To: Senator Steiner-Hayward, Co-Chair
Representative Smith, Co-Chair

From: Kathryn Logan, Board Chair, Employment Relations Board

Date: April 15, 2015

Re: Questions posed about state assessment during April 2 public hearing.

<u>What is driving the rate increase?</u>

Increased costs and decreased revenues are driving the rate increase. Costs have increased due to inflation, as well as higher personal services and OPE costs. Revenue has decreased due to the loss of state assessment from the seven universities. This loss equates to $225,101 for the biennium (loss of payment for 4,885 employees at $1.92/month).

<u>Why the draw-down of the ending balance and what explains who so much of the beginning balance is being used to reduce the 2015-17 rate?</u>

Over the years, the agency had accrued a balance of State Assessment funds that exceeded the standard three-month reserve. This larger balance was maintained as a hedge against the possibility of losing payment for the Oregon University System employees without a phase-out as well as the possible use of these funds if the Legislature decided not to provide General Fund during 2011-13 biennium.

Even while maintaining a higher balance as a hedge, the state assessment rate was gradually decreased because of the large excess reserve. The rate was $1.75 per month in 2009-11, $1.70 in 2011-13, and $1.65 in 2013-15. The agency's original request for the 2015-17 biennium, calculated in February 2014, was $1.84 per month.

In March of 2015, the agency recalculated personal services costs based on actual personal services expenses instead of PICS. By using this method, the agency was able to adjust personal services to account for staffing changes that reduced expenses.

With adequate information regarding inflation and personal services costs as well as additional data regarding actual payments, the agency determined that the $1.84 rate neither left an adequate ending balance nor cover projected expenditures. It revised its request for the 2015-17 biennium to $1.92 per month per employee. This will reduce the remaining excess balance, fund projected costs, and provide a healthy three-month ending balance.

The answers to your other questions are found in the attached chart. Hopefully, this will provide the Subcommittee an easier way to compare the initial state assessment request (ARB computed in March 2014) and the current state assessment request.

Please let me know if you would like additional information or you have any further questions.

2015-17 Biennium ARB

	2015-17 Biennium ARB	2017-19 Roll Up
What is the sufficiency of 2015-17 ending balance?	Less than one month ending balance; not adequate.	N/A
What is the 2017-19 rate projection and how much is it projected to increase?	N/A	$2.58 per month per employee, an increase of approximately 40% over the 2015-17 rate ($1.84).
What are the projected beginning and ending balances for 2017-19?	N/A	Beginning Balance: $37,009 Ending Balance: $252,092

2015-17 Biennium Recalculated

	2015-17 Biennium Recalculated	2017-19 Roll Up
What is the sufficiency of 2015-17 ending balance?	It provides a three-month ending balance.	N/A
What is the 2017-19 rate projection and how much is it projected to increase?	N/A	$2.28 per month per employee, an increase of approximately 19% over the 2015-17 rate ($1.92).
What are the projected beginning and ending balances for 2017-19?	N/A	Beginning Balance: $223,747 Ending Balance: $250,264