

Legislative Fiscal Office

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Joint Committee on Ways and Means

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To: Capital Construction Subcommittee

From: Theresa McHugh, Legislative Fiscal Office

Date: June 5, 2017

Subject: SB 1067 - Cost Containment Overview

Section 1. Review of reclassifications

Requires the Department of Administrative Services (DAS) to submit quarterly reports to the Legislature on reclassification of state positions.

Section 2. Review of long term vacancies

Requires DAS to submit annual reports to the Legislative Fiscal Officer (LFO) regarding positions that have been vacant for six months or more. Requires LFO to review the report and make recommendations to the Legislature regarding adjustments to agency position authority.

Section 3. Report on collective bargaining rollup costs and addition of steps in ranges

Includes additional reporting requirements on DAS regarding changes in compensation plans. Specifically, DAS must include proposed changes to step pay increases, cost of living adjustments, any change that has an economic effect on a salary plan, and estimates of the future full biennial cost of the changes.

Sections 4-5. Cap on state government employment based on state population

Effective January 1, 2018, reduces the cap on the number of people that may be employed by the state from 1.5% of the population to 1.0% of the population.

Section 6. Oregon State Lottery Commission transfer rate and administrative costs

Prior to each odd-numbered year session, LFO must conduct a study on the Lottery Commission's administrative costs and transfer rate to determine if it is appropriate to transfer additional funds for budget purposes.

Section 7. Procurement practice improvements

Requires a study to be conducted on current procurement practices, including current statutory exemptions from DAS procurement authority, to determine if improvements can be made to save money. The study may be in the form of an audit conducted by the Secretary of State, but, if such a study is not to be

conducted before the next regular session, the study would be conducted by the Legislative Policy and Research Office.

Section 8. Utilizing cost information in state budget development

Authorizes LFO to review and update projected current service level costs (CSL) for the legislative budget process from those used for the Governor's recommended budget preparation.

Section 9. Targets for deferred maintenance

Requires the Governor's budget to include at least 2.0% of the current replacement value of state buildings and infrastructure for deferred maintenance.

Section 10. PERS employer side accounts

Requires the Governor's budget to include recommendations regarding the ability to establish employer side accounts to help offset future PERS costs.

Section 11. PERS contingency reserve account

Reduces the PERS contingency reserve account and caps the account at \$50 million.

Section 12. PERS Determination of unfunded accrued liability

Ensures that official reporting by the PERS board and staff of the PERS unfunded accrued liability shall include the value of side accounts.

Section 13-14. State borrowing

Requires the Legislature to set a minimum project amount for bonding; projects approved under that amount would be paid for with cash rather than bonds. Also prohibits bonding for ongoing state administrative expenses.

Section 15-24. Debt collection practices

Centralizes state debt collection work and requires state agencies to assign specified liquidated debt to the Department of Revenue for collection. (The language is from SB 89.)

Section 25-26. Public Employees' Benefit Board (PEBB) and Oregon Educators Benefit Board (OEBB) merger

Requires a plan to be developed for the merger of the two boards and begins administrative consolidation.

Section 27-28. Annual growth rate limit for health benefits

Requires PEBB and OEBB to use payment methodologies and adopt policies and practices that limit health services costs to 3.4% growth each year.

Section 29-34. Limitation on benefit plan non-primary care rates

Ties rates for hospital services provided through PEBB and OEBB to a percentage of Medicare rates.

Section 35. Captions

Section 36. Emergency Clause