
MEMORANDUM

Legislative Fiscal Office
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To: General Government Subcommittee

From: John Borden, Legislative Fiscal Office
(503) 986-1842

Date: May 23th, 2013

Subject: Employment Relations Board - HB 5010
Work Session Recommendations

Employment Relations Board – Agency Totals

| Fund-type Positions/FTE | 2009-11 Actuals | 2011-13 Legislatively Approved | 2013-15 Current Service Level | 2013-15 LFO Recommended |
|------------------------------------|----------------------------|---|--|--|
| General Fund | 1,621,408 | 1,932,803 | 2,104,873 | 1,940,826 |
| Other Funds | 1,471,941 | 1,862,696 | 2,141,431 | 1,902,795 |
| Total Funds | \$3,093,349 | \$3,795,499 | \$4,246,304 | \$3,843,621 |
| Positions | 13 | 13 | 13 | 13 |
| FTE | 12.50 | 13.00 | 13.00 | 13.00 |

Attached are the recommendations from the Legislative Fiscal Office for the *Employment Relations Board*. It contains the following:

- Package 810 – LFO Analyst Adjustment (\$208,811)
- Package 091 – Statewide Administrative Savings (\$7,162)
- Package 092 – PERS Tax Policy (\$9,715)
- Package 093 – Other PERS Adjustments (\$77,621)
- Package 811 – Eliminate Exception Pay Increases (\$308,185)

The State Agency Assessment authorized under ORS 240.167 is \$1.65 per eligible state employee per month and is based on 38,000 employees. This assessment is estimated to generate \$1.5 million for the 2013-15 biennium, according to the agency.

The Legislative Fiscal Office is reviewing whether the \$1.65 assessment can be lowered for the 2013-15 biennium. Any adjustment to the assessment and agency budgets would be reflected in the end of session omnibus budget measure.

Adjustments to Current Service Level:

See attached "Work Session Presentation Report" dated 05/14/2013.

Accept LFO Recommendation

Move the LFO recommendation to HB 5010.

Performance Measures

See attached "Legislatively Proposed 2013-15 Key Performance Measures" form.

Move the LFO recommendation on Key Performance Measures.

Budget Notes

The following proposed budget note is to be included in the HB 5010 budget report:

The Employment Relations Board is directed to reinstitute administrative law judge travel to local jurisdictions for contested case hearings.

Move the LFO recommended budget note.

Recommended Changes to Appropriation Bill:

The Legislative Fiscal Office recommends a budget of \$1,940,826 *General Fund* and \$1,902,795 *Other Funds* and 13 positions (13.00 FTE) and that House Bill 5010 be amended accordingly.

In line 6, delete "\$2,058,918" and insert "\$1,940,826"

In line 7, delete "251,005" and insert \$224,244

In line 13, delete \$1,1841,883" and insert "\$1,678,551"

HB 5010 Final Subcommittee Action:

Move HB 5010 to the full committee with a "do pass" recommendation, as amended.

Chair to assign carriers:

Full: _____

2nd Chamber: _____

| | General Fund | Lottery Funds | Other Funds | Federal Funds | Nonlimited Other Funds | Nonlimited Federal Funds | Total Funds | Positions | Full-Time Equivalent (FTE) |
|---|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|
| 2011-13 Agy. Leg. Adopted | 932,803 | - | 1,862,696 | - | - | - | 2,795,499 | 13 | 13.00 |
| 2011-13 Ebds, SS & Admin Act | 1,000,000 | - | - | - | - | - | 1,000,000 | - | - |
| Ways & Means Actions | - | - | - | - | - | - | - | - | - |
| 2011-13 Leg Approved Budget | 1,932,803 | - | 1,862,696 | - | - | - | 3,795,499 | 13 | 13.00 |
| 2011-13 Leg Approved Budget (Base) | 1,932,803 | - | 1,862,696 | - | - | - | 3,795,499 | 13 | 13.00 |
| Summary of Base Adjustments | 37,591 | - | 70,441 | - | - | - | 108,032 | - | - |
| 2013-15 Base Budget | 1,970,394 | - | 1,933,137 | - | - | - | 3,903,531 | 13 | 13.00 |
| 010: Non-PICS Pers Svc/Vacancy Factor | 120,952 | - | 196,076 | - | - | - | 317,028 | - | - |
| 030: Inflation & Price List Adjustments | 13,527 | - | 12,218 | - | - | - | 25,745 | - | - |
| 2013-15 Current Service Level | 2,104,873 | - | 2,141,431 | - | - | - | 4,246,304 | 13 | 13.00 |
| Adjusted 2013-15 Current Service Level | 2,104,873 | - | 2,141,431 | - | - | - | 4,246,304 | 13 | 13.00 |
| Total LFO Recommended Packages | (164,047) | - | (238,636) | - | - | - | (402,683) | - | - |
| 2013-15 Legislative Actions | 1,940,826 | - | 1,902,795 | - | - | - | 3,843,621 | 13 | 13.00 |
| Net change from 2011-13 Leg Approved Budget | 8,023 | - | 40,099 | - | - | - | 48,122 | - | - |
| Percent change from 2011-13 Leg Approved Budget | 0.4% | 0.0% | 2.2% | 0.0% | 0.0% | 0.0% | 1.3% | 0.0% | 0.0% |
| Net change from 2013-15 Current Service Level | (164,047) | - | (238,636) | - | - | - | (402,683) | - | - |
| Percent change from 2013-15 Current Service Level | (7.8%) | 0.0% | (11.1%) | 0.0% | 0.0% | 0.0% | (9.5%) | 0.0% | 0.0% |

| | General Fund | Lottery Funds | Other Funds | Federal Funds | Nonlimited Other Funds | Nonlimited Federal Funds | Total Funds | Positions | Full-Time Equivalent (FTE) |
|------------------------------|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|
| 2011-13 Agy. Leg. Adopted | - | - | - | - | - | - | - | - | - |
| 2011-13 Ebds, SS & Admin Act | - | - | - | - | - | - | - | - | - |
| Ways & Means Actions | - | - | - | - | - | - | - | - | - |
| 2011-13 Leg Approved Budget | - | - | - | - | - | - | - | - | - |

| | General Fund | Lottery Funds | Other Funds | Federal Funds | Nonlimited Other Funds | Nonlimited Federal Funds | Total Funds | Positions | Full-Time Equivalent (FTE) |
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|

Package 810 LFO Analyst Adjustments

Package Description The package is a revenue only package that adjusts the agency's 2011-13 ending balance to reflect an updated financial estimate prepared by the agency. The 2013-15 beginning balance increases from \$604,419 to \$813,230 or by \$208,811.

The agency's 2013-15 ending balance becomes \$503,610 and provides for over six months of operating reserve.

LFO Recommendation Approve the policy package.

Budget Instructions The Employment Relations Board is directed to use its excess Other Funds ending balance reserves above the standard three month reserve to lower 2015-17 state agency assessment rates or where appropriate make recommendations to lowering its fees.

LFO Analyst Notes HB 5010 (2013)

LFO Recommended - - - - -

| | General Fund | Lottery Funds | Other Funds | Federal Funds | Nonlimited Other Funds | Nonlimited Federal Funds | Total Funds | Positions | Full-Time Equivalent (FTE) |
|---|------------------|---------------|-----------------|---------------|------------------------|--------------------------|------------------|-----------|----------------------------|
| 2011-13 Agy. Leg. Adopted | 571,532 | - | 693,648 | - | - | - | 1,265,180 | 5 | 5.00 |
| 2011-13 Ebds, SS & Admin Act | 612,704 | - | - | - | - | - | 612,704 | - | - |
| Ways & Means Actions | - | - | - | - | - | - | - | - | - |
| 2011-13 Leg Approved Budget | 1,184,236 | - | 693,648 | - | - | - | 1,877,884 | 5 | 5.00 |
| 2011-13 Leg Approved Budget (Base) | 1,184,236 | - | 693,648 | - | - | - | 1,877,884 | 5 | 5.00 |
| Summary of Base Adjustments | 27,167 | - | 25,662 | - | - | - | 52,829 | - | - |
| 2013-15 Base Budget | 1,211,403 | - | 719,310 | - | - | - | 1,930,713 | 5 | 5.00 |
| 010: Non-PICS Pers Svc/Vacancy Factor | 54,877 | - | 18,330 | - | - | - | 73,207 | - | - |
| 030: Inflation & Price List Adjustments | 13,086 | - | 10,481 | - | - | - | 23,567 | - | - |
| 2013-15 Current Service Level | 1,279,366 | - | 748,121 | - | - | - | 2,027,487 | 5 | 5.00 |
| Adjusted 2013-15 Current Service Level | 1,279,366 | - | 748,121 | - | - | - | 2,027,487 | 5 | 5.00 |
| Total LFO Recommended Packages | (79,636) | - | (34,106) | - | - | - | (113,742) | - | - |
| 2013-15 Legislative Actions | 1,199,730 | - | 714,015 | - | - | - | 1,913,745 | 5 | 5.00 |
| Net change from 2011-13 Leg Approved Budget | 15,494 | - | 20,367 | - | - | - | 35,861 | - | - |
| Percent change from 2011-13 Leg Approved Budget | 1.3% | 0.0% | 2.9% | 0.0% | 0.0% | 0.0% | 1.9% | 0.0% | 0.0% |
| Net change from 2013-15 Current Service Level | (79,636) | - | (34,106) | - | - | - | (113,742) | - | - |
| Percent change from 2013-15 Current Service Level | (6.2%) | 0.0% | (4.6%) | 0.0% | 0.0% | 0.0% | (5.6%) | 0.0% | 0.0% |

| | General Fund | Lottery Funds | Other Funds | Federal Funds | Nonlimited Other Funds | Nonlimited Federal Funds | Total Funds | Positions | Full-Time Equivalent (FTE) |
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|

Package 091 Statewide Administrative Savings

Package Description This package is a placeholder for administrative efficiencies in finance, information technology, human resources, accounting, payroll, and procurement expenditures. The Executive Branch had intended for these reductions to be specified in the Governor's 2013-15 recommended budget. The Department of Administrative Services will continue to work on details of these reductions with agencies and report back during the 2014 session.

LFO Recommendation Approve the policy package.

LFO Analyst Notes HB 5010 (2013)

| | | | | | | | | | |
|-----------------|---------|---|---------|---|---|---|---------|---|---|
| LFO Recommended | (2,263) | - | (4,899) | - | - | - | (7,162) | - | - |
|-----------------|---------|---|---------|---|---|---|---------|---|---|

| | General Fund | Lottery Funds | Other Funds | Federal Funds | Nonlimited Other Funds | Nonlimited Federal Funds | Total Funds | Positions | Full-Time Equivalent (FTE) |
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|

Package 092 PERS Taxation Policy

Package Description This package reflects the policy change in SB 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30%.

LFO Recommendation Approve the policy package.

LFO Analyst Notes HB 5010 (2013)

| | | | | | | | | | |
|-----------------|---------|---|---------|---|---|---|---------|---|---|
| LFO Recommended | (2,715) | - | (1,305) | - | - | - | (4,020) | - | - |
|-----------------|---------|---|---------|---|---|---|---------|---|---|

| | General Fund | Lottery Funds | Other Funds | Federal Funds | Nonlimited Other Funds | Nonlimited Federal Funds | Total Funds | Positions | Full-Time Equivalent (FTE) |
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|

Package 093 Other PERS Adjustments

Package Description This package reflects the policy change in SB 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2%.

An administrative action by the PERS Board, as directed by a budget note in the SB 822 budget report, will reduce state employer contribution rates by up to an additional 1.9%. However, no employer rate is reduced below its 2011-13 biennium rate.

LFO Recommendation Approve the policy package.

LFO Analyst Notes HB 5010 (2013)

| | | | | | | | | | |
|-----------------|----------|---|----------|---|---|---|----------|---|---|
| LFO Recommended | (21,691) | - | (10,428) | - | - | - | (32,119) | - | - |
|-----------------|----------|---|----------|---|---|---|----------|---|---|

| | General Fund | Lottery Funds | Other Funds | Federal Funds | Nonlimited Other Funds | Nonlimited Federal Funds | Total Funds | Positions | Full-Time Equivalent (FTE) |
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|

Package 811 Eliminate Exceptional Pay Increases

Package Description This package eliminates budgeted expenditures for pay differentials for select employees. This policy package reduces the agency's budget by \$52,967 General Fund and \$17,474 Other Funds.

During the 2011-13 biennium the agency approved pay differentials of up to 15% for eight of its 13 employees. The cost was funded with one-time vacancy and services and supplies savings.

The agency's 2013-15 budget continued the pay equity differential at a roll-up cost of \$308,185. The differentials are included as part of the agency's current service level budget in an effort to provide permanent funding. However, without a prior history of budgeting a line-item for differentials, it should not have been considered a current service level expense.

The underlying purpose of pay differentials is to augment rather than circumvent the statewide compensation plan for specialized duties call out in administrative rule (e.g., bilingual skills, shift, educational, on-duty call, flight duty, etc.). Other compensation plan disparities that may arise are to be addressed through a Department of Administrative Services review.

Additionally, the agency's current service level budget for personal service is funded equally with General Fund and Other Funds, however, the pay differentials proposed by the agency are funded with \$118,092 General Fund (38%) and \$190,093 from an assessment on state agencies and fees (62%), some of which originates as General Fund.

LFO Recommendation Approve the policy package.

LFO Analyst Notes HB 5010 (2013)

| | | | | | | | | | |
|-----------------|----------|---|----------|---|---|---|----------|---|---|
| LFO Recommended | (52,967) | - | (17,474) | - | - | - | (70,441) | - | - |
|-----------------|----------|---|----------|---|---|---|----------|---|---|

| | General Fund | Lottery Funds | Other Funds | Federal Funds | Nonlimited Other Funds | Nonlimited Federal Funds | Total Funds | Positions | Full-Time Equivalent (FTE) |
|---|-----------------|---------------|-----------------|---------------|------------------------|--------------------------|------------------|-----------|----------------------------|
| 2011-13 Agy. Leg. Adopted | 159,589 | - | 492,262 | - | - | - | 651,851 | 4 | 3.50 |
| 2011-13 Ebds, SS & Admin Act | 171,085 | - | - | - | - | - | 171,085 | - | - |
| Ways & Means Actions | - | - | - | - | - | - | - | - | - |
| 2011-13 Leg Approved Budget | 330,674 | - | 492,262 | - | - | - | 822,936 | 4 | 3.50 |
| 2011-13 Leg Approved Budget (Base) | 330,674 | - | 492,262 | - | - | - | 822,936 | 4 | 3.50 |
| Summary of Base Adjustments | 977 | - | 17,360 | - | - | - | 18,337 | - | - |
| 2013-15 Base Budget | 331,651 | - | 509,622 | - | - | - | 841,273 | 4 | 3.50 |
| 010: Non-PICS Pers Svc/Vacancy Factor | 13,528 | - | 79,578 | - | - | - | 93,106 | - | - |
| 030: Inflation & Price List Adjustments | 209 | - | 713 | - | - | - | 922 | - | - |
| 2013-15 Current Service Level | 345,388 | - | 589,913 | - | - | - | 935,301 | 4 | 3.50 |
| Adjusted 2013-15 Current Service Level | 345,388 | - | 589,913 | - | - | - | 935,301 | 4 | 3.50 |
| Total LFO Recommended Packages | (21,247) | - | (90,922) | - | - | - | (112,169) | - | - |
| 2013-15 Legislative Actions | 324,141 | - | 498,991 | - | - | - | 823,132 | 4 | 3.50 |
| Net change from 2011-13 Leg Approved Budget | (6,533) | - | 6,729 | - | - | - | 196 | - | - |
| Percent change from 2011-13 Leg Approved Budget | (2.0%) | 0.0% | 1.4% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Net change from 2013-15 Current Service Level | (21,247) | - | (90,922) | - | - | - | (112,169) | - | - |
| Percent change from 2013-15 Current Service Level | (6.2%) | 0.0% | (15.4%) | 0.0% | 0.0% | 0.0% | (12.0%) | 0.0% | 0.0% |

| | General Fund | Lottery Funds | Other Funds | Federal Funds | Nonlimited Other Funds | Nonlimited Federal Funds | Total Funds | Positions | Full-Time Equivalent (FTE) |
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|

Package 092 PERS Taxation Policy

Package Description This package reflects the policy change in SB 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30%.

LFO Recommendation Approve the policy package.

LFO Analyst Notes HB 5010 (2013)

| | | | | | | | | | |
|-----------------|-------|---|---------|---|---|---|---------|---|---|
| LFO Recommended | (890) | - | (1,491) | - | - | - | (2,381) | - | - |
|-----------------|-------|---|---------|---|---|---|---------|---|---|

| | General Fund | Lottery Funds | Other Funds | Federal Funds | Nonlimited Other Funds | Nonlimited Federal Funds | Total Funds | Positions | Full-Time Equivalent (FTE) |
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|

Package 093 Other PERS Adjustments

Package Description This package reflects the policy change in SB 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2%.

An administrative action by the PERS Board, as directed by a budget note in the SB 822 budget report, will reduce state employer contribution rates by up to an additional 1.9%. However, no employer rate is reduced below its 2011-13 biennium rate.

LFO Recommendation Approve the policy package.

LFO Analyst Notes HB 5010 (2013)

| | | | | | | | | | |
|-----------------|---------|---|----------|---|---|---|----------|---|---|
| LFO Recommended | (7,109) | - | (11,913) | - | - | - | (19,022) | - | - |
|-----------------|---------|---|----------|---|---|---|----------|---|---|

| | General Fund | Lottery Funds | Other Funds | Federal Funds | Nonlimited Other Funds | Nonlimited Federal Funds | Total Funds | Positions | Full-Time Equivalent (FTE) |
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|

Package 811 Eliminate Exceptional Pay Increases

Package Description This package eliminates budgeted expenditures for pay differentials for select employees. This policy package reduces the agency's budget by \$13,248 General Fund and \$77,518 Other Funds.

During the 2011-13 biennium the agency approved pay differentials of up to 15% for eight of its 13 employees. The cost was funded with one-time vacancy and services and supplies savings.

The agency's 2013-15 budget continued the pay equity differential at a roll-up cost of \$308,185. The differentials are included as part of the agency's current service level budget in an effort to provide permanent funding. However, without a prior history of budgeting a line-item for differentials, it should not have been considered a current service level expense.

The underlying purpose of pay differentials is to augment rather than circumvent the statewide compensation plan for specialized duties call out in administrative rule (e.g., bilingual skills, shift, educational, on-duty call, flight duty, etc.). Other compensation plan disparities that may arise are to be addressed through a Department of Administrative Services review.

Additionally, the agency's current service level budget for personal service is funded equally with General Fund and Other Funds, however, the pay differentials proposed by the agency are funded with \$118,092 General Fund (38%) and \$190,093 from an assessment on state agencies and fees (62%), some of which originates as General Fund.

LFO Recommendation Approve the policy package.

LFO Analyst Notes HB 5010 (2013)

| | | | | | | | | | |
|-----------------|----------|---|----------|---|---|---|----------|---|---|
| LFO Recommended | (13,248) | - | (77,518) | - | - | - | (90,766) | - | - |
|-----------------|----------|---|----------|---|---|---|----------|---|---|

| | General Fund | Lottery Funds | Other Funds | Federal Funds | Nonlimited Other Funds | Nonlimited Federal Funds | Total Funds | Positions | Full-Time Equivalent (FTE) |
|---|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|
| 2011-13 Agy. Leg. Adopted | 170,467 | - | 670,746 | - | - | - | 841,213 | 4 | 4.00 |
| 2011-13 Ebds, SS & Admin Act | 182,747 | - | - | - | - | - | 182,747 | - | - |
| Ways & Means Actions | - | - | - | - | - | - | - | - | - |
| 2011-13 Leg Approved Budget | 353,214 | - | 670,746 | - | - | - | 1,023,960 | 4 | 4.00 |
| 2011-13 Leg Approved Budget (Base) | 353,214 | - | 670,746 | - | - | - | 1,023,960 | 4 | 4.00 |
| Summary of Base Adjustments | 7,810 | - | 26,129 | - | - | - | 33,939 | - | - |
| 2013-15 Base Budget | 361,024 | - | 696,875 | - | - | - | 1,057,899 | 4 | 4.00 |
| 010: Non-PICS Pers Svc/Vacancy Factor | 46,017 | - | 97,404 | - | - | - | 143,421 | - | - |
| 030: Inflation & Price List Adjustments | 232 | - | 1,024 | - | - | - | 1,256 | - | - |
| 2013-15 Current Service Level | 407,273 | - | 795,303 | - | - | - | 1,202,576 | 4 | 4.00 |
| Adjusted 2013-15 Current Service Level | 407,273 | - | 795,303 | - | - | - | 1,202,576 | 4 | 4.00 |
| Total LFO Recommended Packages | (55,118) | - | (112,713) | - | - | - | (167,831) | - | - |
| 2013-15 Legislative Actions | 352,155 | - | 682,590 | - | - | - | 1,034,745 | 4 | 4.00 |
| Net change from 2011-13 Leg Approved Budget | (1,059) | - | 11,844 | - | - | - | 10,785 | - | - |
| Percent change from 2011-13 Leg Approved Budget | (0.3%) | 0.0% | 1.8% | 0.0% | 0.0% | 0.0% | 1.1% | 0.0% | 0.0% |
| Net change from 2013-15 Current Service Level | (55,118) | - | (112,713) | - | - | - | (167,831) | - | - |
| Percent change from 2013-15 Current Service Level | (13.5%) | 0.0% | (14.2%) | 0.0% | 0.0% | 0.0% | (14.0%) | 0.0% | 0.0% |

| | General Fund | Lottery Funds | Other Funds | Federal Funds | Nonlimited Other Funds | Nonlimited Federal Funds | Total Funds | Positions | Full-Time Equivalent (FTE) |
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|

Package 092 PERS Taxation Policy

Package Description This package reflects the policy change in SB 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30%.

LFO Recommendation Approve the policy package.

LFO Analyst Notes HB 5010 (2013)

| | | | | | | | | | |
|-----------------|---------|---|---------|---|---|---|---------|---|---|
| LFO Recommended | (1,077) | - | (2,039) | - | - | - | (3,116) | - | - |
|-----------------|---------|---|---------|---|---|---|---------|---|---|

| | General Fund | Lottery Funds | Other Funds | Federal Funds | Nonlimited Other Funds | Nonlimited Federal Funds | Total Funds | Positions | Full-Time Equivalent (FTE) |
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|

Package 093 Other PERS Adjustments

Package Description This package reflects the policy change in SB 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2%.

An administrative action by the PERS Board, as directed by a budget note in the SB 822 budget report, will reduce state employer contribution rates by up to an additional 1.9%. However, no employer rate is reduced below its 2011-13 biennium rate.

LFO Recommendation Approve the policy package.

LFO Analyst Notes HB 5010 (2013)

| | | | | | | | | | |
|-----------------|---------|---|----------|---|---|---|----------|---|---|
| LFO Recommended | (8,608) | - | (16,290) | - | - | - | (24,898) | - | - |
|-----------------|---------|---|----------|---|---|---|----------|---|---|

| | General Fund | Lottery Funds | Other Funds | Federal Funds | Nonlimited Other Funds | Nonlimited Federal Funds | Total Funds | Positions | Full-Time Equivalent (FTE) |
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|

Package 811 Eliminate Exceptional Pay Increases

Package Description This package eliminates budgeted expenditures for pay differentials for select employees. This policy package reduces the agency's budget by \$45,433 General Fund and \$94,384 Other Funds.

During the 2011-13 biennium the agency approved pay differentials of up to 15% for eight of its 13 employees. The cost was funded with one-time vacancy and services and supplies savings.

The agency's 2013-15 budget continued the pay equity differential at a roll-up cost of \$308,185. The differentials are included as part of the agency's current service level budget in an effort to provide permanent funding. However, without a prior history of budgeting a line-item for differentials, it should not have been considered a current service level expense.

The underlying purpose of pay differentials is to augment rather than circumvent the statewide compensation plan for specialized duties call out in administrative rule (e.g., bilingual skills, shift, educational, on-duty call, flight duty, etc.). Other compensation plan disparities that may arise are to be addressed through a Department of Administrative Services review.

Additionally, the agency's current service level budget for personal service is funded equally with General Fund and Other Funds, however, the pay differentials proposed by the agency are funded with \$118,092 General Fund (38%) and \$190,093 from an assessment on state agencies and fees (62%), some of which originates as General Fund.

LFO Recommendation Approve the policy package.

Budget Notes The Employment Relations Board is directed to reinstitute administrative law judge travel to local jurisdictions for contested case hearings.

LFO Analyst Notes HB 5010 (2013)

| | | | | | | | | | |
|-----------------|----------|---|----------|---|---|---|-----------|---|---|
| LFO Recommended | (45,433) | - | (94,384) | - | - | - | (139,817) | - | - |
|-----------------|----------|---|----------|---|---|---|-----------|---|---|

| | General Fund | Lottery Funds | Other Funds | Federal Funds | Nonlimited Other Funds | Nonlimited Federal Funds | Total Funds | Positions | Full-Time Equivalent (FTE) |
|---|----------------|---------------|--------------|---------------|------------------------|--------------------------|----------------|-----------|----------------------------|
| 2011-13 Agy. Leg. Adopted | 31,215 | - | 6,040 | - | - | - | 37,255 | - | 0.50 |
| 2011-13 Ebds, SS & Admin Act | 33,464 | - | - | - | - | - | 33,464 | - | - |
| Ways & Means Actions | - | - | - | - | - | - | - | - | - |
| 2011-13 Leg Approved Budget | 64,679 | - | 6,040 | - | - | - | 70,719 | - | 0.50 |
| 2011-13 Leg Approved Budget (Base) | 64,679 | - | 6,040 | - | - | - | 70,719 | - | 0.50 |
| Summary of Base Adjustments | 1,637 | - | 1,290 | - | - | - | 2,927 | - | - |
| 2013-15 Base Budget | 66,316 | - | 7,330 | - | - | - | 73,646 | - | 0.50 |
| 010: Non-PICS Pers Svc/Vacancy Factor | 6,530 | - | 764 | - | - | - | 7,294 | - | - |
| 2013-15 Current Service Level | 72,846 | - | 8,094 | - | - | - | 80,940 | - | 0.50 |
| Adjusted 2013-15 Current Service Level | 72,846 | - | 8,094 | - | - | - | 80,940 | - | 0.50 |
| Total LFO Recommended Packages | (8,046) | - | (895) | - | - | - | (8,941) | - | - |
| 2013-15 Legislative Actions | 64,800 | - | 7,199 | - | - | - | 71,999 | - | 0.50 |
| Net change from 2011-13 Leg Approved Budget | 121 | - | 1,159 | - | - | - | 1,280 | - | - |
| Percent change from 2011-13 Leg Approved Budget | 0.2% | 0.0% | 19.2% | 0.0% | 0.0% | 0.0% | 1.8% | 0.0% | 0.0% |
| Net change from 2013-15 Current Service Level | (8,046) | - | (895) | - | - | - | (8,941) | - | - |
| Percent change from 2013-15 Current Service Level | (11.0%) | 0.0% | (11.1%) | 0.0% | 0.0% | 0.0% | (11.0%) | 0.0% | 0.0% |

| | General Fund | Lottery Funds | Other Funds | Federal Funds | Nonlimited Other Funds | Nonlimited Federal Funds | Total Funds | Positions | Full-Time Equivalent (FTE) |
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|

Package 092 PERS Taxation Policy

Package Description This package reflects the policy change in SB 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30%.

LFO Recommendation Approve the policy package.

LFO Analyst Notes HB 5010 (2013)

| | | | | | | | | | |
|-----------------|-------|---|------|---|---|---|-------|---|---|
| LFO Recommended | (178) | - | (20) | - | - | - | (198) | - | - |
|-----------------|-------|---|------|---|---|---|-------|---|---|

| | General Fund | Lottery Funds | Other Funds | Federal Funds | Nonlimited Other Funds | Nonlimited Federal Funds | Total Funds | Positions | Full-Time Equivalent (FTE) |
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|

Package 093 Other PERS Adjustments

Package Description This package reflects the policy change in SB 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2%.

An administrative action by the PERS Board, as directed by a budget note in the SB 822 budget report, will reduce state employer contribution rates by up to an additional 1.9%. However, no employer rate is reduced below its 2011-13 biennium rate.

LFO Recommendation Approve the policy package.

LFO Analyst Notes HB 5010 (2013)

| | | | | | | | | | |
|-----------------|---------|---|-------|---|---|---|---------|---|---|
| LFO Recommended | (1,424) | - | (158) | - | - | - | (1,582) | - | - |
|-----------------|---------|---|-------|---|---|---|---------|---|---|

| | General Fund | Lottery Funds | Other Funds | Federal Funds | Nonlimited Other Funds | Nonlimited Federal Funds | Total Funds | Positions | Full-Time Equivalent (FTE) |
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|
|--|--------------|---------------|-------------|---------------|------------------------|--------------------------|-------------|-----------|----------------------------|

Package 811 Eliminate Exceptional Pay Increases

Package Description This package eliminates budgeted expenditures for pay differentials for select employees. This policy package reduces the agency's budget by \$6,444 General Funds and \$717 Other Funds.

During the 2011-13 biennium the agency approved pay differentials of up to 15% for eight of its 13 employees. The cost was funded with one-time vacancy and services and supplies savings.

The agency's 2013-15 budget continued the pay equity differential at a roll-up cost of \$308,185. The differentials are included as part of the agency's current service level budget in an effort to provide permanent funding. However, without a prior history of budgeting a line-item for differentials, it should not have been considered a current service level expense.

The underlying purpose of pay differentials is to augment rather than circumvent the statewide compensation plan for specialized duties call out in administrative rule (e.g., bilingual skills, shift, educational, on-duty call, flight duty, etc.). Other compensation plan disparities that may arise are to be addressed through a Department of Administrative Services review.

Additionally, the agency's current service level budget for personal service is funded equally with General Fund and Other Funds, however, the pay differentials proposed by the agency are funded with \$118,092 General Fund (38%) and \$190,093 from an assessment on state agencies and fees (62%), some of which originates as General Fund.

LFO Recommendation Approve the policy package.

LFO Analyst Notes HB 5010 (2013)

| | | | | | | | | | |
|-----------------|---------|---|-------|---|---|---|---------|---|---|
| LFO Recommended | (6,444) | - | (717) | - | - | - | (7,161) | - | - |
|-----------------|---------|---|-------|---|---|---|---------|---|---|

Legislatively Proposed 2013-2015 Key Performance Measures

Agency: EMPLOYMENT RELATIONS BOARD

Mission: The Mission Of The Employment Relations Board Is To Resolve Disputes Concerning Labor And Employment Relations.

| Legislatively Proposed KPMs | Customer Service Category | Agency Request | Most Current Result | Target 2014 | Target 2015 |
|---|---------------------------|----------------|---------------------|-------------|-------------|
| 1 a - Union representation -- Average number of days to resolve a petition for union representation when a contested case hearing is required. | | Approved KPM | 377.00 | 225.00 | 225.00 |
| 1 b - Union representation -- Average number of days to resolve a petition for union representation when a contested case hearing is not required. | | Approved KPM | 54.00 | 79.00 | 79.00 |
| 2 a - Administrative Law Judge (ALJ) hearings -- Average number of days from the date of filing of a contested case to the first date an ALJ is available to hear the case. | | Approved KPM | 84.00 | 60.00 | 60.00 |
| 2 b - Administrative Law Judge (ALJ) hearings -- Average number of days from the date of filing of a contested case to the actual date of the hearing. | | Approved KPM | 167.00 | 90.00 | 90.00 |
| 3 - Settling cases -- Percentage of cases assigned to an ALJ that are settled or withdrawn prior to hearing. | | Approved KPM | 41.00 | 40.00 | 40.00 |
| 4 - Recommended orders -- Average number of days for an Administrative Law Judge to issue a recommended order after the record in a contested case hearing is closed. | | Approved KPM | 211.00 | 60.00 | 60.00 |
| 5 - Final Board orders -- Average number of days from submission of a case to the Board until issuance of a final order. | | Approved KPM | 132.00 | 70.00 | 70.00 |
| 6 - Process complaints in a timely manner -- Average number of days to process a case that involves a hearing, from the date of filing to the date of the final order. | | Approved KPM | 575.00 | 300.00 | 300.00 |
| 7 a - Appeals -- Percentage of Board Orders which are appealed. | | Approved KPM | 11.00 | 15.00 | 15.00 |
| 7 b - Appeals -- Percentage of Board Orders which are reversed on appeal. | | Approved KPM | 11.00 | 10.00 | 10.00 |

Agency: EMPLOYMENT RELATIONS BOARD

Mission: The Mission Of The Employment Relations Board Is To Resolve Disputes Concerning Labor And Employment Relations.

| Legislatively Proposed KPMs | Customer Service Category | Agency Request | Most Current Result | Target 2014 | Target 2015 |
|--|-----------------------------|----------------|---------------------|-------------|-------------|
| 8 a - Mediation effectiveness -- Percentage of contract negotiations disputes that are resolved by mediation for strike-permitted employees. | | Approved KPM | 79.00 | 94.00 | 94.00 |
| 8 b - Mediation effectiveness -- Percentage of contract negotiations disputes that are resolved by mediation for strike-prohibited employees. | | Approved KPM | 68.00 | 80.00 | 80.00 |
| 9 a - Mediator availability -- Average number of days following a request for mediation assistance in contract negotiations to the date a mediator is available to work with the parties. | | Approved KPM | 38.00 | 30.00 | 30.00 |
| 9 b - Mediator availability -- Average number of days following a request for mediation assistance in contract negotiations to the date the first mediation session occurs. | | Approved KPM | 51.00 | 45.00 | 45.00 |
| 10 - Customer Satisfaction - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information. | Accuracy | Approved KPM | 82.00 | 95.00 | 95.00 |
| 10 - Customer Satisfaction - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information. | Availability of Information | Approved KPM | 86.00 | 95.00 | 95.00 |
| 10 - Customer Satisfaction - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information. | Expertise | Approved KPM | 89.00 | 95.00 | 95.00 |
| 10 - Customer Satisfaction - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information. | Helpfulness | Approved KPM | 87.00 | 95.00 | 95.00 |
| 10 - Customer Satisfaction - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information. | Overall | Approved KPM | 76.00 | 95.00 | 95.00 |

Agency: EMPLOYMENT RELATIONS BOARD

Mission: The Mission Of The Employment Relations Board Is To Resolve Disputes Concerning Labor And Employment Relations.

| Legislatively Proposed KPMs | Customer Service Category | Agency Request | Most Current Result | Target 2014 | Target 2015 |
|--|----------------------------------|-----------------------|----------------------------|--------------------|--------------------|
| 10 - Customer Satisfaction - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information. | Timeliness | Approved KPM | 62.00 | 95.00 | 95.00 |
| 11 - BEST PRACTICES - Percent of total best practices met by the Commission. | | Approved KPM | | 100.00 | 100.00 |

LFO Recommendation:

The Legislative Fiscal Office recommends approval of the proposed Key Performance Measures and targets with direction that the agency will work with the Department of Administrative Service and the Legislative Fiscal Office to conduct a review of existing KPMs and targets.

Sub-Committee Action: