AGENDA

1) Call to Order
2) Consideration of Minutes ................................................................. 1
3) Discussion of Draft Principles (Alternatives).............................................. 7
4) Define Shared Services Enterprise in Light of Principles
5) Concept for Legislation Proposal
6) Pension Plans Administered by OUS (Optional Retirement Plan, PERS Supplemental Plan, 403(b), special plan for coaches and presidents, etc.)
7) Compilation of Some Current Shared Services
8) Next Steps: Issues Regarding State Structure............................................. 13
9) Adjourn
MINUTES

Committee members present included Chair Paul Kelly and Directors Allyn Ford, Farbodd Ganjifard, and Kirk Schueler. Director David Yaden was absent due to personal reasons.

Chancellor’s staff present included George Pernsteiner, Michael Green, Drew Hagedorn*, Ryan Hagemann, Di Saunders, Marcia Stuart, and Charles Triplett.

Others present included: Presidents Ed Ray (OSU), Mike Gottfredson (UO), and Wim Wiewel (PSU); Vice Presidents Craig Morris (SOU), Lon Whitaker (EOU), Eric Yahnke (WOU), and Mary Ann Zemke (OIT); Lois Davis (PSU), Randy Geller (UO), Bill McGee (DAS), and.

* indicates participation by telephone

1) CALL TO ORDER
   Chair Kelly called the meeting to order at 9:02 a.m. and asked the Secretary to call the roll.

2) UPDATE ON OUS LEGISLATIVE CONCEPTS
   Chair Kelly called upon Mr. Hagedorn and Ms. Burns to present an update on legislative concepts pertaining to higher education.

3) PRESIDENTIAL EVALUATION
   Chair Kelly called upon Chancellor Pernsteiner to present the item. Mr. Pernsteiner noted that this criterion was recommended by Oregon State University President Ray.

   ACTION: Chair Kelly called for a motion to include multi-year financial forecasts, with the expectation that the time period of such a forecast would be at least five years and that the assumptions and key drivers of costs and revenue be clearly disclosed during the discussion with the Board. Directors Allyn Ford and Kirk Schueler made the motion and second, respectively; motion carried.
4) **Shared Services Draft Principles**

Chancellor Pernsteiner advised that although eleven principles have been drafted for consideration, additional principles may be proposed.

*Issues raised pertaining to the principles included:*

Principle #1:
- “...totality of the enterprise’s members” is perceived to remove the choice of opt-in/opt-out
- To retain the choice to opt-in or opt-out, remove that statement
- The implication of mandatory participation remains if “totality of the enterprise’s members” is left in the principle
- Should the impact to the totality of the members be paramount and, therefore, if a university desires to opt-out, should they then compensate the remaining universities if it causes higher costs to them?
- To achieve the lowest cost service in order to hold down tuition, do we look at the totality of all seven universities or on a one-by-one case?
- What does the “impact to the totality” really mean and what is the test of success?
- Amend #1: Change to whether or not a service is shared should be attentive to or responsive to its impact on the cost, revenue, and quality to the totality of the enterprise members

Principle #2
- A single entity is necessary to meet IRS requirements
- A single entity is more efficient
- Defining the single entity will occur at the March meeting
- If multiple entities are created (opt-out), then services provided by the current System (e.g., Controller’s Division) may need to be assumed by each entity; therefore, additional staff would need to be hired and costs would increase (cost shift)
- Or the Controller’s Division would provide a service and there would be costs associated with that service

Principle #3
- An issue with how OUS interrelates with the OEIB and HECC

Principle #4 (No comment expressed)

Principle #5
- Stay with OUS board oversight?
- New board consisting of the public corporation members or governor-appointed citizens?
- Will the entity be run by its members?
- Chairs from the institutional boards could designate someone to participate on an oversight board?
Principle #6
- Change the third word from “may” to “will” in order to clarify
- “May” would be determined by the oversight board

Principle #7
- The intent is to ensure that no university is damaged by another’s decision
- If damage is done, that support is provided to enable them to function
- Removing bullet-a may remove that issue
- A “reasonable test” for “no free rider”
- If a campus can save money but it increases the costs for others, elects to participate in order to keep costs down for the totality, should the other campuses compensate that campus? Essentially, that campus’ students are subsidizing the students elsewhere.
- Revise bullet-c to reflect that point?

Principle #8 (will be rewritten)

Principle #9
- Definition of the entity is its members (and would be named)
- If extended or expanded to others, would they need to be specified at that time or can language be included to anticipate and allow for expansion (founding or governing members, associated or affiliated members)
- Does the governance of the entity change as members are added?

Other issues raised:
- When combining principles 1, 7, and 8, one must weigh price, quality, cost and other considerations, “this seems extremely determinative, mandatory, almost impossible to ever prove to get out of it.”
- Include the Board’s four goals in the preamble; pledging to try to do things that are innovative (setting the tone that the group will be dynamic and proactive)
- How is a principle framed to address the regional discrepancies of cost (e.g., Kaiser in Portland can provide lower cost healthcare but is only available in Portland)? (President Wiewel was tasked to write a principle to address this issue)
- Governance: public corporation and the governing board will be made up of the university members
- Include non-affiliated (citizen) board members in order to mitigate “coalitions” of “large” or “small” universities (Mike Green will provide the language from the Internal Bank governance/voting structure that addresses this issue)

Shared Services Illustrative Outline
Mr. Pernsteiner asked that comments or “bucket list” items be provided for inclusion.
5) **SHARED SERVICES TIMELINE**

Chancellor Pernsteiner directed the Committee’s attention to the two handouts (*draft timeline for shared services discussion* and *university shared services work groups*), noting that the order of the calendar is based on discussions held with Dr. Crew (Chief Education Officer) and the timing of when shared services may be offered to entities outside of the System, the development of legislative proposals, and decisions the Committee must make during the year.

During the February meeting, the Committee will discuss and consider the adoption of principles and framework for shared services, and the identification of work groups. The March discussion topics relate to legal and governance issues and how those topics frame legislative and statutorial change; framework for service provision approaches; principles for mandatory versus opt-in/opt-out hybrid; and pension plans.

In April, the Committee will refine principles for mandatory vs. an opt-in/opt-out hybrid; identify types of services that may be shared and currently provided by the Chancellor’s Office and the three large universities; and how to finance the shared services entity (SSE). During May, the Committee will continue the discussion of the mandatory vs. hybrid; the identification of service opportunities; and the formation of work groups. During June and July, the Committee will receive reports from the work groups and work on steps to create the structure and establishment of an SSE. The Committee will work during fall 2013 to create legislative concepts and proposals for the 2014 legislative session. No change is anticipated during 2013 or 2014.

*With regard to shared services, the following were discussed:*  
- Creation of a 501(3)(c), a membered corporation outside of the governance issues of institution- or state-level boards  
  - This corporation would be separate from the Department of Post-Secondary Education or the Higher Education Coordination Board  
- The administration of pension plans (Optional Retirement and 403b plans vs. PERS)  
- Under ORS 351 and SB 242, the System currently has the authority to create and implement shared services; however, if the legislature does not approve the proposal and funding request, the resources to support the SSE would then come from current funding or a charge-back system.  
  - A caution was expressed that these discussions would not be derailed or impaired by the OEIB-proposed legislation.  
  - President Ray recommended that language be included in the proposed governance legislation: “There is no intention in any of the current legislation to override the operational independence assured by Senate Bill 242 and, therefore, where conflicts appear, SB 242 holds sway.”
Questions asked:
- Would OHSU be included in the SSE?
  - Because of the differences in OHSU’s structure, some services may not lend itself to be shared (e.g., pensions)
- What type of entity could provide inclusiveness?
- How does the shared service entity relate to SB 242? Can it exist beyond 242? Would statutory authorization be required to offer shared services to entities outside of OUS?
  - A long-range goal would be to expand to non-OUS entities; however, during 2013, the focus will be on creating a framework within OUS.
  - Flexibility to drive down costs and maximize revenue is the goal in order to keep tuition as affordable as possible.

Shared Services Work Groups
Seven work groups were proposed: 1) employee benefits (e.g., pensions, healthcare), 2) financial (e.g., accounting investing, debt management), 3) administrative and support (contracting/purchasing, risk management, workers compensation, legal, payroll, facilities, construction management, labor relations/bargaining), 4) data systems (e.g., finance, human resources, student, institutional research, connection to ODE/CCWD/HECC), 5) student support (e.g., admissions, registration and records, transfer, advising, scheduling), 6) education (e.g., shared platforms, shared courses/programs, standards for accepting credit for prior learning, library and materials), and 7) technology (technical standards, systems, platforms, connection to ODE). Another work group mentioned was legislative relations, noting that other states who have institutional governing boards share the services of legislative relations. Chancellor Pernsteiner requested that if Committee members or others think of other work groups, to send the recommendations to him for Committee consideration.

Each work group will include campus representatives, Chancellor’s Office staff, and external participants to provide national-perspective and expertise. Recommendations for work group participation were requested from the presidents, to be offered during the next Presidents’ Council meeting.

Following discussion, Chair Kelly asked the Committee if they are in agreement with the proposed time line and identification of work group topics; no dissention was expressed.

6) ADJOURNMENT
With no further business proposed, Chair Kelly adjourned the meeting at 11:44 a.m.
At its February 15, 2013, meeting, the Governance and Policy Committee considered a draft set of principles to guide the establishment and operation of a Shared Services Enterprise. The discussion of the committee led staff to draft some amendments to the February 15 principles. Those changes are shown below as Alternative A.

The principal changes involve the addition of a preamble that ties the Shared Services Enterprise to the achievement of the State Board of Higher Education’s strategic goals, simplifying and clarifying language used in the original draft principles, adding language that the culture of the Shared Services Enterprise would be one of customer service, specifying that the Shared Services Enterprise would be governed by a board comprised of members of the governing boards of member institutions plus public members, requiring member universities to try to mitigate the financial effects on them of one or more universities opting out of a currently provided service, requiring a one-year notice to opt out of currently provided services, changing provisions regarding participation in services not yet offered to ensure that they are opt-in only, and requiring the Board of the Shared Services Enterprise to meet at least twice each year.

Some of the presidents have suggested other principles; these are compiled as Alternative B. It notes that mandatory services are those specifically required by statute, that all other services are opt-in only, that the Shared Services Enterprise would be governed by the presidents or their designees, and that separating from an existing shared service would require a one-year’s notice to the Shared Services Enterprise and each of its member universities. It also permits the board of the Shared Services Enterprise to reduce rates for member universities who have less expensive alternatives but who remain in the Shared Services Enterprise in order to hold costs for the rest of the universities. Alternative B also does not envision the addition of new or additional services beyond those now provided in a shared manner within the Oregon University System and it calls for state appropriations to support the Shared Services Enterprise rather than fees charged to member universities. It assumes the same preamble as in Alternative A.

The two alternatives are offered for discussion at the March 15 meeting of the Committee. The legal structure of the enterprise requires work by counsel. Although the current statutes governing the State Board of Higher Education grant all the necessary authority to the State Board that would be needed for a Shared Services Enterprise, both alternatives require a different legal structure and, hence, might need to be authorized by statute. Further, both alternatives presuppose that the Shared Services Enterprise is not a state agency and not within a new Department of Postsecondary Education.
Preamble: The Governance and Policy Committee is considering the establishment of a Shared Services Enterprise to provide services to Oregon’s public universities, with possible expansion to other entities. The Shared Services Enterprise is being considered as a means of advancing the goals of the State Board of Higher Education to increase the number of Oregonians with degrees, to provide high-quality education to students, to undertake innovative research to advance Oregon and Oregon’s economic well-being, and to support and sustain vibrant communities throughout the state. It is viewed as a means to improve education service and reduce cost. A primary motivator is to keep tuition for Oregon students as low as possible.

The shared service enterprise would be a service provider for universities, motivated by a culture of supporting and serving the universities, their missions, their faculty, and their students.

Alternative A—Draft Principles for Consideration

1. **CHANGED SECTION**: Shared services should be encouraged to the point that efficiencies are garnered and effectiveness and quality improved. A principal measure of whether to share or not share a service will be the impact on cost, revenue, and quality to the totality of the enterprise’s members. The Shared Service Enterprise and all its members will be attentive to providing low-cost and high-quality services with customer service as the primary motivator of culture and behavior.

2. **CHANGED SECTION**: The shared services entity would be most effective as part of a single legal entity that included all its university members. However, the definition of the single legal entity should not impinge on the operational and policy autonomy of members except in accordance with the rules of the Shared Services Enterprise.

3. Standardization of information, processes, and functions is critical to cost-effective operations and providing the lowest cost at any specified quality level.

4. The Shared Services Enterprise should implement best practices in each service area and focus on lowest cost for the quality of the service desired. Dimensions of quality include timeliness and ease of accessing services.

5. **CHANGED SECTION**: A Shared Services Enterprise should be overseen by a board composed of members of the governing boards of participating universities plus other public members appointed by the governor and confirmed by the state senate. Each of its major service areas also should be advised by groups of its members and should enter into service-level agreements with customers that specify levels of quality and cost.

6. **CHANGED SECTION**: Certain services may be mandatory in order to satisfy legal requirements or because the savings for the entire enterprise are determined by the
board of the Shared Services Enterprise to be significant enough to warrant such mandatory status.

7. **CHANGED SECTION:** An institution that proposes not to continue in a pre-existing non-mandatory service must (a) demonstrate that its doing so will not increase the costs or diminish the quality of service for the other institutions within the Shared Services Enterprise, or (B) provide sufficient ongoing financial support to the shared services organization to offset the higher costs that the other participants in the Shared Services Enterprise likely would incur if the institution were to opt out of the service (provided that those participants take reasonable actions to mitigate the costs the departing institution would pay), (c) provide advanced written notice to the Shared Services Enterprise and each of its member universities of at least twelve (12) months, and (d) pay the costs it incurs in segregating itself from the existing services. If a university has chosen not to participate in a given service, its representative on the board of directors shall not participate in decisions regarding that service once the university has given its notice that it will no longer participate in that service.

8. **CHANGED SECTION:** Services not currently provided may be offered by the Shared Services Enterprise on an opt-in basis to member universities. Advisory groups for such services shall include members only from those universities that participate in a given service. If a university chooses not to participate in a given service, its representative on the board of directors shall not participate in decisions regarding that service.

9. The Shared Services Enterprise is considered to be an ongoing entity and it and its participants must take a long view of its operations so that it can make appropriate investments in technology, systems, and other long-lived assets or practices in order to provide high quality, timely, and cost effective services.

10. Inclusion of a service within the Shared Services Enterprise does not determine which entity (the Shared Services Enterprise, one of its members, or a third party) will provide any given service.

11. In addition to the shared services it offers or facilitates the Shared Services Enterprise may provide a convening function to allow discussions about topics of mutual interest to members and the sharing of best practices in matters not part of the Shared Services Enterprise’s suite of services.

12. **NEW SECTION:** The Board of the Shared Services Enterprise will meet at least twice each year in order to plan for the enterprise, assess the quality and effectiveness of its services, explore new opportunities for sharing, evaluate staff, receive and adopt financial reports and budgets, receive and discuss audit reports, and conduct such other business as shall be necessary or desirable.

13. **NEW SECTION:** The Shared Services Enterprise is not a state agency and will not be within a Department of Postsecondary Education.
Alternative B—Draft Principles for Consideration

1. Shared services should be encouraged to the point that efficiencies are achieved and quality improved. The only measure of whether to share a service will be the decision by each individual entity to do so. The Shared Services Enterprise, if any, will determine whether or not it can cost effectively provide a service through the acceptance of a service by two or more members. The Shared services Enterprise will be ever attentive to providing low-cost and high-quality services to members with service as its primary motivator of culture and behavior.

2. The Shared Services Enterprise would be most effective as or as part of a single legal entity that included all its university members. However, the single legal entity may not impinge on the operational and policy autonomy of members except as specifically required by statute. Any statute that permits infringement on the operational or policy autonomy of any university member shall expire within six years of its enactment unless it is specifically reauthorized by subsequent legislation.

3. Standardization of information, processes, and functions is critical to cost-effective operations and providing the lowest cost at any specified quality level.

4. The Shared Services Enterprise should implement best practices in each service area and focus on lowest cost for the quality of service desired. Dimensions of quality include timeliness and ease of accessing services.

5. The Shared Services Enterprise shall be a creature of its members and overseen by a board of directors comprised of the presidents of member universities or their designees. The Shared Services Enterprise also shall be advised by groups of its members and should enter into service-level agreements with customers that specify levels of quality and cost.

6. No service shall be provided on a mandatory basis unless specifically required by statute, which statutory requirement shall expire after no more than six years unless renewed by legislation.

7. An institution that proposes not to continue using a service that was shared prior to the establishment of the Shared Services Enterprise must provide the Shared Services Enterprise and each of its member universities with an advance written notice of at least twelve (12) months and shall pay all the costs it incurs in providing such service itself and all penalties that the Shared Services Enterprise must pay to third parties due to such separation, provided that such penalties shall be of a one-time nature and not exceed the amounts the Shared Services Enterprise must pay to third parties under terms of agreements previously ratified by the board of directors of the Shared Services Enterprise.

8. The original section 8 has been deleted.

9. The Shared Services Enterprise is considered to be an ongoing entity and it and its participants should take a long view of its operations so that it can make appropriate
investments in technology, systems, and other long-lived assets or practices in order to provide high quality, timely, and cost-effective services.

10. Inclusion of a service within the Shared Services Enterprise does not determine which entity (the Shared Services Enterprise, one of its members, or a third party) will provide any given service.

11. In addition to the shared services it offers or facilitates, the Shared Services Enterprise may provide a convening function to allow discussions about topics of mutual interest to members and the sharing of best practices in matters not part of the Shared Services Enterprise’s suite of services.

12. To the extent that the Shared Services Enterprise is not supported by state appropriations for operations or capital, the board of the Shared Services Enterprise may charge for its services and may adjust the rates it charges for services to provide lower costs for those universities that have less expensive alternatives for certain services but which elect to receive those services from the Shared Services Enterprise in order to provide lower costs for the aggregate of the universities.

13. The existence of a Shared Services Enterprise shall not impinge on the ability of any university to offer services to other universities on a shared basis.

14. The Shared Services Enterprise should be supported by state appropriations and by fees charged to its member universities.

15. The Shared Services Enterprise is not a state agency and will not be a part of a Department of Postsecondary Education.

16. The board of the Shared Services Enterprise will meet at least twice each year in order to plan for the enterprise, assess the quality and effectiveness of its services, evaluate staff, receive and adopt financial reports and budgets, receive and discuss audit reports, and conduct such other business as shall be necessary or desirable.

The major differences between the two alternatives fall into a few categories: entity governance, degree of mandatory services, the impact on the whole/individual campuses, financial support model, and sharing services not currently provided on a shared basis.
Currently pending before the Oregon Legislative Assembly are bills that would establish a new Department of Postsecondary Education (DPSE) and create institutional boards to govern some or most of the public universities in Oregon. These bills, if adopted, will affect some of the shared services that currently are provided under the auspices of the Oregon University System.

The scope of the responsibilities of the proposed Department of Postsecondary Education is not yet fully defined. However, it appears likely that the duties of the new department, if established, could include some or all aspects of many services now provided by the Oregon University System, including academic degree program approval, academic planning, strategic planning to meet state goals, review and approval of admissions standards, determination of student residency status for fee paying purposes, acceptance of credit for transfer from other postsecondary institutions, standards for acceptance of advanced placement and international baccalaureate credit, alignment of courses across postsecondary institutions, tuition review, budget review, legislative advocacy, allocation of state appropriations, review of capital project requests, standards for classroom and other space, approval of dual credit programs, alignment with K-12 and community college programs/standards/entities, student and financial data standardization/collection/analysis/reporting, financial aid and affordability policies and requirements, diversity goals and initiatives for students and faculty, and facilitation of regional achievement compacts, etc. If these and other services are provided by the Department of Postsecondary Education, they would not be subject to the Shared Services Enterprise or to the principles that provide the framework for that enterprise.

However, there may be need for sharing or coordination among the universities with respect to the development of the operating and capital budgets for submission to the state and the administration of state budgets and appropriations. Likewise, advocacy for the universities with the legislature may be viewed as a shared service. In addition, a host of other current shared services must be considered. A list is being compiled for consideration by the committee. That list is intended merely to give members a flavor for the scope and nature of the various services now provided through OUS. As noted earlier, some of these may be transferred to the Department of Postsecondary Education, others provided through a Shared Services Enterprise (SSE), and still others no longer will be shared and will be provided independently by each of the seven universities. Discussions with the committee, perhaps in April, might best focus on those that might be transferred to DPSE and which elements of them might be retained by universities or a Shared Services Enterprise.

The Shared Services Enterprise, motivated by provision of low-cost and high-quality services, would not be the appropriate organization for governance functions for either campuses or the
state. However, the distinction between governance and service provision is not always a bright line. A few examples of activities that are neither clearly state governance functions nor shared services in the commonly understood sense might be useful to frame the April discussion.

For example, is it an appropriate function of state governance to determine student residency for fee paying purposes? This involves a fairly arcane and detailed examination of factors in every case where residency is not clear. Campuses make the initial determination and is subject to appeal to the chancellor, whose decision (advised by a multi-campus panel of experts and by legal counsel) is final. This is not a governance function. However, consistency in residency determinations across all seven campuses is desirable for purposes of clarity and equity. Ought decisions on residency appeals be a shared service?

Legislative relations and advocacy are typically functions performed by systems on behalf of all campuses in order to ensure that conflicts among universities are minimized and the message of higher education is integrated. Although some might argue that this function ought to fall within the remit of the Department of Postsecondary Education, others could assert that the interests of the universities and their students should not be entirely subject to the dictates of a state agency. States without systems often have mechanisms and organizations designed to ensure congruence of messages and advocacy with the legislatures of their states (Washington State is an example of this).

Oregon’s Department of Education adopted high school graduation requirements a few years ago. As part of the effort to convince the State Board of Education to raise standards, the State Board of Higher Education agreed that any student earning a regular diploma and attaining a certain score on the Oregon Assessment of Knowledge and Skills examination would be automatically admitted to an OUS institution. The guarantee was not for a specific institution but that the student would be admitted somewhere in OUS. Campuses propose their own admissions standards but those standards currently are adopted by the State Board of Higher Education. If the commitment embodied in actions related to the Oregon Diploma is to be honored, some institution must accept each student who meets the criteria. Is this a governance function (within DPSE) or a shared service or something else? If a governance function, does this conform with accreditation standards of institutional autonomy from state control? If a shared service, how would decisions like this be made if the Shared Services Enterprise were entirely voluntary? If something else, who would make the decision?

Other services are necessarily hybrids, with some elements being appropriately housed in the Department of Postsecondary Education, others within campus operations, and others with the Shared Services Enterprise. Depending on decisions about data systems, elements of current student and financial systems might find their way into each of the three areas. This will require careful coordination to ensure needed consistency.

Some services will find their way into one or the other of the alternative governance locations based on practice. For example, as long as all OUS campuses maintain a single or integrated contract with the Service Employees International Union (SEIU), certain functions are likely to
be performed centrally. These include negotiations, resolution of grievances, and maintenance of classification/compensation systems. The placement of these functions within the DPSE would seem to put operating responsibility back within a state agency. That likely would realign the OUS contract and its administration with that of the Department of Administrative Services, leading to arguments that the universities could again be viewed as state agencies. Placement of these functions within the Shared Services Enterprise may be more in line with recent OUS policy decisions and Senate Bill 242. However, if the SSE were entirely voluntary, this could set up a situation where an opt-out by a campus could be subject to a veto by the union.

Of course, there are services that may make sense to provide centrally for all universities. Indications from state leaders that OUS should continue to be within PEBB and PERS for the upcoming biennium suggest that employee benefits may be one of those areas. This area also would include the panoply of retirement plans currently administered by OUS. The questions surrounding the exit of a single campus from such an arrangement could make the administration of employee benefits difficult, especially if this is coupled with a continuing statewide contract for SEIU.

In many cases, the decision to share a service will be made on solely financial, quality, and convenience grounds. While these cases may be the norm, care must be taken when disbanding current services to ensure that all campuses can be served adequately and affordably by either the Shared Services Enterprise or by self-provision of the service by each campus. The need for consistent information by the state to affect achievement compacts will dictate commonality of data elements and reporting formats/timelines for both student and financial information. That means it will be necessary to have some way of ensuring consistency if current student and financial systems are spun off from their current homes in the Chancellor’s Office. Is that the responsibility of the DPSE or of the SSE?

These and other questions suggest that a careful and deliberate implementation plan be developed to establish the DPSE and the SSE and that the responsibilities resident within OUS and the Chancellor’s Office not be devolved too quickly lest service be impaired, costs increased, and needed consistency lost.

This need suggests that the Governance and Policy Committee continue its work in line with the draft schedule discussed at its February meeting and also that efforts be made very soon to identify the functions of the DPSE and to prepare a transition plan ensure a smooth transfer of authorities. It would make sense to have those roles articulated in legislation in 2013 even if full implementation of the DPSE were to wait until 2014, with refinements of legislation in the short session that year.

With regard to the functions of OUS and Chancellor’s Office that are not transferred to the DPSE, the establishment of the SSE can evolve more gradually. In order to minimize disruption and hold down transition costs, it may be desirable to ensure that all universities continue to use all services at least through June 30, 2015. This will allow time for a reasoned plan to be developed. Universities wishing to opt out of a particular current service would have to give
notice to the SSE and its member universities at least twelve (12) months prior to exiting a service. That would mean that 2013-14 could be spent developing the SSE and planning for the orderly transition of services to campus operations. Notice given well before July 1, 2014 (but, presumably no earlier than the spring of 2014), also would allow all universities to adjust their budget requests in light of the actions of the others.

One overarching consideration about a Shared Services Enterprise is that of financial support. Although most of the conversation will be around operating support (what it costs to offer each service in any given year or biennium), even more important questions may revolve around working capital (read: fund balance) and funds to upgrade or expand services (read: capital). The presidents have requested that the SSE be supported by appropriations. Currently, shared services are supported by a combination of appropriations made to OUS and distributed to the three services providers in the annual budget plus assessments plus rates. Migrating to an appropriations-only model would require either an increase in overall state appropriations to OUS or the reduction of appropriations now going to campuses in order to fully fund the SSE on appropriations. (Although this would be a zero sum exercise for the entire OUS enterprise, it will result in more Education and General Funds being used to pay for shared services and fewer funds from auxiliaries and indirect cost recovery. It also could lead to a redistribution of costs among the campuses on some, as yet undefined, basis.) The ability of the SSE to have adequate working capital and to have a means to make upgrades also must be considered. If these were to be funded via appropriations, they would need legislative approval (something not needed by OUS for data systems and other such investments in many years). If funded in other ways (e.g., rates, assessments, issuance of debt), they would either require deviating from the presidents’ desire for an all-appropriations SSE budget or could necessitate that the SSE have the legal authority to borrow money (via bonds or other instruments). The need for capital funding would be highlighted if services not already provided through OUS were to be developed by the SSE (something opposed by presidents but mentioned prominently by state leaders).

Another observation might be in order regarding appropriations funding of the SSE. Would the appropriations remain with the SSE if one or more universities opted out of one or more services or would the appropriations revert to the state or be transferred to the leaving universities? If the appropriations were to remain with the SSE, there would be a disincentive for universities to leave the SSE since they no longer would be receiving “free” services. If the money were to revert to the state or were to be transferred to the leaving campus, would the SSE have sufficient support to continue offering services to those who had not opted out? Finally, if the services were “free,” how would the SSE balance the demands of individual universities for “more than their share” of services?

The presidents have requested that only those services mandated by statute to be provided by the SSE be considered mandatory. The alternative is to permit the board of the SSE to make some services mandatory. Currently, with the enactment of SB 242, there are no legislatively mandated services that OUS must use except those dealing with prevailing wage, 1 percent for Arts, and similar statutory requirements that were carried over into SB 242. Broadening these
mandates ought to be considered carefully in light of Board and university efforts to achieve status as a public university system rather than of a state agency. (Even participation in PEBB is not truly mandated by statute.)

These issues are illustrative of those that must be addressed as the committee considers the establishment of an SSE. The items that need immediate attention are those that deal with responsibilities that are to be transferred to the DPSE and those that relate to any statutory authority needed by the SSE. Processes should be established to address the more detailed planning that must predate the actual full operation of the SSE. Care should be taken, too, to clarify those activities that have elements of governance to ensure that conflicts between the DPSE, campuses, and the SSE can be minimized.