

House Bill 2208 2009 Legislative Session

Background

Currently, OUS does not have statutory authority to structure its banking processes to allow for the use of more effective investment strategies through the State Treasurer's Office. In accordance with statutory stipulations, OUS maintains in excess of 100 cash accounts. The cash balances in these accounts are invested in the State Treasurer's Short-Term Fund with OUS retaining investment earnings on 59% of these accounts. The other 41%, including investment earnings on cash received from tuition and fee payments, accrue to the State's General Fund. The funds comprised within this 41% of OUS cash balances earn an estimated \$13.9 million each biennium (excluding investment earnings on any State General Fund appropriations).

Summary

The State Board of Higher Education is seeking legislation to consolidate OUS cash accounts in order to pool cash balances for investment purposes, and to retain investment earnings on all cash accounts, including cash balances from tuition and fee revenues. Investment earnings from the account that will contain State General Fund appropriations to OUS will continue to accrue to the State's General Fund.

OUS is working together with the State Treasurer to streamline its banking processes and thereby improve operational efficiencies and investment earnings. This legislation would allow the State Treasurer to pool OUS cash balances in order to minimize liquidity, obtain economies of scale in investment purchases and to stratify these balances into short-term, mid-term and longer term investments to maximize investment earnings.

All OUS funds have been and, if these changes are approved, will continue to be invested by the Office of the State Treasurer. The State Treasurer, working with the Oregon Investment Council, will be responsible for the investment of the OUS funds and for insuring that the risks associated with the investment in longer-term instruments remain at acceptable levels.

These proposed changes have the support of the Governor, former State Treasurer Randall Edwards, the Oregon Student Association, the State Board of Higher Education and all the University Presidents.

If the incremental investment earnings that result from these changes are retained by OUS, they will be used to reduce costs and improve student services, which are vital to improving access, affordability, and student success within OUS.

Fiscal Impact

This bill will have an impact on Revenues.

