OUS Shared Services Enterprise

Background

Developing a Shared Services entity to provide a portfolio of financial and administrative services to the seven Oregon public universities was part of Senate Bill 270, passed in the 2013 legislative session. These are services currently provided by the Oregon University System Chancellor’s Office, and which will be transitioning to a new Shared Services enterprise (SSE) on July 1, 2014.

SB 270 established the Work Group on University Shared Services, consisting of the presidents of the seven public universities or their designees. The work group was tasked with developing a recommended shared services model that delivers efficient and effective administrative services, while focusing on quality, responsiveness, and customer service; and a model that seeks to achieve cost savings, economies of scale, accountability, transparency, and streamlining throughout its operations.

Recommendations from the Work Group

The Work Group’s preliminary report was completed in December 2013 and included the following recommendations, which were also shared in testimony during Legislative Days in January 2014:

1. Rather than create a new legal entity, the universities will have a multi-party agreement that one or more of them will provide administrative services to the others wishing to participate voluntarily in the Shared Services Enterprise (SSE).

2. SSE staff should be employees of a university or universities, and the operation should be managed by an executive director reporting to the SSE oversight committee, comprised of institutional representatives appointed by the presidents.

3. Services that will be shared include:
   a. “Prime candidates”: (1) Employee benefits (mandatory); (2) Risk Management (mandatory); (3) Collective bargaining (mandatory); (4) Accounting and reporting; (5) Fifth Site Computer operations; (6) Payroll processing, and (7) Treasury operations (cash management, investment and debt financing).
   b. Not considered candidates because of governance implications: (1) Fiscal monitoring; (2) Internal audit services; (3) External audit services; (4) Legal services, and (5) Governmental advocacy.
   c. Others to be determined: (1) Student services, and (2) Academic services.

4. Regarding the annual ($1.94M) financial impact of SSE on universities without their own governing board, there are three options in order of preference:
   a. Using funds from the $4.8 million currently budgeted for Chancellor’s Office operations (either in FY15 or starting in FY16); or
   b. Reducing appropriations for the larger universities necessary to offset these impacts; or
   c. Seeking additional State General Fund support from the Legislature.

5. Regarding the ($1.2M) annual impact on universities without their own governing boards of unbundling PEBB composite rates after June 30, 2015, there are two options in order of preference:
   a. Adjusting rates so each university pays its respective amount, and redressing impacts by seeking and obtaining additional State General Fund dollars and providing these to the technical and regional universities to cover their increased operating costs, while replacing the current subsidy; or
   b. Leaving the composite rate as is, but reallocating existing state General Fund dollars to PSU, OSU and UO to redress this issue.

6. Regarding the ($1.6M) annual impact associated with the pooled student building fee, there are two options in order of preference:
a. Using the accumulated cash reserve to annually fund the bonds’ debt service shortfalls, and once the bonds are fully repaid, distribute any remaining reserve balance to the larger universities using an agreed-upon distribution algorithm; or

b. Using an agreed upon calculation/projection methodology, holding only that portion of the reserve needed to fund the debt service shortfall for the technical and regional universities, and distribute any excess balance to the larger universities using an agreed upon distribution algorithm.

7. In determining whether a service should remain shared, the work group must consider economies of scale achieved by sharing the service, the public benefit in sharing the service, and the positive and negative financial impacts on each public university if one or more universities with governing boards either stops or continues to participate in the service.

a. The fundamental operating premise for shared services is using best practices to achieve economies of scale, resulting in value-added efficient services that save costs for participating universities.

b. The institutions generally believe that all shared services should be offered on a voluntary basis. That said, all also agree that depending on the type of service being rendered, and the impact that the withdrawal of one university could have on the costs or revenues of the others, that sufficient notice of an intent to withdraw should be made to the others so they can plan accordingly.

c. Thus, we do not recommend that any shared services be mandatory beyond June 30, 2015, except for the collective bargaining partnership set forth in SB 270.

Other Impacts of Shared Services to Consider

Other impacts from the SSE are possible depending on the final governance structure for the technical and regional universities, the type and number of institutions which use shared services each year, and the funding provided for these activities. Estimates of impacts for these possibilities have been included in the Preliminary Report and its appendices.

Note: SB 270 requires recommendations for mitigating impacts on universities that do not have their own governing boards. Therefore, if one or more of the technical or regional universities are granted a governing board, this discussion (and these estimated costs) would be different.

Current Work on Shared Services

The Shared Services Work Group is currently working to:

(1) Determine the need for statutory revisions to SB 270 in the February Session to make technical adjustments necessary for the efficient operation of the SSE (treasury issues);

(2) Contracting with a search firm to recruit an Executive Director of Shared Services with the goal of having that person in place by June 2014 (to be an Oregon State University employee);
(3) Drafting legal agreements needed to establish requisite **contractual relationships** among the parties (master agreements, host university agreements, service level agreements, trust and fiduciary agreements, etc.);

(4) Working with host campuses to **transfer outside contracts** and otherwise prepare them to **accept responsibilities for these operations**; and

(5) Preparing to **transition current Chancellor’s Office employees** performing these services to the host universities and establishing a consistent and transparent budgeting and accounting structure to account for the costs and revenues.

### Shared Services – Sources and Uses by Campus:

<table>
<thead>
<tr>
<th>Institution</th>
<th>Sources – Current Assessments and Budget</th>
<th>Shared Services – Estimated Costs</th>
<th>Other Estimated Costs to Self-Operate or Provide Governance*</th>
<th>Net Annual Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOU</td>
<td>$1,226,845</td>
<td>($1,463,420)</td>
<td>($248,300)</td>
<td>($484,875)</td>
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<td>OIT</td>
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<td>($1,114,370)</td>
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<tr>
<td>UO</td>
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<td>($4,095,524)</td>
<td>($1,650,000)</td>
<td>($534,838)</td>
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<td>WOU</td>
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<td>($1,553,775)</td>
<td>($248,300)</td>
<td>($447,989)</td>
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</tbody>
</table>

* EOU, OIT, SOU and WOU assumed to be governed by OSBHE in this analysis. If independent, these costs would be higher.

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