Oregon University Shared Services Center (OUSSC) Proposal

As part of SB 270, a University Shared Services Work Group was created on July 25, 2013, made up of the seven presidents of the Oregon University System (OUS). The presidents asked the vice presidents for finance and administration of their respective institutions to work with OUS staff in order to assist in the development of a report for the Special Legislative Committee on University Governance. The presidents have met on several occasions (July 25th, August 15th and September 18th) as have the vice presidents (August 9th, September 6th and September 26th), as they develop a strategy and recommendations as to how to address shared services beginning July 1, 2014. The University Shared Services Work Group is charged with developing a report by December 15, 2013. One of the elements of the report is to identify services that should remain shared among public universities after the establishment of universities with separate governing boards. In determining whether a service should remain shared, the work group must consider the following:

- The economies of scale achieved by sharing the shared service
- The benefit to the public in sharing the service
- The positive and negative financial impact if one or more universities with governing boards either stop or continues to participate in the service

Although, institutions continue to research various issues surrounding shared services (e.g., outsourcing of services, etc.), based upon several meetings of the OUS Administrative Council (VPs for finance and administration and OUS staff), the following is a list of university shared services separated into three (3) categories.

I. **Prime Candidates for Shared Services**
   a. Financial Statement Compilation and Preparation
   b. Fifth Site Operations (some consideration of allocating funds to the technical and regional universities so they could perform these services)
   c. Payroll Processing, Reporting and Depositing
   d. Shared Treasury Services/Internal Bank (Cash Management, Investment Services and Debt Management)
   e. Employee Benefit Services (required until 7/1/2015)
   f. Labor Relations for SEIU employees (required until 7/1/2015)
   g. Risk Management (required until 7/1/2015)

II. **Services that are Not Considered Candidates for Shared Services**
   a. Services that are not candidates due to governance implications
      i. Financial Oversight/Monitoring (HECC)
      ii. Budget Activities – Operating and Capital Budget (HECC)
      iii. Internal Audit Services
      iv. Legal Services
      v. Advocacy
b. Services that may be handled by self-directed work groups, shifted to HECC or handled in other ways as determined by provosts or student affairs officers
   i. Student Support Activities (e.g., system programs, viewbook, etc.)
   ii. Academic Program Support (e.g., WICHE/WUE, ETIC, etc.)

c. Services that are not candidates for shared services due to the fact they are presently done by campuses or lack of interest
   i. Financial Transparency Reporting
   ii. Travel Reimbursement Rates

III. Remaining Shared Services
   i. Purchasing and Contracting Services
      1. Retainer Contracts
      2. Collection Agency Services
   ii. MWESB Liaison and Reporting
   iii. Preparation of Indirect Cost Rates (not shared by all institutions)
   iv. Fixed Asset Accounting and Reporting
   v. UBIT and other Tax Returns
   vi. Employee Leave Policies and Accounting
   vii. Staff Fee Policies

Another key issue is to recommend an appropriate entity to facilitate the sharing of services among public universities. Legal staffs at the Chancellor’s Office (CO) and institutions have been investigating the type of entity needed to house this set of activities. After considering multiple types of entity structures that could be used, most agree that having campuses host shared services for other campuses probably makes the most sense as it does not require the establishment of any new entities, thus will not require further Legislative action, has potential lower overhead costs, and takes advantage of the management and staff expertise available within OUS. In addition, this approach would be less disruptive to current OUS staff that currently provide quality shared services across the system. Based upon this logic, the seven presidents that make up the University Shared Services Work Group asked (during their September 19th meeting) that the vice presidents consider whether individual institutions could host shared services.

In line with the discussions at the last President’s Council meeting, Oregon State University presented a proposal to the vice presidents during their meeting of September 26th. OSU offered to host several shared services, assuming a critical mass of institutions opt in, including financial reporting/accounting, treasury management (Internal Bank), payroll, and employee benefits. A significant driver in this decision, in addition to projected cost savings, arises from OSU being the current location of Chancellor’s Office, Controller’s Division staff performing these functions. Such an arrangement would be least disruptive to these quality OUS staff. OSU presented a proposal for consideration, with some group comments in parentheses below:

- OUS employees needed to perform the services would become OSU employees
- An Executive Director would oversee the shared services operations
- OSU proposes that the Executive Director report, on a day-to-day basis, to the OSU vice president for finance and administration (or designee) for shared services performed by OSU
Each ‘customer’ institution vice president for finance and administration (or designee) would serve on a related oversight steering committee

Quarterly reports would be provided to the presidents of participating institutions or their designee

Funding and accounting would be tracked separately

An appropriate overhead would be applied (After discussion, the VPF group concluded that an 8% rate would be sufficient for planning purposes)

Formal Service Level Agreements (SLA) between each participating university and the university housing the shared service(s) would need to be crafted and executed delineating the service level expectations (After discussion, the group concluded that contracts would be biennial and would include a sufficient notice period for an institution to opt out)

Portland State University communicated a willingness to host shared services for bargaining and risk management as those OUS staff are currently housed at PSU.

Western Oregon University indicated that WOU could be considered an appropriate institution to host one or more of these shared services organizations due to its proximity to Corvallis.

After much discussion, it was the consensus of the Vice Presidents that they recommend to the University Shared Services Work Group that shared services should be hosted by a campus or campuses and that such an arrangement would not preclude participation by other entities; the overhead associated with establishment of a new governmental or not-for-profit entity would not add concomitant operational benefits.