

**SB 5512 BUDGET REPORT and MEASURE SUMMARY**

**Joint Committee On Ways and Means**

**Prepared By:** Patrick Heath, Department of Administrative Services

**Reviewed By:** Matt Stayner, Legislative Fiscal Office

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**Department of Consumer and Business Services**

**2017-19**

PRELIMINARY

## **Budget Summary\***

	2015-17 Legislatively Approved Budget <sup>(1)</sup>	2017-19 Current Service Level	2017-19 Committee Recommendation	Committee Change from 2015-17 Leg. Approved	
				\$ Change	% Change
General Fund	\$ 1,823,000	\$ -	\$ -	\$ (1,823,000)	(100.0%)
Other Funds Limited	\$ 249,320,936	\$ 258,879,476	\$ 250,597,297	\$ 1,276,361	0.5%
Other Funds Nonlimited	\$ 197,626,507	\$ 202,096,657	\$ 202,096,657	\$ 4,470,150	2.3%
Federal Funds Limited	\$ 17,420,257	\$ 14,941,294	\$ 14,941,294	\$ (2,478,963)	(14.2%)
Total	\$ 466,190,700	\$ 475,917,427	\$ 467,635,248	\$ 1,444,548	0.3%

## **Position Summary**

Authorized Positions	960	950	952	(8)
Full-time Equivalent (FTE) positions	952.76	944.54	945.92	(6.84)

<sup>(1)</sup> Includes adjustments through December 2016

\* Excludes Capital Construction expenditures

## **Summary of Revenue Changes**

The Department of Consumer and Business Services (DCBS) is funded primarily by Other Funds revenues from over 500 dedicated fees, assessments and charges. Discrete sources of Other Funds revenue include: the workers' compensation "cents-per-hour" assessment and contributions, workers' compensation insurance premium assessments, insurer and financial services provider assessments and licensing fees, building permits and fees; and other charges for services, interest earnings, fines and penalties. The agency also receives Federal Funds which support the OSHA program, the Senior Health Insurance Benefit Assistance program, insurance rate review processes, and manufactured housing programs.

A portion of the revenues that DCBS' Division of Financial Regulation (DFR) collects from insurers are retaliatory taxes from out-of-state insurance companies, which DCBS transfers to the General Fund. The retaliatory tax is collected from insurance companies that write policies in Oregon but are domiciled in states with higher regulatory costs for policies written in their domiciled state. The tax is forecasted to generate approximately \$126.1 million for the General Fund in the 2017-19 biennium. The Finance and Corporate Securities program within DFR also makes a transfer of revenues in excess of expenditure needs to the General Fund. This transfer is forecasted to generate approximately \$25.3 million in the 2017-19 biennium. A surcharge on fire insurance policies is collected by DFR, estimated at \$25.7 million in the 2017-19 biennium, and is transferred to the office of the Fire Marshal at the Oregon Department of State Police.

## **Summary of Transportation and Economic Development Subcommittee Action**

DCBS is Oregon's largest business regulatory and consumer protection agency, which administers state laws and rules to protect consumers and workers. The department regulates the workers' compensation system, occupational health and safety, financial services, insurance companies and building codes. DCBS also operates the Oregon Health Insurance Marketplace, the state's health insurance exchange.

The Subcommittee recommended a budget of \$250,597,297 Other Funds, \$202,096,657 Other Funds Nonlimited and \$14,941,294 Federal Funds for 2017-19, which is 0.3 percent higher than the 2015-17 Legislatively Approved Budget.

The Subcommittee approved the following recommendations:

### **Workers' Compensation**

DCBS administers two reserves within its Operating Fund: the Self-Insured Employer Adjustment Reserve and the Self-Insured Employer Group Adjustment Reserve. These reserves are for the payment of claims from insolvent self-insured employers and are intended to protect injured workers who work for employers that self-insure their workers' compensation liability.

The Subcommittee recommended funding this program at the Current Service Level.

### **Workers' Benefit Fund**

The Workers' Benefit Fund supports a variety of programs that help injured workers and employers. DCBS administers two Nonlimited special payment accounts and five workers' compensation reserve programs within the Workers Benefit Fund.

The Subcommittee recommended funding this program at the Current Service Level.

### **Workers' Comp Board**

The Workers' Compensation Board is an independent adjudicatory agency within DCBS, which ensures that Oregon workers, employers and insurers have an efficient, effective and expeditious mechanism by which to resolve disputes under the Workers' Compensation Act and the Oregon Safe Employment Act. The board's proceedings remove disputes from the court system and into an administrative forum, allowing for quick dispute resolution and reducing prolonged and costly litigation.

The Subcommittee approved the following recommendation:

Package 812, Vacant Position Elimination - eliminates one long-term vacant position (1.00 FTE) and \$117,465 in Other Funds expenditure limitation.

### Workers' Comp Division

The Workers' Compensation Division administers, regulates and enforces requirements to protect workers, provide medical care for injuries and diseases, and provide timely and accurate wage-replacement benefits. The division funds programs that help injured workers and employers.

The Subcommittee recommended funding this program at the Current Service Level.

### OR OSHA

The Oregon Occupational Safety and Health Division (OR-OSHA) helps ensure workplace safety. The division reduces the cost of workers' compensation insurance and indirect costs of injuries and illnesses. Its top priority is to achieve the lowest possible occupational injury, illness and fatality rates through a full range of services and regulation, all of which are designed to encourage and enable employers and their workers to pursue safe and healthy workplaces. OR-OSHA administers the Oregon Safe Employment Act and has regulatory authority over most Oregon employers.

The Subcommittee approved the following recommendation:

Package 101, Workplace Presence - This package provides \$1,883,900 in Other Funds expenditure limitation to fund nine positions (8.88 FTE) that will provide a greater enforcement presence and more consulting services around workplace safety in Oregon. Specifically, the package authorizes the establishment of six enforcement positions and three workplace consultation positions. The goal of the additional positions is to increase the workplace presence of OSHA within the state to maintain or reduce the rate of workplace injuries and illnesses, which have recently levelled off after a long period of decline.

The Oregon OSHA program had a reduction of 14 occupational safety specialists and one industrial hygienists positions in the 2011-13 budget due to reduced revenues related to a waning economy. No adjustments were made in the 2013-15 budget, but an additional three positions were added in 2015 as commercial activity started to recover. This package brings the program staffing to just slightly less than the 2009-11 biennium level.

The program is funded by the Worker's Compensation Premium Assessment. The 2018 fiscal year rates were set by DCBS inclusive of the funding needed for this package as reported by the agency to the Emergency Board in December of 2016.

### OR Health Insurance Marketplace

The Oregon Health Insurance Marketplace administers the state health insurance exchange, provides assistance for seniors in navigating federal health insurance benefits and operates a health insurance premium assistance program for low-income Pacific Islanders.

The Subcommittee approved the following recommendations:

Package 090, Analyst Adjustments - as included in the Governor's budget, this package makes a total reduction of Other Funds limitation of \$9,899,237 to align the 2017-19 budget for the Health Insurance Marketplace with anticipated expenditures following the settlement of the ORACLE litigation in the 2015-17 biennium. This package eliminates \$6.0 million Other Funds expenditure limitation in IT professional services for contracts that were needed for the transition of the marketplace from Cover Oregon that are now expired; ongoing IT professional service costs are estimated at \$3.0 million. The package also eliminates \$1.5 million Other Funds expenditure limitation for telecommunications contracts that are no longer needed. Ongoing telecommunications expenditures are estimated at \$0.3 million for the 2017-19 biennium. Finally, a reduction of \$2.4 million in Other Funds expenditure limitation for Attorney General Fees to reflect the resolution of the Cover Oregon litigation. These reductions bring the expenditure limitation for the Marketplace in line with its current program needs.

Package 102, The Compact of Free Association (COFA) Premium Assistance Program - establishes \$1,383,290 of Other Funds expenditure authority from the Compact of Free Association (COFA) Islander Fund. These amounts represent the residual funding projected to be remaining in the account at the beginning of the 2017-19 biennium. These monies were transferred in to the fund from the General Fund during the 2016 Legislative Session to provide insurance premium and out of pocket expense assistance to qualified COFA islanders residing in Oregon. The package also includes the continuation of one limited-duration full-time position to administer the program. Under the terms of the Compact of Free Association, COFA islanders are allowed to legally live and work in the United States but they are excluded by federal law from many forms of public assistance, including Medicaid.

Based on cost estimates provided by DCBS, the annual cost per program enrollee is \$1,215. The current number of program participants is roughly 300, equating to an annual estimated cost of \$364,500 or a biennial cost of \$729,000 plus program administration.

Package 801, LFO Analyst Adjustments - reduces \$200,000 in Other Funds expenditure limitation for spending authority that was erroneously included in the program's base budget.

**Budget Note:**

The expenditure limitation included in the agency's budget for the premium assistance program for low-income Compact of Free Association (COFA) islanders is provided with the understanding that the agency will use the available funding to provide the full benefits outlined in the program to the program participants for as long as monies are available. Based on the estimated program costs provided by DCBS prior to program implementation, the available funding is sufficient to provide full benefits for the entire biennium based on the number of currently enrolled participants. If at some time during the biennium DCBS should determine that the funding will not be sufficient to continue providing full benefits to participants,

the agency should not diminish, apportion, or ration benefits prior to seeking additional program funding from the Legislature. Additionally, the agency is instructed to evaluate and pursue the availability of federal funding for this program.

### Central Services

The Central Services Division provides department-wide leadership and administration to DCBS operating programs through the Director's Office, Central Services, Employee Services, Communications and the Assessments Section.

The Subcommittee approved the following recommendations:

Package 090, Analyst Adjustments - reduces Other Funds expenditure limitation by \$256,054 and two positions (2.00 FTE) to reflect the transfer of payroll services from the division to the Department of Administrative Services, during the 2015-17 biennium.

Package 812, Vacant Position Elimination - eliminates \$503,526 in Other Funds expenditure limitation and three positions (3.00 FTE) to reduce long-term vacancies in the division.

Package 814, IT Security Positions Consolidation - reduces \$410,070 in Other Funds expenditure limitation, one position and part of another position (1.50 FTE) to reflect the centralization of all information systems security functions within the Department of Administrative Services.

### Division of Financial Regulation

The Division of Financial Regulation (DFR) oversees the safety and soundness of banks, trusts and credit unions and the financial solvency of insurance institutions. DFR licenses finance and insurance professionals and ensures products and services comply with applicable laws and rules. DFR protects Oregonian's access to financial products and services through education, regulation, and consumer assistance. DFR was formed in 2016 from the former divisions of Finance and Corporate Securities – 016 and Insurance – 014.

The Subcommittee approved the following recommendations:

Package 812, Vacant Position Elimination - eliminates \$163,017 in Other Funds expenditure limitation and one position (1.00 FTE) in order to eliminate a long-term vacancy in the division.

### Building Codes

The Building Codes Division adopts construction codes for 13 specialty areas, licenses trade workers and businesses and oversees a statewide inspection system of local government services to protect property and building occupants. The division ensures safe and effective building construction, while supporting a positive business climate.

The Subcommittee recommended funding this program at the Current Service Level.

**Summary of Performance Measure Action**

See attached Legislatively Adopted 2017-19 Key Performance Measures form.

## DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Department of Consumer and Business Services  
Patrick Heath - (503) 378-3742

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2015-17 Legislatively Approved Budget at Dec 2016 *	\$ 1,823,000	\$ -	\$ 249,320,936	\$ 197,626,507	\$ 17,420,257	\$ -	\$ 466,190,700	960	952.76
2017-19 Current Service Level (CSL)*	\$ -	\$ -	\$ 258,879,476	\$ 202,096,657	\$ 14,941,294	\$ -	\$ 475,917,427	950	944.54
<b>SUBCOMMITTEE ADJUSTMENTS (from CSL)</b>									
<b>SCR 011-12 - Workers' Comp Board</b>									
Package 812: Vacant Position Elimination									
Personal Services	\$ -	\$ -	\$ (112,162)	\$ -	\$ -	\$ -	\$ (112,162)	(1)	(1.00)
Services and Supplies	\$ -	\$ -	\$ (5,303)	\$ -	\$ -	\$ -	\$ (5,303)		
<b>SCR 011-15 - OR OSHA</b>									
Package 101: Workplace Presence									
Personal Services	\$ -	\$ -	\$ 1,649,773	\$ -	\$ -	\$ -	\$ 1,649,773	9	8.88
Services and Supplies	\$ -	\$ -	\$ 234,127	\$ -	\$ -	\$ -	\$ 234,127		
<b>SCR 015 - OR Health Insurance Marketplace</b>									
Package 090: Analyst Adjustments									
Services and Supplies	\$ -	\$ -	\$ (9,899,237)	\$ -	\$ -	\$ -	\$ (9,899,237)		
Package 102: COFA Premium Assistance Program									
Personal Services	\$ -	\$ -	\$ 236,439	\$ -	\$ -	\$ -	\$ 236,439	1	1.00
Services and Supplies	\$ -	\$ -	\$ 119,812	\$ -	\$ -	\$ -	\$ 119,812		
Special Payments (Dist. to Individuals)	\$ -	\$ -	\$ 1,027,039	\$ -	\$ -	\$ -	\$ 1,027,039		
Package 801: LFO Analyst Adjustments									
Services and Supplies	\$ -	\$ -	\$ (200,000)	\$ -	\$ -	\$ -	\$ (200,000)		
<b>SCR 017 - Central Services</b>									
Package 090: Analyst Adjustments									
Personal Services	\$ -	\$ -	\$ (256,000)	\$ -	\$ -	\$ -	\$ (256,000)	(2)	(2.00)
Services and Supplies	\$ -	\$ -	\$ (54)	\$ -	\$ -	\$ -	\$ (54)		
Package 812: Vacant Position Adjustments									
Personal Services	\$ -	\$ -	\$ (480,794)	\$ -	\$ -	\$ -	\$ (480,794)	(3)	(3.00)
Services and Supplies	\$ -	\$ -	\$ (22,732)	\$ -	\$ -	\$ -	\$ (22,732)		
Package 814: IT Security Positions Consolidation									
Personal Services	\$ -	\$ -	\$ (392,607)	\$ -	\$ -	\$ -	\$ (392,607)	(1)	(1.50)
Services and Supplies	\$ -	\$ -	\$ (17,463)	\$ -	\$ -	\$ -	\$ (17,463)		
<b>SCR 018 - Division of Financial Regulation</b>									
Package 812: Vacant Position Adjustments									
Personal Services	\$ -	\$ -	\$ (155,658)	\$ -	\$ -	\$ -	\$ (155,658)	(1)	(1.00)
Services and Supplies	\$ -	\$ -	\$ (7,359)	\$ -	\$ -	\$ -	\$ (7,359)		
<b>TOTAL ADJUSTMENTS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (8,282,179)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (8,282,179)</b>	<b>2</b>	<b>1.38</b>
<b>SUBCOMMITTEE RECOMMENDATION *</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 250,597,297</b>	<b>\$ 202,096,657</b>	<b>\$ 14,941,294</b>	<b>\$ -</b>	<b>\$ 467,635,248</b>	<b>952</b>	<b>945.92</b>

% Change from 2015-17 Leg Approved Budget

(100.0%)

0.0%

0.5%

2.3%

(14.2%)

0.0%

0.3%

(0.8%)

(0.7%)

% Change from 2017-19 Current Service Level

0.0%

0.0%

(3.2%)

0.0%

0.0%

0.0%

(1.7%)

0.2%

0.1%

\*Excludes Capital Construction Expenditures



# Legislatively Approved 2017 - 2019 Key Performance Measures

Published: 5/10/2017 9:42:35 AM

**Agency:** Consumer & Business Services, Department of

**Mission Statement:**

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

Legislatively Approved KPMs	Metrics	Agency Request	Last Reported Result	Target 2018	Target 2019
1. CUSTOMER RESPONSE TIME - Average elapsed time, in days, between a customer's initial contact with office and internal owner's communication of decision.		Approved	No Data	10	10
2. EFFECTIVE REGULATION - Percent of licensees receiving a satisfactory examination score.		Approved	No Data	98%	98%
3. OCCUPATIONAL INJURY AND ILLNESS INCIDENCE RATES - Number of occupational injury and illness cases per 100 full-time workers.		Approved	3.70	4.20	4.10
4. TIMELY WORKER BENEFITS - Percent of injured workers who receive timely benefits from insurers.		Approved	91.70%	93%	93%
5. ACCURATE WORKER BENEFITS - Percent of injured workers who receive accurate benefits from insurers.		Approved	90.60%	95%	95%
6. RE-EMPLOYMENT OF INJURED WORKERS - Difference in percentage from workers with disabling injuries from those without disabling injuries.		Approved	No Data	10%	10%
8. WORKERS' COMPENSATION COVERAGE - Number of claims against employers without workers' compensation coverage per 1,000 accepted disabling claims.		Approved	2.10	2.50	2.50
9. WORKERS' COMPENSATION INSURER PERFORMANCE - Percentage of workers' compensation insurers meeting standards for benefit delivery and reporting.		Approved	83.80%	85%	85%
10. UPHELD WORKERS' COMPENSATION DECISIONS - Percent of Workers' Compensation Board decisions affirmed on appeal to the Judiciary.		Approved	85.70%	96%	96%
11. PERMITS FOR MINOR CONSTRUCTION WORK - Number of building permits that can be used by contractors in multiple jurisdictions for minor construction work.		Approved	75,000	75,000	75,000
12. ON-TIME WORK - Percent of timelines for key department activities that are met.		Approved	86.70%	95%	95%
13. E-TRANSACTIONS FOR CUSTOMERS - Percent of customer transactions completed electronically.		Approved	64.70%	67.50%	70%
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	98.20%	93.80%	93.80%
	Availability of Information		96.30%	90%	90%
	Helpfulness		97.80%	92.80%	92.80%
	Overall		97.60%	92.60%	92.60%
	Accuracy		97.30%	92.70%	92.70%
	Timeliness		94.60%	90.40%	90.40%

Legislatively Approved KPMs	Metrics	Agency Request	Last Reported Result	Target 2018	Target 2019
1. PERFORMANCE OF FINANCIAL SERVICE ENTITIES - Percentage of financial services entities rated satisfactory or higher.		Legislatively Deleted	88%	77%	TBD
2. INSURANCE CONSUMER RELIEF - Percent of confirmed complaints resolved with relief for the consumer.		Legislatively Deleted	82.10%	75%	TBD
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.		Legislatively Deleted	8.50	11	TBD
7. WAGE RECOVERY FOR INJURED WORKERS - Difference in percentage wage recovery for workers who use return-to-work programs versus workers who do not.		Legislatively Deleted	12%	13%	TBD

**LFO Recommendation:**

The Legislative Fiscal Office recommends the approval of the Key Performance Measures and targets as presented.

**SubCommittee Action:**

The Subcommittee approved the Key Performance Measures as recommended by LFO