. I believe we have smoothed out some of these problems. 4. We were over-extended. We were doing more than we were paying for. 5. Our salary positions were and still are extremely low, in the bottom 15% of all states. 6. I was concerned with the responsiveness of the Chancellor's Office with the Legislature, as well as other public officials. This is a subjective reaction, founded upon my arrival. 7. Program duplication must be discussed in very detailed terms. The areas of duplication that I feel need to be addressed are: teacher training, nursing, and engineering. There is very little duplication in the PhD programs and at the professional school level. - We should first decide whether it is desirable to have essentially similar undergraduate programs, in six locations . . . whether that is more than a state should have, the correct number or too many.

126 REP. MARKHAM: What is your recommendation (with regard to duplication)? You gave us quite a range.

134 THOMAS BARTLETT: "When I get to the comments on Measure 5, I think my position will be that if we are to reduce any more, then I think that issue comes right square under the screen. I think at the present moment, probably the balance is not to change that number, but it is right before us."

139 REP. MARKHAM: You said the PhD level and the graduate/professional schools did not duplicate, but what about the undergraduate level?

143 THOMAS BARTLETT: Almost all undergraduate programs duplicate each other. That is usually not thought of as a bad thing, that it is to be expected. - Five major ways of organizing state systems of higher education: - Single university, with individual campuses (i.e. North Carolina) - Separate board and duplicatory system for each campus - Weak board, usually called a coordinating board - Colleges grouped as one structure and universities grouped as another. In effect, you have two systems (i.e. California) - Single board with distinctively different campuses, such as Oregon's present system. Each campus has a great deal of autonomy with their own strong administrations. - Plus there are an infinite number of variations on these five schemes.

165 CHAIRPERSON CLARNO: I understand that the state of Washington does not have a Chancellor. What is the cost associated with running a system similar to the state of Washington?

169 THOMAS BARTLETT: Washington has a coordinating board. Each campus has it's own governance and then there is a coordinating process. It is not thought of as being an extremely efficient system, but I do need to know more about their system before I comment further.

177 CHAIRPERSON CLARNO: I would be interested to know if their system is more cost effective than ours.

179 THOMAS BARTLETT: It is certainly more costly. But that is a different issue.

180 REP. HUGO: The University of Washington has its own Board of

Regents, as does Washington State and each of the other campuses. Tuition payments do not remain at the campus, they go to a central pot (the General Fund) and the Legislature allocates those tuition monies back. "It is so political . . . that it becomes those efficient." You cannot possibly compare the Washington and Oregon systems.

189 THOMAS BARTLETT: Yes, that is true. The system Washington employs is very political.

193 SPEAKER CAMPBELL: Is that why you object to line-item budgets, dealing with the Legislature on a line-item budget basis?

195 THOMAS BARTLETT: Line-item budgeting has mechanical problems. When you line-item budget, you can't transfer among items, you can't challenge people's entrepreneurial instincts, etc. It is essentially a bureaucratic straight-jacket. You give fixed marching orders. Line-item is too rigid. - In light of Measure 5, we must cut \$86 million off the running rate. We decided to cut \$50 million off the running rate then replace \$36 million in tuition with surcharges. We felt we had to do this downsizing in ways that did not borrow from our future. We will be sustainable after the changes are in place. We are not treating Measure 5 as a short term crisis. We are not thinning out across the board. Instead, we are cutting out discrete programs so that what remains will be strong at the end of the biennium.

300 CHAIRPERSON CLARNO: Were there any discussions about closing down institutions, rather than programs?

303 THOMAS BARTLETT: Yes. There were two concerns with regard to closing institutions. First of all, closing institutions takes time, and so you must think about the financial concerns. Secondly, you also have to consider the political climate. The last time we tried to shut down an university, there was turmoil. I don't think that climate has changed dramatically. Also, we have to accept that Oregon is growing. We will have 30% more high school graduates in ten years, assuming that no further growth occurs. - We are on the edge of this issue. If we have to make further cuts, this topic will be moved back to center stage.

336 SPEAKER CAMPBELL: What would be the savings if we eliminated the administrative costs at Western and Eastern Oregon State Colleges, and made them satellite colleges? The administrative responsibilities would then be moved to existing administration at either OSU or UO. 344 THOMAS BARTLETT: There is no question there would be some administrative savings. It wouldn't be as much as you think because you would still . . .

349 SPEAKER CAMPBELL: What would be the savings, one million or two million? I would like you to go back to your office and identify that savings. We haven't looked at cutting whole administrative branches as an alternative to cutting out educational programs.

364 THOMAS BARTLETT: We could calculate that for you. First of all, we are cutting administrative costs. The savings will be disappointingly small because most of the administrative costs remain at the campus (i.e. student services, grounds maintenance, et cetera). You would get rid of those positions at the very top of the administration.

385 SPEAKER CAMPBELL: That is one of the reasons why I asked you about line-item budget. I cannot tell how you are funded currently. What I am

interested in is having you look at the administrative costs of those colleges. Your arguments about closing institutions are sound, by why can't we operate them differently?

394 THOMAS BARTLETT: That is a fair question, and we will get you the answer. - One of the troublesome issues is that reductions mean salaries. If we are going to reduce our budget by \$50 million, we are going to have to cut people. We have proposed to shrink the entire system. Many want you to reduce staff but keep the students. When this happens, you have serious trouble maintaining the quality of the programs. I feel we really do have to get smaller; I feel we are over-extended. That is why we want to reduce programs; increase tuition; increase financial aid to offset some of the worst impacts of the tuition increase; and reduce student body, faculty, and student services groups roughly in proportion to each other.

481 CHAIRPERSON CLARNO: What do you think about closing the U of O Law School, and entering into a private partnership with Lewis and Clark or Willamette? Could I have your thoughts on that?

490 THOMAS BARTLETT: It is a marginal call. "We are substantially increasing the charges and dramatically decreasing the number of students." We will cut the enrollment in half and very much increase the charges to students. By the time that is done, the actual costs of operating the Law School are not all that great. If we were to do what you describe, which is a certainly feasible course, we would want to put in place some sort of scholarship program for state supported students at the private law schools . . . so we wouldn't close out legal education to the poor. "It wouldn't be a no-cost alternative." - Is it valuable to the educational community? That is also a consideration.

TAPE 22, SIDE A

050 REP. HUGO: The larger question that the Chair raises is one of access. The policy of this Legislature has been to maintain open access to higher education for all citizens. The next question is, "Can we afford to do this?" Everyone is asking you to reduce costs, but no one is really asking the Legislature to redesign its policy on higher education. Can you tell me about what percentage of the cost of an undergraduate program is made up through tuition? 15% or 30%?

057 THOMAS BARTLETT: For in-state students, it is around 25 or 26%. For out of state students, it is 100%. The average is around 34%.

059 REP. HUGO: We underwrite by the General Fund, 77% of the cost of graduation. We can limit that to 0% and say only those that can afford the education can go. Why hasn't the Board come to us and challenged us with that question?

063 THOMAS BARTLETT: I missed a step in your question.

065 REP. HUGO: Why don't you come and say that we are asking you to do something that is not possible? Why don't you tell us to bite the political bullet?

069 THOMAS BARTLETT: Before Measure 5, in a sense, that is what we were building up to. We were saying we were going to do what you were paying us to do, or you're going to have to pay for what you want us to do. Is it realistic to maintain access to virtually everything, for everybody, without paying for it?

079 REP. HUGO: Those policy questions are argued in front of Ways and Means. That is wrong. The policy debate should be in the substantive committees where we openly debate the issues of policy. After we decide on the policy, then we should send it to Ways and Means for funding.

086 THOMAS BARTLETT: The other key player in this discussion is the State Board of Education. They are a good board, and yet they are always underestimated. On March 1st, a lot of points of view will become obvious. If the Legislature were to set the broad goals and the Board was charged with carrying those out, . . . then we would have the proper relationship.

099 REP. CLARK: I want to revisit the Law School question. What does it currently cost to attend the University of Oregon Law School for one year?

101 THOMAS BARTLETT: I can't give you that number because we are changing it so fast. I do not have the new number in my mind.

103 SPEAKER CAMPBELL: About \$1700 dollars per semester.

105 REP. CLARK: I think the access issue that Rep. Hugo raises is crucial. There is also an issue of the direction of legal education. Lewis & Clark has carved out a niche for itself. Willamette has decided to do the same. They are going after a certain market share in the legal education world. If you lose your state school, you not only lose access for those who cannot pay, but you don't have access for a person who wants something else . . . and the practice of law in this state suffers accordingly.

118 SPEAKER CAMPBELL: All along, you have identified the concern of losing quality people. When you downsize the University of Oregon Law School, in essence, what caliber of clientele will you be able to serve, with the caliber of educators which remain? Is it advisable to continue the Law School if you cannot pay the professors properly and insure a high caliber education?

127 THOMAS BARTLETT: You are making a very good point, and I would like to generalize that point. What sort of signals are we sending to our key faculty in Higher Education? Our educators are here because the atmosphere is good, it is an attractive state. Our institutions are good places to work in, but there comes a point when the vultures start circling. We will lose folks and that is a frightening prospect.

159 CHAIRPERSON CLARNO: Rep. Clark has a follow-up question.

160 REP. CLARK: If you are downsizing the campuses around the state, you will have people going to community colleges as a junior college. This will have a profound effect on what the community colleges will have to offer. Who is thinking about those increasing demands?

169 THOMAS BARTLETT: We are all thinking about that, for it is a big concern. It would be easy to get ourselves into some absurdities if we are not careful. As we downsize, community colleges will become more crowded and they will need to build buildings. They will want to build, while our universities have excess space. The costs will not be different and the community colleges don't have the space to absorb additional people.

196 REP. CLARK: The emphasis will have to be shifted, away from what ought to be the community colleges' mission. That is the point.

197 THOMAS BARTLETT: You are so right. There is no alternative to the job that community colleges do in a whole range of two year programs. If we are not careful, we will squeeze into the community colleges what are college transfer programs, which will mean they will have to squeeze out some of their own programs.

211 REP. BRIAN: As I try to piece this all together, it would be helpful to have a copy of budgets, organizational charts and personnel history (in terms of money), et cetera. I hope we can get that information soon.

220 THOMAS BARTLETT: Now what is it that you want?

221 REP. BRIAN: The budget, both proposed and historical, an organizational chart, history of FTEs and contracts. I am trying to chart where the growth has been occurring and what it has been costing. I hear various figures and I wonder if this reflects reality?

237 THOMAS BARTLETT: Yes, there is much confusion with regard to the budget. We do not have, in our biennial budget, two years that are the same. They are like steps . . . on different levels. In order to fund the next biennium, you either fund at the level of the second step or in fact you have to reduce from where you are at the end of the biennium. We grow during the biennium.

290 REP. BRIAN: That is the same as the other agencies and they call it their continuation budget. I understand that travel and memberships are particularly high within Higher Education. I understand that Higher Education is the highest single percentage of travel.

302 THOMAS BARTLETT: I would think so.

303 REP. BRIAN: I would like to hear what is happening there and why those costs cannot be cut dramatically.

305 THOMAS BARTLETT: You're thinking particularly about travel costs?

306 REP. BRIAN: Yes, travel, memberships, training, publications, etc. Let's talk about travel. I would like to get this information from your staff. What is the projected travel for the next biennium versus travel for the last biennium? How much has it been decreased, or has it?

326 CHAIRPERSON CLARNO: Could you provide that information for us?

330 THOMAS BARTLETT: Sure.

333 REP. MARKHAM: Did you have a problem retaining your presidents of the various state institutions? Did they push you for their \$5000 dollar raise? In the face of Measure 5, that is sort of offensive to a lot of people.

338 THOMAS BARTLETT: Yes, I realize that and anticipated the reaction. I believe it was the right thing to do. It goes back to the question of sustainability.

360 REP. MARKHAM: (Rep. Markham related a lengthy incident which involved a family member's unpleasant experience with the State System

of Higher Education. In summary, Rep. Markham asks Thomas Bartlett, "who is minding the store?")

469 REP. DERFLER: I think you do a good job selling your program. The bottom line is that education has been growing at a much faster rate than the inflationary factor. Can't you get control so that your growth isn't any faster than the inflationary factor? Your inflationary factor is running about 17 to 18% a year in costs.

490 THOMAS BARTLETT: No, that is not true. - Respectfully, I am not making the claim that people must keep paying more and more. We have to get a better fit between what we expect and what we are prepared to paid for. Our expectations are way beyond what we are prepared to pay for. We can reduce the State System of Higher Education, if that is what we wish to happen. It is important that what we do, we do well. That is a principal that we must sustain.

TAPE 21, SIDE B

059 REP. DERFLER: I'm not sure we should be involved in your line-item budgets. I think we should give you an amount and let you fit the program into what we have allocated.

061 THOMAS BARTLETT: Absolutely. That is why I believe we should down-size to fit the budgets that you are going to give us . . . instead of thinning it all down.

074 REP. JONES: I am going to ask you a question that you can respond to, in writing, at a later date. There must be ways that we should respond, in terms of setting policy, establishing goals and measuring the results. I would like to have you give some thought about what you want this Legislature to do with regards to Higher Education. How well are you serving the needs and what do you need in terms of direction? I don't think we're doing the job we ought to be doing.

084 CHAIRPERSON CLARNO: Would you comment in writing to the committee?

084 THOMAS BARTLETT: Absolutely. That is a very exciting invitation.

088 REP. KATZ: The question that members should be asking you is what kind of a system should we have, considering our population and the demographic changes. Are we expecting too much from our land grant universities? Do we really need a four-year technical school, in two locations? Do we really need six teacher education programs, where 50% of those who are certified are unemployed and cannot find jobs? Under the ideal situation, aside from the political environment, how would you redesign the system taking into consideration the future changes in demographics? If you tinker with publications and travel, you are not making structural changes within the institution. Time will raise those costs inevitably and you will be back in the same situation as we have been since the 1980's. We want you to share your vision with us. You might want to look at working harder and working smarter within your institutions.

136 SPEAKER CAMPBELL: If you want us to micro-manage Higher Education, keep the structural changes which need to be changed from us . . . and you will get a lot of help! The Legislators cannot make the cuts in state government. All we can do is encourage people like you and the Board of Education to make the right kind of decisions. We have to depend on the management teams. We are looking for ways of reducing

unnecessary government and unnecessary costs. Rep. Katz' comments are right on target.

149 CHAIRPERSON CLARNO: This committee can be a real tool. We give you the opportunity to be the king. I invite you back, to have some of those inquiries addressed.

155 THOMAS BARTLETT: I would be very pleased if I could come back after the 1st of March, that way I am square with my Board.

157 CHAIRPERSON CLARNO: Just a few more questions and then we will give Dr. Kohler a chance to testify.

160 REP. BRIAN: I agree with Rep. Katz' comments that we must concentrate on the big picture. But at the same time, I still want to see the nuts and bolts. I want to make sure the nuts and bolts are being applied as efficiently as possible.

170 THOMAS BARTLETT: You need to keep our feet to the fire. But then at the end of the day, don't decide how much travel we should have, instead decide if we have competent managers. Don't try to do our jobs for us, make sure we are doing it. If we are not doing our jobs, get rid of us.

182 REP. BRIAN: I think there is some natural and healthy friction between the branches, where you take a competent manager and that person's point of view of how to spend the money. I think it is more proper in Ways and Means, and that is where I would like to do my education.

186 THOMAS BARTLETT: I have no problem with providing you our travel policies and budgets.

187 REP. MARKHAM: Who is asking Higher Education to do all things for all people? You alluded to that charge and the lack of money earlier. Does that come from this group? Who is putting the heat on you to do all things to all people?

195 THOMAS BARTLETT: Your constituents.

196 REP. MARKHAM: Who has to make the decision for you if you can't make it for yourself?

197 THOMAS BARTLETT: Before Measure 5, we had already started to downsize our enrollments to try get a fit with our resources. I was very proud that you didn't come to us and tell us that we couldn't reduce our enrollments.

208 REP. MARKHAM: Are the papers correct with regard to the actions which will be taken to the various schools?

211 THOMAS BARTLETT: Absolutely. We are focusing our cuts on discrete programs or units.

215 REP. MARKHAM: You might want to put on paper how you would like to redesign the system.

227 CHAIRPERSON CLARNO: Introduction of Peter Kohler.

221 PETER KOHLER: I will stay as long as you would like. General



overview of Oregon Health Sciences University. For further detail, please refer to Exhibit A.

333 REP. HUGO: Your nursing program is a four-year baccalaureate program?

335 PETER KOHLER: We have baccalaureate, masters, and PhD programs.

333 REP. HUGO: How does your nursing program interrelate with the community college two-year programs?

340 PETER KOHLER: The students from the two year program can matriculate to our program to receive their baccalaureate degree. Many of them do so. By and large, they receive full credit for all the credits they transfer.

347 REP. HUGO: The Board of Nursing has been driving me nuts about the two year, three year, and four year programs. In 1985, the Board came in and asked for a law to require a four year degree nursing program. I found it interesting that the test scores on their board exam was identical, for both the two and four year programs. Now we are in a nursing shortage, and I was wondering if we are still having this fight over two year versus four year programs, or if there is more cooperation.

356 PETER KOHLER: I think the fight is over. The two year/three year programs won the debate.

367 REP. MARKHAM: Is that a problem out in the field? Do doctors prefer a four year program, or does it even come up?

370 PETER KOHLER: It comes up in some hospital settings, for example, intensive care. - Returns to the general overview, Exhibit A.

372 REP. MARKHAM: What are all the disciplines for the advanced degree in medicine? How many specialties are there?

374 PETER KOHLER: There are about 20, and we are looking at that in light of Measure 5. We are addressing our state's needs, especially primary care physicians. - Reference to patient services, Exhibit A.

473 REP. MARKHAM: Has that program started (Rural Health)?

474 PETER KOHLER: It is underway. We met last night and the tracking has started. We hope to have our first residents in place later this year. This is very fast tracking for a program of this nature. We will also rotate our students through the program as part of their training, so they will see what is available in this state.

TAPE 22, SIDE B

034 REP. MARKHAM: You can force feed your students, saying this semester you will go here and next semester, you will go there?

037 PETER KOHLER: Yes, the federal program mandates that 10% of student clinical time be spent in these programs. - return to the overview, Exhibit A.

053 REP. HUGO: With reference to the Measure 5 material concerning public service, you will be cutting \$7 million. How many patient visits

will that represent?

056 PETER KOHLER: We are trying to do this in such a way that we do not have to substantially reduce the number of patients that are seen. I will go into that in greater detail in just a few minutes. - It would help us to have one single budget line from the state. That would give us more flexibility to deal with overlapping of the programs.

066 SPEAKER CAMPBELL: What keeps you from doing that?

067 PETER KOHLER: I believe it is the State's budget process. We are operationally looking at it as a single line. It is coming from the State and from Higher Education as separate line-items, by tradition.

075 REP. HUGO: The political perception is that because the appropriation to Higher Education is a lump sum, we have no control. That is not true, but it is a perception. So the legislators are saying let's go line-item so we have control. In reality, by giving you line-item, we take away your management abilities.

082 PETER KOHLER: I would say Chancellor Bartlett is sympathetic to this problem. He is quite willing to change this process. It would be very helpful for us if these three lines were consolidated into one line. It would give us flexibility to combine clinics that have similar activities in such a way that will save administrative costs.

095 REP. MARKHAM: How many services that you get from Higher Education are duplicated? Could you run it more efficiently if you didn't have to concern yourself with the Board of Higher Education?

100 PETER KOHLER: We have a fair degree of flexibility, with the present Chancellor. This is a vast improvement over the chancellors from the past. Reference to the last page of Exhibit A. We could save in purchasing, personnel, pensions and payroll.

151 REP. HUGO: How are you going to serve patients with the Measure 5 cuts? What you are doing are taking some one-time shots at items which will not be there next year. We are rolling the dice with you, in that sense.

159 PETER KOHLER: Our deficit in the Hospital is not a very hard thing to understand or correct. But it causes problems for other hospitals in the state. We can restrict the access and push the problem to others.

173 SPEAKER CAMPBELL: Is there anything we can do, legislatively, that will help you deal with Measure 5?

175 PETER KOHLER: Yes, but they are one-time looks at how the systems overlap and how we can achieve savings by combining activities. We have talked with the Health Division about some sort of consolidation. I hesitate to recommend anything of that nature, at this time, but it certainly can be examined.

192 SPEAKER CAMPBELL: Rather than recommending them, would you be willing to provide us the thought process that you went through with regards to consolidation?

197 PETER KOHLER: Exhibit B addresses the concerns of your letter. It addresses the savings which could be achieved with consolidation. This will eventually be passed on to Higher Education and approved by Higher

Education. I will send you a formal letter in response to your inquiry.

200 REP. MARKHAM: Does this beat practicing medicine?

207 PETER KOHLER: At times. - Refers to additional material provided, Exhibit A and B.

208 CHAIRPERSON CLARNO: Compliments Mr. Kohler on the information provided.

223 REP. MARKHAM: Could you get someone to give us a tour of the hill?

225 PETER KOHLER: Absolutely. It is a campus in evolution. We would be delighted to show the campus to those who are interested.

231 CHAIRPERSON CLARNO: Asks for the material that members have previously requested during the meeting.

238 PETER KOHLER: Makes some supportive comments on the Rural Health Extension Network. The increased funding will pay off substantially for the state.

245 REP. MARKHAM: Better than the tax credits?

247 PETER KOHLER: Yes. Tax credits don't work because the physicians in rural regions do not make enough money to take advantage of the incentives.

255 CHAIRPERSON CLARNO: Thanks Dr. Kohler for his comments. Adjourns the committee meeting at 5:15 p.m..

Submitted by:

Reviewed by:

Scott Kaden

Susan M. Browning

EXHIBIT LOG

Exhibit A - Peter Kohler - 34 pages Exhibit B - Peter Kohler - 1 page