

Joint Committee on Ways and Means

900 Court St. NE, Rm. H-178
Salem, OR 97301
503-986-1828

Doug Wilson, Subcommittee Scheduler, 503-986-1837
Eric Sorenson, Subcommittee Assistant, 503-986-1823
WaysandMeans.EducationSub@state.or.us



Subcommittee on Education

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Rep. Betty Komp, Co-Chair
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TO: Education Subcommittee Members

FROM: Doug Wilson, LFO

DATE: April 8, 2013

RE: Oregon Health and Science University– House Bill 5029

The Education Subcommittee will begin the phase 1 of the budget process for the Oregon Health and Science University (OHSU) on April 8th. This memo points out major policy and budget issues for the Subcommittee to consider as well as recent audit findings. There were not any budget notes from the previous session. Resources available on OLIS for Subcommittee members besides this memo include the LFO Budget Review, the Power Point presentation prepared by OHSU, and the DAS presentation on the OHSU budget.

Major Policy and Budget Issues

- OHSU has been a public corporation since 1995 and no longer subject to the budgetary and other controls that other state agencies operate under.
- OHSU is not a state agency, but receives direct funding for specific purposes including the Schools of Medicine, Nursing and Dentistry. Funding is also provided for the Child Development and Rehabilitation Center, Oregon Poison Center, Area Health Education Centers and the Office of Rural Health. The State also provides roughly \$31.6 million for the debt service payments for bonds sold to enhance OHSU's research programs in genetics and biotechnology. Revenues from the Master Tobacco Settlement Agreement are used to make these payments, scheduled to be completed in 2024.
- Direct state appropriations only make up roughly 2% of OHSU's total revenues – by far the largest revenue source are patient service revenues which includes indirect state resources through the Oregon Health Plan and state employee health services.
- The Governor's budget inadvertently left out \$1.1 million General Fund which the Governor had intended to include.
- The Governor has proposed further reorganization relating to OHSU. Instead of providing funding through the Department of Administrative Services (DAS), the

payments will be made through the newly proposed Department (Office) of Post-Secondary Education.

Recent Audits by the Secretary of State

The only audit in the past five years for OHSU was a 2010 audit – “State Funds Resulted in Expanded Research at Oregon Health and Science University”. This audit found that the Oregon Opportunity Program did result in expanded research and that OHSU met or exceeded its goals and measurable targets for the program. This program’s purpose was to accelerate and expand OHSU’s research to become a leading research institution and assist in expanding the state’s biotech industry. Roughly half of the State’s investment in the program was for the construction of the Biomedical Research Building.