

Department of Consumer and Business Services

| | 2011-13 Actuals | 2013-15 Leg. Approved* | 2015-17 CSL LFO | 2015-17 Governor's |
|-------------------------|--------------------|------------------------|--------------------|--------------------|
| Other Funds | 174,809,628 | 216,088,555 | 221,417,741 | 225,138,942 |
| Other Funds Non-Limited | 199,295,655 | 199,565,185 | 199,655,595 | 197,626,507 |
| Federal Funds | 2,800,470 | 5,936,901 | 3,006,195 | 3,292,312 |
| Total Funds | 376,905,753 | 421,590,641 | 424,079,531 | 426,057,761 |
| Positions | 933 | 918 | 919 | 934 |
| FTE | 924.50 | 911.97 | 911.93 | 927 |

* includes Emergency Board and administrative actions through December 2014

Program Description

The figures presented above represent the agency-wide budget for the Department of Consumer and Business Services. Broadly defined the agency operates in three major functional areas: the workers' compensation system, insurance and financial regulation, and building codes. DCBS operates a number of non-limited funds within the workers' compensation programs as well as non-limited funds related to variable contract payment for certain costs agency-wide. Federal funds in the agency relate primarily to the operation of the Occupational Safety and Health Act in Oregon as well as providing grant funding for certain insurance and consumer protection related programs. The majority of funding for the agency is provided by fees, charges, and surcharges. No General Fund monies are used by the agency.

CSL Summary and Issues

There are no significant budgetary issues at the Current Service Level. The total funding of the agency at CSL increases by roughly \$2.5 million or just over one-half of one percent from the Legislatively Approved Budget

- During the previous biennium, eleven positions (10.04 FTE) were moved between budgetary units resulting in those positions being funded from non-limited fund sources. This is an inappropriate use of non-limited funding and will be corrected by an analyst recommended policy option package as the Legislative Budget is developed.
- The CSL budget for DCBS contains a number of "Federal Funds as Other Funds" revenue components. These Federal Funds revenues are characterized in the agency's budget as Other Funds and expended as such. The majority of these are federal monies received as reimbursement for activities undertaken by the agency. There does not appear to be a significant reason

(accounting or budgeting) for these federal funds to be expended as other funds. This accounting treatment also makes it more difficult to tie specific expenditures to their source of revenue.

- The CSL budget includes phased-in expenditure limitation for unexpended federal grant funds related to the Cycle II and Cycle III Rate Review program. This amount is overstated due to the agency expending a larger than anticipated amount of the funding in the current biennium. A downward adjustment of \$637,089 Federal Funds will be included in an analyst recommended policy option package as the Legislative Budget is developed.

Policy Issues

- Senate Bill 1 was approved by the Legislature and signed in to law by the Governor. This bill dissolves Cover Oregon as an independent, public purpose entity and transfers the assets, liabilities, and operational responsibility for the state-based health insurance exchange to the Department of Consumer and Business Services. Neither the agency's requested budget, nor the Governor's budget include a budgetary framework for the operation of the exchange by the agency. LFO, in conjunction with DCBS and DAS is preparing a budget for the marketplace functions and the budget will be included in the LFO recommendation to the subcommittee.
- Included in the proposed budget are adjustments for Emergency Board actions that were completed after the development of the Current Service Level for the agency. These include additional expenditure limitation of \$121,672 Other Funds for two positions that were upwardly reclassified as provided for by the May 2014 Emergency Board and re-establishment of two limited duration positions and expenditure limitation of \$923,206 Federal Fund for the continuation of activities related to the Cycle IV Rate Review Grant that was approved by the September 2014 Emergency Board
- The agency seeks to establish an additional position in the Workers' Compensation Division to avoid closure of disputed disability awards by default due to lack of time to review the dispute. Policy option package 101.
- The agency is requesting the establishment of three Occupational Safety Specialist positions and a Technical Specialist position in the Oregon OSHA program. This program had 28 FTE eliminated during the 2011-2013 biennium due to the economic downturn. Policy option package 102.
- The May 2014 Emergency Board allowed the agency to establish a limited duration position in the Insurance Division to perform market regulation functions and four limited duration positions in the Building Codes Division for work related to providing services to counties with the intention that the agency would bring forward requests to make the positions permanent if required in the 2015-2017 biennium. Policy option package 103 is for the Insurance Division position and policy option package 108 is for the Building Codes Division positions
- The agency is bringing forward three proposals that increase or establish fees in the upcoming biennium. The first is a new regulatory program for "buy-here, pay-here" automobile dealers that establishes fees resulting in a projected \$165,900 Other Funds (SB 276, POP 107). The second expands DCBS authority over debt collection agencies. The additional workload

is anticipated by the agency to require an increase in the existing licensing fees charged to debt collection companies to support additional financial examination staff (SB 274, POP 106). The third item is an initiative to regulate loan servicing companies for which the agency anticipates fee revenue of \$288,000 (SB 275, POP 105).

- DCBS was instructed to license Pharmacy Benefit Managers by HB 2123 (2013) and to establish by rule a fee for the initial and renewal licensure. The agency adopted fees by rule at the statutory maximum of \$50 for both during the biennium following the 2013 session. The fees must be subsequently ratified by the legislature and that action is anticipated in a separate bill.

Other Significant Issues and Background

- During the 2013-2015 biennium, DCBS completed an agency-wide permanent finance plan change establishing five new positions and upwardly reclassifying six other positions. The funding for this change was made available by the abolishment of six existing positions, downward reclassification of two positions, and the reduction of two full-time positions to half-time. The net result of these actions was a savings in budgeted costs of \$31,763 Other Funds.
- The 2013-2015 budget for DCBS included a budget note requiring the agency to report to the Joint Committee on Ways and Means about transparency in health insurance rate review. The report was received on December 1, 2014 and included a statement that DCBS had contracted with Georgetown University for a complete program evaluation of the rate review program.

Co-Chairs' Budget Framework Discussion

No specific budget details or issues were identified in the Co-Chairs' budget framework for this agency.