

**74th OREGON LEGISLATIVE ASSEMBLY – 2007 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: SB 426-B

JOINT COMMITTEE ON WAYS AND MEANS

Carrier: Sen. Deckert

Action: Do Pass the A-Engrossed Measure with Amendments and Be Printed B-Engrossed

Vote: 13 – 7 – 1

House – Yeas: D. Edwards, Galizio, Jenson, Nathanson, Nolan, Shields

– Nays: Garrard, Hanna, Morgan

– Exc:

Senate – Yeas: Bates, Carter, Devlin, Johnson, Schrader, Verger, Westlund

– Nays: Gordly, Morse, Nelson, Whitsett

– Exc: Winters

Prepared By: Jim Carbone, Department of Administrative Services

Reviewed By: Daron Hill, Legislative Fiscal Office

Meeting Date: 2/23/07

Agency

Department of Administrative Services

Budget Page

LFO Analysis Page

Biennium

2007-09

2005-07

Department of Education

2007-09

2005-07

Senators: Bates, Carter, Devlin, Gordly, Johnson, Morse, Nelson,
Schrader, Verger, Westlund, Whitsett, Winters

Senator Kurt Schrader, Co-Chair

Representatives: D. Edwards, Galizio, Garrard, Hanna, Jenson,
Morgan, Nathanson, Nolan, Shields

Representative Larry Galizio, Education Subcommittee Chair

Budget Summary**Department of Administrative Services**

| | <u>2007-09</u> | | <u>2007-09</u> | | <u>Percentage Committee Change from Governor's Budget</u> |
|-------------|--|--------------------------|-------------------------------------|--|---|
| | <u>Legislatively Approved Budget (1)</u> | <u>Governor's Budget</u> | <u>Committee Recommendation</u> | <u>Difference from Governor's Budget</u> | |
| Other Funds | \$ 0 | \$ 0 | \$ 5,496,280 | \$ +5,496,280 | 0.0% |

Position Summary

| | | | | |
|--------------------------------------|------|------|-------|--------|
| Authorized Positions | 0 | 0 | 22 | +22 |
| Full-time Equivalent (FTE) Positions | 0.00 | 0.00 | 18.63 | +18.63 |

2005-07 Supplemental Appropriation

| | | | | | |
|-------------|------|------|------------|-------------|------|
| Other Funds | \$ 0 | \$ 0 | \$ 184,524 | \$ +184,524 | 0.0% |
|-------------|------|------|------------|-------------|------|

Position Summary

| | | | | |
|--------------------------------------|------|------|------|-------|
| Authorized Positions | 0 | 0 | 5 | +5 |
| Full-time Equivalent (FTE) Positions | 0.00 | 0.00 | 0.46 | +0.46 |

Budget Summary**Department of Education**

| | <u>2007-09</u> | | <u>2007-09</u> | | <u>Change from Governor's Budget</u> |
|--------------|--|--------------------------|-------------------------------------|--|--|
| | <u>Legislatively Approved Budget (1)</u> | <u>Governor's Budget</u> | <u>Committee Recommendation</u> | <u>Difference from Governor's Budget</u> | |
| General Fund | \$ 0 | \$ 0 | \$ 4,996,081 | \$ +4,996,081 | 0.0% |

2005-07 Supplemental Appropriation

| | | | | | |
|--------------|------|------|------------|-------------|------|
| General Fund | \$ 0 | \$ 0 | \$ 136,847 | \$ +136,847 | 0.0% |
|--------------|------|------|------------|-------------|------|

Summary of Revenue Changes

Public Employee Benefit Board (PEBB) fees will support one position for three months to facilitate a rapid start-up for the Oregon Educators' Benefit Board (OEBB) during the 2005-07 biennium. This will be supplemented by General Fund appropriated to the Department of Education and spent as Other Funds by the Department of Administrative Services for initial OEBB staffing and supplies. PEBB will continue to fund three new positions in 2007-09 to support PEBB's activities and for oversight of the implementation and operations of OEBB. However, General Fund will be the primary revenue source for the OEBB and its staff until the Fall of 2008 when district plans become effective. Eventually the OEBB will be supported by an administrative fee that will not exceed two percent of the monthly employer and employee contributions for benefit plans.

Prior to June 30, 2011, the OEBB will reimburse all General Fund and any PEBB revenues related to the OEBB implementation.

Summary of Subcommittee Action

Senate Bill 426 establishes the OEBB within the Department of Administrative Services. The purpose of this Board is to contract for health and dental plans and other benefits for employees of most all school districts and education service districts. Districts that are self-insured or districts that have independent health trusts are not required to receive benefits through OEBB if the premiums for their benefit plans are equal to or less than the premiums for comparable benefit plans provided by the Board. Community college districts may also provide or contract for benefit plans other than those provided by OEBB.

The Subcommittee appropriated \$4,996,081 General Fund to the Oregon Department of Education (ODE) for the OEBB during 2007-09. ODE will then expend the funds at the Department of Administrative Services (DAS) who will oversee the operations and implementation of the Board using the ODE funds and \$500,199 Other Funds from the Public Employees Benefit Board (PEBB).

In order to meet the bill's requirements of having benefit plans available by October 1, 2008, implementation of OEBB will need to begin in the current biennium. The Board will need to be appointed and start-up operations will begin in April 2007. Therefore, during 2005-07, PEBB will receive an additional \$184,524 Other Fund expenditure limitation funded by PEBB revenue and by \$136,847 that is appropriated as General Fund to the ODE.

The intention is to have the PEBB administrator oversee the implementation and ongoing operations of OEBB. This will require three permanent positions for PEBB, including a deputy administrator starting in 2005-07 and a program analyst and an office assistant starting in 2007-09.

For the 2007-09 biennium, OEBB will require 19 permanent positions and five temporary positions. There are also associated Service and Supplies and Capital Outlay costs for the positions and ongoing operations. Start-up costs for 2005-07 include the PEBB deputy administrator (mentioned above), four permanent positions and one temporary position. Three permanent positions would begin in April 2007 along with the temporary position. The other two positions would begin in June 2007. It will be necessary to either remodel the leased space PEBB currently occupies (the lease expires November 2007) or relocate to accommodate the additional staff.

It is estimated that the administrative assessment on OEGB benefit plans will generate \$1,500,000 in the 2007-09 biennium. This revenue will become available later in the biennium and will be needed to support full implementation of OEGB. However, expenditure limitation for this revenue has not been included in this bill. It is expected that DAS will appear at a meeting of the Emergency Board or at the 2009 Joint Committee on Ways and Means to request the necessary limitation. At that time the agency should have a firmer estimate of the amount of assessment revenue that will be collected in 2007-09. It should be noted that any shortfall in the assessment funds will need to be backfilled with General Fund.

The General Fund appropriation for the OEGB that was included in the Governor's Recommended Budget in Senate Bill 5502 will be removed from that bill.

Summary of Performance Measure Action

It is expected that the Board will appear at the Joint Legislative Audit Committee before the next legislative session to have performance measures approved for the program.