

**75th OREGON LEGISLATIVE ASSEMBLY – 2009 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: HB 5032-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Buckley
Carrier – Senate: Sen. Girod**

Action: Do Pass as Amended and Be Printed A-Engrossed

Vote: 21 – 0 – 1

House – Yeas: Buckley, D. Edwards, Galizio, Garrard, Gilman, Jenson, Komp, Kotek, Nathanson, Richardson, Shields

– Nays:

– Exc: G. Smith

Senate – Yeas: Bates, Carter, Girod, Johnson, Monroe, Nelson, Verger, Walker, Whitsett, Winters

– Nays:

– Exc:

Prepared By: Bill McGee, Department of Administrative Services

Reviewed By: John Britton, Legislative Fiscal Office

Meeting Date: June 5, 2009

Agency

Oregon Health and Science University

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Biennium

2009-11

Budget	2007-09 Legislatively Approved Budget (1)	2009-11 Essential Budget Level	2009-11 Committee Recommendation	Committee Change from 2007-09 Leg. Approved	
				\$\$ Change	% Change
Summary*					
General Fund	\$ 86,561,620	\$ 88,201,785	\$ 79,381,606	\$ -7,180,014	-8.3%
Other Funds	\$ 66,472	\$ 489	\$ 489	\$ -65,983	-99.3%
Other Funds Debt Service	\$ 31,912,194	\$ 31,912,502	\$ 31,912,502	\$ 308	0.0%
Total	\$ 118,540,286	\$ 120,114,776	\$ 111,294,597	\$ -7,245,689	-6.16%

(1) Includes adjustments through the December 2008 meeting of the Emergency Board

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The largest source of revenue for the Oregon Health and Science University (OHSU) is payment for patient care services at OHSU's hospitals and clinics. Other major revenue sources include government grants and contracts; private gifts, grants, and contracts; tuition and fees; sales and services of educational activities; and endowment income. For state budget purposes, only funds contributed by the state are tracked.

State General Fund is appropriated to the Department of Administrative Services for distribution to OHSU in support of the schools of Medicine, Dentistry, and Nursing, the Office of Rural Health, the Area Health Education Centers, the Child Development and Rehabilitation Center, and the Oregon Poison Center.

Tobacco Master Settlement funds pay debt service and financing costs associated with Article XI-L bonds sold to finance the Oregon Opportunity program.

There were no revenue forecast changes, fee ratifications, revenue source changes or other revenue actions approved by the Subcommittee.

Summary of Education Subcommittee Action

OHSU has identified its fundamental purpose as improving the wellbeing of people in Oregon and beyond. The University's mission is to strive for excellence in education, research, clinical practice, scholarship, and community service. Prior to 1995, OHSU was a part of the Department of Higher Education. It was made an independent public corporation during the 1995 Legislative Session to enable it to respond to changing market conditions with greater agility, while retaining its public mission.

OHSU is composed of three professional schools, two hospitals, numerous primary care and specialty clinics, and several research institutes and centers, as well as community service programs. Professional schools include the School of Medicine, School of Dentistry, and the School of Nursing. As a result of internal budget reductions, the School of Science and Engineering, formerly the Oregon Graduate Institute, has been

merged into the School of Medicine. The main campus is located in downtown Portland. Several programs, including the Oregon Primate Center, are located in Washington County. The university is expanding into Portland's North Macadam area; the planned Schnitzer campus may eventually house some of the programs now located in downtown Portland and Hillsboro.

The subcommittee approved a budget of \$79,381,606 General Fund and \$31,912,991 Other Funds. Package 805 reduced General Fund by 8.3 percent from the 2007-09 Legislatively Approved Budget through December 2008 and ten percent from the 2009-11 Essential Budget Level. Other Funds are reduced by less than one percent from the 2007-09 Legislatively Approved Budget and unchanged from essential budget level. The subcommittee received information on the impact of the budget reductions on OHSU's programs and expressed concerns with the level of the cuts.

House Bill 5032-A has three General Fund line item appropriations: Education and General Services, the Child Development and Rehabilitation Center, and University hospitals and clinics.

Education and General Services

The subcommittee approved a General Fund budget of \$67,429,476 for Education and General Services, an 8.4 percent reduction from the 2007-09 Legislatively Approved Budget. The approved budget will result in tuition increases of 2.6 percent per year for all nursing students except resident undergraduates, four percent per year for all medical students, and eight percent to 21 percent for all dental students. The number of Oregon residents admitted to the dental school will be reduced. Fees for dental patients will be increased. Class sizes in the medical school will be restored to 120 students per year and clinical rotations in Bend and Eugene will be continued. Reductions in the Office of Rural Health and Area Health Education Centers will affect support for rural health clinics and community-based student programs; federal grants are expected to mitigate some of the impact of the cuts.

Based on funding levels approved in the 2007-09 Legislatively Approved Budget, adjusted for legislatively directed phase-ins and phase-outs, the approved budget would be distributed among the program areas as follows.

School of Medicine.....	\$27,351,469
School of Nursing.....	\$23,224,817
School of Dentistry.....	\$12,033,552
Area Health Education Centers/Office of Rural Health.....	\$4,819,638

The subcommittee recognizes that adjustments to these amounts will be made as OHSU deals with losses in investment returns, lower-than-expected hospital volumes, and other factors resulting from the economic decline. Among other actions, the university is planning to reallocate between \$250,000 and \$1,000,000 in state support from the School of Dentistry to the School of Medicine. OHSU is directed to report on the distribution of state funds among the program areas above in its annual reports to the Legislature and in its biennial budget requests.

Child Development and Rehabilitation Center

The subcommittee approved \$9,336,855 General Fund for the Child Development and Rehabilitation Center, a 7.5 percent reduction from the 2007-09 Legislatively Approved Budget. The approved funding level will result in reduced support for statewide services to children with special health care needs and community-based public health care programs.

University hospitals and clinics

The subcommittee approved \$2,615,725 General Fund for University hospitals and clinics, 7.5 percent less than the 2007-09 Legislatively Approved Budget. These funds will be used to support operation of the Oregon Poison Center at a reduced level.

Bond Related Costs

The subcommittee approved an expenditure limitation of \$31,912,991 Other Funds to pay debt service and other costs on \$200 million in Article XI-L general obligation bonds. The bonds were sold to enhance OHSU's research programs in health sciences and biotechnology as part of the Oregon Opportunity Program. Master Tobacco Settlement funds are used to pay these costs.

Summary of Performance Measure Action

The subcommittee reviewed agency performance measures and targets indicated in the attached Legislatively Adopted 2009-11 Key Performance Measures form. OHSU was directed to work with the Legislative Fiscal Office and the Department of Administrative Services Budget and Management Division to reach consensus on an appropriate measure of National Institutes for Health funding (Measure 13) and to establish targets for Measures 14, 15, and 18. The university was directed to report to the appropriate legislative committee prior to January 1, 2010.