President Davies’ Testimony on Shared Services Work Group  
Delivered on September 17, 2013

Chairpersons Girod and Dembrow and members of the Special Committee on University Governance and Shared Services, thank you for the invitation and opportunity to present to you a synopsis and overview of the work being conducted by the President’s Task Force on Shared Services. For the record, my name is Bob Davies and I have the pleasure and honor of serving at the president of Eastern Oregon University.

The presidents workgroup has initiated its work and held its first meeting on August 1, 2013 and has held three additional meetings since then. We are currently planning to have meeting every other Thursday through December to ensure we are able to deliver on the requirements as documented in SB 270, Section 166a, Paragraph 4 and include:

(a) Recommend an appropriate entity to facilitate the sharing of services among the public universities after governing boards are established;

(b) Recommend how the shared services coordinating entity will be managed;

(c) Determine the financial impact that will be caused, both cumulatively and individually, for each university that establishes a governing board and leaves the Oregon University System;

(d) Recommend a mechanism to mitigate or eliminate the negative financial impact caused by universities establishing governing boards and leaving the Oregon University System, or require universities establishing governing boards and leaving the Oregon University System to remain in each shared service. In determining this mechanism, the work group must consider the appropriateness of assessments or reductions of appropriations; and

(e) Identify services that should remain shared among public universities after the establishment of universities with governing boards. In determining whether a service should remain shared, the work group must consider the economies of scale achieved by sharing the service, the benefit to the public in sharing the service and the positive and negative financial impact on each public university if one or more universities with governing boards either stops or continues to participate in the service.

We are working towards to meeting our obligations that includes presenting our first draft or recommendations, due December 15, 2013, and our final report due September 15, 2014.

At the first meeting, Ed Ray and I were elected co-chairs of the workgroup and we are working extremely well together in an effort to ensure as smooth of a transition as possible. Also, it is important to note that he Chancellor’s Office is providing the staffing for the workgroup and this includes the guidance and insights being provided by Jay Kenton as well as the organizational skills of Charles Triplett—and organizing and keeping seven presidents focused is, indeed, no easy task.
Prior to our first meeting, as an outcome of our regularly scheduled Presidents’ Council, all institutions completed a survey indicating their preliminary interests (pending more information re. costs) in shared services – summary results of that survey are attached. This survey provided an excellent starting point to determine which services are essential and which ones can be done by individual campuses.

Like good president’s, we delegated a great deal of this work to our respective Vice Presidents of Finance and Administration. The Vice Presidents group is now meeting every other week, opposite the presidents, and are working closely with Chancellor’s Office staff to better understand the services, costs and associated issues.

An important outcome, so far, is that the Vice Presidents have grouped the multitude of services by the following categories:

- Prime candidates for shared services, including the mandatory services required by statute for collective bargaining, employee benefits and risk management.
- Shared services that may be benefit to some universities, but not all.
- Shared Services that are not optimal for shared services due to governance implications and the fiduciary nature of institutional boards. This includes, for example, legal services, internal audit, advocacy, fiscal monitoring.
- Shared Services that are not optimal for shared services due to the fact that they are presently done by campuses or there is a lack of interest, e.g., financial reporting, travel reimbursement rates, etc.
- Services that may be handled by self-directed work groups, shifted to HECC or handled in other ways to be determined by provosts or student affairs officers, e.g., academic program support or student support activities, some of which are services benefiting the state and students versus campus operations/administration.

By and large, with minimal disagreement, the shared services in the “prime candidate” category are fairly unanimously supported. There is one service, the “internal bank” in which there still needs some negotiations and work.

Under the direction of Jay Kenton, the Chancellor’s Office is working diligently to create a complete budget in providing the Shared Services that are, at this time, being deemed as essential as well as a detailed listing of estimated costs for the “opt in” Shared Services. The challenge here is not knowing how the cost estimate will affect a particular university’s desire to share these services, to outsource them or to take these services on “in-house.”

The Chancellor’s staff, in working with campuses, has also developed a transition planning and tracking sheet with hundreds of issues that need to be managed during the transition. These items have been categorized by lead responsibility, business continuity risk, required lead time(s), external assistance needed, skill development needs, etc. This document was presented at the recent OUS retreat and is mammoth in scale and scope.
Along with the determination of which services to maintain, it is also important that we create and form the appropriate legal entity to oversee and manage the Shared Service Enterprise. The legal staff at Chancellor’s Office and the legal staff from the UofO, OSU, and PSU have been investigating the type of entity needed to house this set of activities. This could lead to a request in February to create some type of special purpose public entity.

In addition, at the direction of the President’s Task Force, the Chancellor’s staff has also issued a Request For Information to find a consultant and legal advisor to assist with the employee benefits transition moving from a single entity to a multiple entity plan for retirement benefits. This transition has been deemed to be the most complex and will require specialized assistance and the longest lead-time to perfect. The nationally recognized firm, Mercer has been selected as the consultant to assist with this work.

A significant challenge that our work group will need to fully develop and “hammer out” is the sources of funding for the shared service enterprise. The current model of shared services includes funding through state appropriations and assessments assigned to each university. The majority of these assessments are associated with indirect cost recovery from grants and contacts at the three largest universities rather than user fees. Charging for shared services based on user fees alone would create a funding gap for the provision of shared services. Even if that is not done, with the three largest universities leaving the system there would be a loss of some assessment funding for shared services. Therefore, funding for the continuation of Shared Services will need to be based in part on cost savings—the amount saved by shifting some of the services to the university—the creation of a “pay as you go” philosophy for the lesser services, and in part by alternative state support. As required by SB 270, our work group will provide recommendations for your review.

We will also continue to work with the Legislative Offices on key questions when they arise. For example, I am particularly pleased, for example, that the PEBB costs, through an opinion issued last week by Legislative Counsel, will continue to be “averaged” across each institution rather than split out by institution.

We have a lot of work ahead of us, and lot of items to consider and determine to meet our obligations. Even with our disagreements, I will say that the State of Oregon is being served by seven presidents, while we advocate for our particular institution, do know the worth and the importance of public higher education throughout the entire state and realize the significance and value that each university brings to its community and the students they serve.

At this time, I will be happy to answer, or at least attempt to answer, any questions or concerns you may.