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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.