

**DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**

The Department of Consumer and Business Services (DCBS) is the state’s business regulatory and consumer protection agency. The Department’s mission is to protect and serve the state’s consumers and workers while supporting a positive business climate in the state. In carrying out its mission, the Department administers state laws and rules in the areas of workers’ compensation, occupational safety and health, financial services, insurance, and building codes.

DCBS consists of the Workers’ Compensation Division, Oregon Occupational Safety and Health Division, Division of Finance and Corporate Securities, Insurance Division, Building Codes Division, and a number of other programs and offices that assist consumers, workers and businesses including the Small Business Ombudsman for Workers’ Compensation, and Ombudsman for Injured Workers. The Department also includes the Workers’ Compensation Board. The director of the Department is appointed by the Governor.

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES	2009-11 Actuals	2011-13 Leg. Approved	2013-15 Current Service Level	2013-15 Governor's Budget	2013-15 Co-Chairs' Budget (1.0)	% Change 2011-13 LAB to 2013-15 CSL
Other Funds	185,767,184	200,876,115	216,560,780	211,197,242	0	7.8%
Other Funds Nonlimited	198,397,456	197,819,009	199,611,276	199,564,462	0	0.9%
Federal Funds	610,545	3,639,056	996,061	984,618	0	-72.6%
<b>TOTAL FUNDS</b>	<b>\$384,775,185</b>	<b>\$402,334,180</b>	<b>\$417,168,117</b>	<b>\$411,746,322</b>	<b>\$0</b>	<b>3.7%</b>
Positions	1,063	935	927	927	0	-0.9%
FTE	1,051.06	922.40	919.47	919.47	0.00	-0.3%

Major Revenues	Budget Environment	Comparison by Fund Type
<ul style="list-style-type: none"> <li>The agency is entirely funded with Other Funds, except for certain Federal grants received under provisions of the Affordable Care Act of 2010. Over 500 dedicated fees, assessments, and charges support the operation of DCBS.</li> <li>Other Funds revenues in the 2013-15 biennial period are projected to total \$633 million.</li> <li>Approximately 21% or \$130.5 million of that revenue will be transferred to the General Fund from retaliatory taxes collected from insurance companies, certain fines and penalties, and revenues</li> </ul>	<ul style="list-style-type: none"> <li>Workload is driven by factors such as the demographic changes in Oregon’s population, the economic climate, and changes in business practices including increased use of rapidly changing information technology.</li> <li>The economic downturn that began in 2008 in the financial sector has reversed but the subsequent recovery has been very slow and uneven. Problems in mortgage lending industry have evolved from being centered on mortgage lenders and loan underwriting, to a focus on loan servicing and foreclosures.</li> </ul>	

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<p>in excess of expenses from Securities revenues for the Division of Finance and Corporate Securities.</p> <ul style="list-style-type: none"> <li>The remaining \$503 million comes from a variety of sources.</li> </ul> <div data-bbox="94 427 667 878"> <p><b>DCBS Receives Revenue from a Variety of Sources</b></p> <table border="1"> <caption>DCBS Revenue Sources</caption> <thead> <tr> <th>Source</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>WC Cents/Hr</td> <td>31%</td> </tr> <tr> <td>WC Ins Premium Tax</td> <td>23%</td> </tr> <tr> <td>Bus License &amp; Fees</td> <td>23%</td> </tr> <tr> <td>Insurance Taxes</td> <td>5%</td> </tr> <tr> <td>Insurance Premiums</td> <td>5%</td> </tr> <tr> <td>Interest</td> <td>2%</td> </tr> <tr> <td>Other</td> <td>1%</td> </tr> <tr> <td>Service Charges</td> <td>1%</td> </tr> <tr> <td>Fire Marshal Fees</td> <td>4%</td> </tr> <tr> <td>Fines</td> <td>2%</td> </tr> <tr> <td>Federal Funds</td> <td>3%</td> </tr> </tbody> </table> </div> <ul style="list-style-type: none"> <li>Specific revenue sources include:</li> <li>Workers' Compensation Cents per Hour supports the Workers' Benefit Fund. This rate has dropped 33% since 1999. The current rate is 2.8 cents per hour worked. For 2013 the assessment rate will increase to 3.3 cents per hour, in order for the Department to maintain a required fund balance.</li> <li>Workers' Compensation Tax (Insurance Premium Assessments) supports workers' compensation-related programs. The total premium paid by employers continues to decline. The current workers' compensation premium assessment rate is 602% of earned premiums for calendar</li> </ul>	Source	Percentage	WC Cents/Hr	31%	WC Ins Premium Tax	23%	Bus License & Fees	23%	Insurance Taxes	5%	Insurance Premiums	5%	Interest	2%	Other	1%	Service Charges	1%	Fire Marshal Fees	4%	Fines	2%	Federal Funds	3%	<ul style="list-style-type: none"> <li>As construction activity slowly rebounds in housing and construction, the Building Codes Division and Oregon OSHA are working to ensure contractors do not cut corners when it comes to structural and workplace safety. Building Codes and OROSHA staff and expenditures have been reduced to match revenues.</li> <li>DCBS programs have an effect on businesses and their employees in every segment of the economy. DCBS is aware that its statutory responsibilities to regulate and charge fees will require deliberate and strategic sensitivity where there are increased demands for consumer services and regulatory action.</li> </ul>	
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<p>year 2012; the rate had been lowered four times between the years 2004 and 2007 and raised from 4.6% to 6.4% for 2011.</p> <ul style="list-style-type: none"> <li>● Insurance Premium Assessments support Insurance Division programs.</li> <li>● Business Licenses and Fees which support regulatory programs such as Building Codes, Insurance Division, and the Division of Finance and Corporate Securities.</li> <li>● Interest earnings, fines, assessments, and other revenues support various Department programs some of which are transferred to other agencies, including an estimated \$17.8 million for the Department of State Police to support the State Fire Marshal.</li> <li>● Approximately \$14 million Other Funds revenue is Federal Funds expended as Other Funds supporting the Occupational Safety and Health programs.</li> <li>● Federal Funds, estimated at \$1.6 million from the United States Office of Health and Human Services to enhance the health insurance rate review process .</li> </ul>		

**MAJOR CHALLENGES AND DECISION POINTS**

1. The Governor's budget (GB) requests spending authority for \$411.7 million total funds of which \$211.2 million is Other Funds, \$199.6 million is Nonlimited Other Funds, and \$984,618 is Federal Funds. The GB supports 927 positions (919.47 FTE).
2. DCBS requested no policy packages, however, the Governor's budget includes packages supporting the Governor's proposals to:
  - a. Hold back 10% of administrative costs for Finance, Information Technology, Human Resources, Accounting, Payroll, and Procurement activities to support the Enterprise Leadership Team to determine how best to provide these administrative services statewide with less total resources. (\$1,378,903 OF; \$9,659 OF-NL)
  - b. Limit tax relief calculations to PERS retirees that are Oregon residents. Non-resident retirees will no longer receive the tax relief benefit. The change estimates a savings of approximately 40 basis points on the PERS employer rate or \$72 million per biennium. (\$443,205 OF; \$4,133 OF-NL; \$1,273 FF)
  - c. Limit annual cost-of-living benefits for retirees to the first \$24,000 in benefit payments. The change estimates a savings of approximately 320 basis points on the PERS employer rate or \$576 million per biennium and reduce PERS unfunded liability by \$3 billion. (\$3,541,430 OF; \$33,022 OF-NL; \$10,170 FF)