

**76th OREGON LEGISLATIVE ASSEMBLY – 2011 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: HB 5013-A

Carrier – House: Rep. Huffman

Carrier – Senate: Sen. Verger

JOINT COMMITTEE ON WAYS AND MEANS

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

Vote: 22 – 3 – 0

House – Yeas: Beyer, Buckley, Cowan, Garrard, Komp, Kotek, McLane, Nathanson, Nolan, Richardson, G. Smith, Thatcher, Whisnant

– Nays: Freeman

– Exc:

Senate – Yeas: Bates, Devlin, Edwards, Johnson, Monroe, Nelson, Thomsen, Verger, Winters

– Nays: Girod, Whitsett

– Exc:

Prepared By: Kate Nass, Department of Administrative Services

Reviewed By: Steve Bender, Legislative Fiscal Office

Meeting Date: June 15, 2011

Agency

Department of Consumer and Business Services

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Biennium

2011-13

Budget Summary*

	2009-11	2011-13	2011-13	2011-13	Committee Change from	
	Legislatively Approved Budget (1)	Current Service Level	Governor's Budget	Committee Recommendation	2009-11 Leg Approved	
					\$ Change	% Change
Other Funds Ltd	210,074,625	233,339,393	200,492,670	201,282,577	(8,792,048)	-4.2%
Other Funds Non-Ltd	608,205,069	604,862,452	193,192,191	197,419,009	(410,786,060)	-67.5%
Federal Funds Ltd	\$ 830,000	\$ 0	\$ 756,100	\$ 756,100	(73,900)	-8.9%
	\$ 819,109,694	\$ 838,201,845	\$ 394,440,961	\$ 399,457,686	\$ (419,652,008)	-51.2%

Position Summary

Authorized Positions	1,078	1,062	922	930	-148
Full-time Equivalent (FTE) Positions	1,065.95	1,053.68	913.93	919.68	-146.27

(1) Includes adjustments through March 2011.

Summary of Revenue Changes

The Department of Consumer and Business Services (DCBS) has numerous sources of Other Funds revenues including workers’ compensation “cents-per-hour” assessments and contributions, workers’ compensation premium assessments, insurer assessments for the Insurance Division, license fees and other charges for services, interest earnings from investment sales, and fines and penalties. The Department does not receive General Fund. With the current economic downturn, DCBS has experienced a sharp decline in revenue streams tied to employment and the housing and construction markets. The Subcommittee budget reduces expenditures to account for this continued expected decrease in revenues. The Subcommittee discussed the need for the Department to respond to increased demand for services as the economy begins to rebound and how the Department will be able to react to this increased demand.

During the 2009-11 biennium, DCBS was awarded two Federal Funds grants related to health insurance and health insurance reform. The continuation of these two federal grants account for \$0.8 million in Federal Funds revenue the department expects to receive in the 2011-13 biennium. Other federal funds received by DCBS for the administration of Oregon Occupational Safety and Health Division and the Senior Health Insurance Benefits Assistance Program are expended as Other Funds according to legislative directive.

The Subcommittee amended House Bill 5014, the agency’s fee bill, which included fee adjustments made administratively during 2009-11 within the Department’s Division of Finance and Corporate Securities. The amendments reduced the fee increase to half of the proposed increase for the mortgage lending program and the funeral pre-need program. With the reduced fee increases, DCBS’s revenue is expected to increase by \$940,137 in the 2011-13 biennium.

Summary of Capital Construction Subcommittee Action

The mission of the Department of Consumer and Business Services (DCBS) is to protect and serve Oregon's consumers and workers while supporting a positive business climate in the state. The agency has six major programs: Workers' Compensation Board, Workers' Compensation Division, Oregon Occupational Safety and Health Division, Insurance Division, Division of Finance and Corporate Securities, and the Building Codes Division. The agency administers two Non-Limited Special Payment accounts and five workers' compensation reserve programs within the Workers' Benefit Fund. Through House Bill 2009 (2009 Legislative Session), the Oregon Medical Insurance Pool (OMIP) is transferred to the Oregon Health Authority (OHA) effective July 1, 2011. The Subcommittee budget includes the transfer of all expenditures and position authority related to the OMIP.

The Subcommittee approved a budget of \$398.7 million Other Funds, \$0.8 million Federal Funds and 930 positions (919.68 full-time equivalent (FTE)). This represents a 51.2 percent decrease from the 2009-11 Legislatively Approved Budget (LAB), which included the Oregon Medical Insurance Pool (OMIP). Without the \$409.0 million of Other Funds expenditures related to OMIP, the recommended budget is 2.6 percent below the 2009-11 biennium level. The Subcommittee approved budget is 4.2 percent less than 2009-11 LAB in limited Other Funds expenditures.

The Subcommittee approved budget includes a number of actions that reduce the Department's limitation and position authority. The Subcommittee also made technical adjustments and updated forecasted expenditures in Non-Limited Workers' Compensation Programs and the Workers' Benefit Fund. Most of the reductions are a result of decreased revenue with the economic downturn. The Subcommittee did not approve package 191 for the increased oversight of amusement rides authorized by House Bill 2088. Any expenditure and position authority required by this bill will be added to House Bill 2088 instead. The subcommittee actions are included in the following packages:

- Package 070 – Revenue Shortfalls: This package, as part of the budget building process, reduces the agency's expenditures to align with expected revenues. Agency revenues have been adversely affected by the recession and DCBS has taken action to operate within available resources. The package reduces Other Funds limitation by \$19.4 million and 26 positions (124.79 FTE) as a result of shortfalls in agency revenues.
- Package 075 – Transfer OMIP to Oregon Health Authority: This package transfers all revenues, expenditure and position authority related OMIP to OHA as outlined in House Bill 2009 (2009). The package reduces Other Funds limitation by \$2.0 million, reduces Non-Limited Other Funds expenditures by \$411.7 million, and removes nine positions (8.50 FTE).
- Package 083 – September 2010 E-Board: This package increases Federal Funds limitation by \$756,100 and reapproves three Insurance Division positions (3.00 FTE) funded by federal grants obtained during 2009-11 biennium. The grants are related to national health care and health reform including one grant to enhance the department's rate review process.
- Package 090 – BAM Analyst Adjustments: This package further reduces Other Funds limitation by \$2.1 million and 106 positions (9.71 FTE). Position eliminations are recommended in most of the agency's program areas. The eliminated positions are generally vacant at

this time. The recommended budget retains forty-six vacant positions that are either currently under recruitment or retained to support management actions to address potential work load increases as the economy recovers. It is understood that the agency will not fill these positions if sufficient revenue is unavailable.

- Package 161 – Mortgage Lending Program Restoration: This package restores the mortgage lending program to 2009-11 program levels. The package increases the Other Funds expenditure limitation by \$1,333,948 and establishes (i.e., restores positions that are eliminated in Package 070) six positions (6.00 FTE), and is supported by increased fees in House Bill 5014, the Department’s fee ratification bill. There was concern with the level of fee increase and the fee increases were reduced by 50 percent with direction in the following Budget Note:

Budget Note:

Recognizing the need at this time for effective mortgage lending regulation, the impact that fee increases can have on the industry, and the reality that lending practices from the mid-2000's often blended mortgage lending and securitization and bundling of mortgages into mortgage-based securities, the distinction between mortgage lending and securities has become blurred. The department is directed to maximize its flexibility by utilizing securities resources in the regulation and enforcement of mortgage lending practices to the extent it maintains the current level of services to the mortgage lending industry.

The department is directed to report in February 2013 to the Joint Ways and Means Committee on the status of the mortgage lending industry and the fee structure supporting the regulation of the industry.

- Package 810 – LFO Analyst Adjustments: This package has a net Non-Limited Other Funds reduction of \$4.2 million. The package supports an increase of \$9.6 million in the Workers’ Compensation Non-Limited Accounts due to recent bankruptcies filed by self-insured employers. This package also reduces Non-Limited Other Funds expenditures related to the Workers’ Benefit Fund. These adjustments reflect the latest forecast given current spending patterns.
- Package 811 – LFO Analyst Technical Adjustments: This package transfers five positions (5.00 FTE) and \$3.8 million Other Funds expenditures for the E-Permitting Program from Shared Services to the Building Codes Division.

Additionally, the Subcommittee approved two packages that reduce the Department’s expenditures. These packages are consistent with reductions being made in all state agencies.

- Package 086 – Elimination of Inflation: This package eliminates \$487,649 Other Funds to reduce the Department’s Services and Supplies and Capital Outlay expenditures needed for consistency with the Co-Chairs budget targets.
- Package 087 – Personal Service Adjustments: This package eliminates \$9,391,755 Other Funds to decrease Personal Service expenditures by 5.5 percent. It is understood that policy decisions will facilitate the reductions in this package.

The Subcommittee approved the following budget note addressing Insurance Division activities related to the House Bill 2679:

Budget Note:

The Department of Consumer and Business Services is directed to report to the next meeting Revenue Committees or to the Emergency Board, whichever convenes first, if the department joins or intends to join an interstate compact, or enters into or intends to enter into any other agreement to satisfy the requirements of Section 521(4) of the Dodd-Frank Wall Street Reform and Consumer Protection Act that address the surplus lines market (the Nonadmitted and Reinsurance Reform Act of 2010 (P.L. 111-203, Title V, Subtitle B)). Section 521(4) states that Congress intends that each state adopt nationwide uniform requirements, forms, and procedures, such as an interstate compact, that provide for the reporting, payment, collection, and allocation of premium taxes for nonadmitted insurance. If the department joins an interstate compact or enters into an agreement on behalf of the State of Oregon, the department shall provide a copy of the compact or agreement with this report.

Summary of Performance Measure Action

See attached Legislatively Adopted 2011-13 Key Performance Measures form.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

HB 5013-A

Department of Consumer and Business Services
Kate Nass -- 503-378-3742

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2009-11 Legislatively Approved Budget at March 2011 *	\$ 0	\$ 0	\$ 210,074,625	\$ 608,205,069	\$ 830,000	\$ 0	\$ 819,109,694	1,078	1065.95
2011-13 ORBITS printed Current Service Level (CSL)*	\$ 0	\$ 0	\$ 233,339,393	\$ 604,862,452	\$ 0	\$ 0	\$ 838,201,845	1,062	1053.68
2011-13 Governor's Recommended Budget*	\$ 0	\$ 0	\$ 200,492,670	\$ 193,192,191	\$ 756,100	\$ 0	\$ 394,440,961	922	913.93
SUBCOMMITTEE ADJUSTMENTS (from GRB)									
Workers Compensation NL Accounts - 005									
Package 810: LFO Analyst Adjustments									
Special Payments	\$ 0	\$ 0	\$ 0	\$ 9,600,000	\$ 0	\$ 0	\$ 9,600,000	0	0.00
Workers Benefit Fund - 006									
Package 810: LFO Analyst Adjustments									
Special Payments	\$ 0	\$ 0	\$ 0	\$ (5,373,182)	\$ 0	\$ 0	\$ (5,373,182)	0	0.00
Workers' Comp Division - 011-13									
Package 090: Analyst Adjustments									
Personal Services	\$ 0	\$ 0	\$ 131,184	\$ 0	\$ 0	\$ 0	\$ 131,184	2	1.00
OR - OSHA - 011-15									
Package 090: Analyst Adjustments									
Personal Services	\$ 0	\$ 0	\$ 173,700	\$ 0	\$ 0	\$ 0	\$ 173,700	3	1.50
Finance and Corporate Securities - 016									
Package 087: Personal Services Adjustments									
Personal Services	\$ 0	\$ 0	\$ (778,108)	\$ 0	\$ 0	\$ 0	\$ (778,108)	0	0.00
Services and Supplies	\$ 0	\$ 0	\$ 778,108	\$ 0	\$ 0	\$ 0	\$ 778,108	0	0.00
Shared Services - 017									
Package 070: Revenue Shortfalls									
Personal Services	\$ 0	\$ 0	\$ 191,256	\$ 0	\$ 0	\$ 0	\$ 191,256	1	1.00
Package 811: LFO Analyst Technical Adjustments									
Personal Services	\$ 0	\$ 0	\$ (737,472)	\$ 0	\$ 0	\$ 0	\$ (737,472)	(5)	(5.00)
Services and Supplies	\$ 0	\$ 0	\$ (2,499,846)	\$ 0	\$ 0	\$ 0	\$ (2,499,846)	0	0.00
Capital Outlay	\$ 0	\$ 0	\$ (520,000)	\$ 0	\$ 0	\$ 0	\$ (520,000)	0	0.00

*Excludes Capital Construction Expenditures

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
Building Codes Division - 019									
Package 070: Revenue Shortfalls									
Personal Services	\$ 0	\$ 0	\$ 161,875	\$ 0	\$ 0	\$ 0	\$ 161,875	1	1.00
Package 090: Analyst Adjustments									
Personal Services	\$ 0	\$ 0	\$ 237,624	\$ 0	\$ 0	\$ 0	\$ 237,624	2	2.00
Package 191: Amusement Ride Expansion of Safety Oversight									
Personal Services	\$ 0	\$ 0	\$ (102,201)	\$ 0	\$ 0	\$ 0	\$ (102,201)	(1)	(0.75)
Services and Supplies	\$ 0	\$ 0	\$ (3,531)	\$ 0	\$ 0	\$ 0	\$ (3,531)	0	0.00
Package 811: LFO Analyst Technical Adjustments									
Personal Services	\$ 0	\$ 0	\$ 737,472	\$ 0	\$ 0	\$ 0	\$ 737,472	5	5.00
Services and Supplies	\$ 0	\$ 0	\$ 2,499,846	\$ 0	\$ 0	\$ 0	\$ 2,499,846	0	0.00
Capital Outlay	\$ 0	\$ 0	\$ 520,000	\$ 0	\$ 0	\$ 0	\$ 520,000	0	0.00
TOTAL ADJUSTMENTS	\$ 0	\$ 0	\$ 789,907	\$ 4,226,818	\$ 0	\$ 0	\$ 5,016,725	8	5.75
SUBCOMMITTEE RECOMMENDATION *	\$ 0	\$ 0	\$ 201,282,577	\$ 197,419,009	\$ 756,100	\$ 0	\$ 399,457,686	930	919.68
% Change from 2009-11 Leg Approved Budget	0.0%	0.0%	-4.2%	-67.5%	-8.9%	0.0%	-51.2%	-13.7%	-13.7%
% Change from 2011-13 Current Service Level	0.0%	0.0%	-13.7%	-67.4%	0.0%	0.0%	-52.3%	-12.4%	-12.7%
% Change from 2011-13 Gov's Recommended Budget	0.0%	0.0%	0.4%	2.2%	0.0%	0.0%	1.3%	0.9%	0.6%

*Excludes Capital Construction Expenditures

Legislatively Approved 2011-2013 Key Performance Measures

Agency: CONSUMER & BUSINESS SERVICES, DEPARTMENT of

Mission: To protect and serve Oregon's consumers and workers while supporting a positive business climate in the state.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2012	Target 2013
1 - PERFORMANCE OF FINANCIAL SERVICE ENTITIES - Percentage of financial services entities rated satisfactory or higher.		Approved KPM	57.70	77.00	77.00
2 - INSURANCE CONSUMER RELIEF – Percent of confirmed complaints resolved with relief for the consumer.		Approved KPM	74.60	75.00	75.00
3 - OCCUPATIONAL INJURY AND ILLNESS INCIDENCE RATES – Number of occupational injury and illness cases per 100 full-time workers.		Approved KPM	4.40	4.80	4.80
4 - TIMELY WORKER BENEFITS – Percent of injured workers who receive timely benefits from insurers.		Approved KPM	91.40	93.00	93.00
5 - ACCURATE WORKER BENEFITS – Percent of injured workers who receive accurate benefits from insurers.		Approved KPM	88.80	95.00	95.00
6 - REEMPLOYMENT FOR INJURED WORKERS – Difference in percentage of eligible workers who return to work using return-to-work programs from those who do not use return-to-work programs.		Approved KPM	12.00	11.00	11.00
7 - WAGE RECOVERY FOR INJURED WORKERS – Difference in percentage wage recovery for workers who use return-to-work programs versus workers who do not.		Approved KPM	14.00	13.00	13.00
8 - WORKERS' COMPENSATION COVERAGE – Number of claims against employers without workers' compensation coverage per 1,000 accepted disabling claims.		Approved KPM	2.90	3.00	3.00
9 - WORKERS' COMPENSATION INSURER PERFORMANCE - Percentage of workers' compensation insurers meeting standards for benefit delivery and reporting.		Approved KPM	89.10	85.00	85.00
10 - UPHELD WORKERS' COMPENSATION DECISIONS – Percent of Workers' Compensation Board decisions affirmed on appeal to the Judiciary.		Approved KPM	95.10	96.00	96.00

Agency: CONSUMER & BUSINESS SERVICES, DEPARTMENT of

Mission: To protect and serve Oregon's consumers and workers while supporting a positive business climate in the state.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2012	Target 2013
11 - PERMITS FOR MINOR CONSTRUCTION WORK – Number of building permits that can be used by contractors in multiple jurisdictions for minor construction work.		Approved KPM	52,050.00	57,854.00	67,547.00
12 - ON-TIME WORK – Percent of timelines for key department activities that are met.		Approved KPM	89.00	95.00	95.00
13 - E-TRANSACTIONS FOR CUSTOMERS – Percent of customer transactions completed electronically.		Approved KPM	48.60	50.00	50.00
14 - CUSTOMER SERVICE – Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall customer service, timeliness, accuracy, helpfulness, expertise, and availability of information.	Accuracy	Approved KPM	86.80	90.00	90.00
14 - CUSTOMER SERVICE – Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall customer service, timeliness, accuracy, helpfulness, expertise, and availability of information.	Availability of Information	Approved KPM	86.10	90.00	90.00
14 - CUSTOMER SERVICE – Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall customer service, timeliness, accuracy, helpfulness, expertise, and availability of information.	Expertise	Approved KPM	89.80	90.00	90.00
14 - CUSTOMER SERVICE – Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall customer service, timeliness, accuracy, helpfulness, expertise, and availability of information.	Helpfulness	Approved KPM	90.50	90.00	90.00
14 - CUSTOMER SERVICE – Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall customer service, timeliness, accuracy, helpfulness, expertise, and availability of information.	Overall	Approved KPM	88.50	90.00	90.00
14 - CUSTOMER SERVICE – Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall customer service, timeliness, accuracy, helpfulness, expertise, and availability of information.	Timeliness	Approved KPM	88.10	90.00	90.00

LFO Recommendation:

Approve the requested Key Performance Measures and KPM targets. LFO notes that reductions in the Department of Consumer and Business Services budget may have an effect on the agency's ability to meet KPM targets.

Sub-Committee Action:

The Subcommittee approved the Legislative Fiscal Office recommendation.