

Analysis

Consent Agenda – Various Agencies

Requests to Acknowledge Receipt of Agency Reports

39. Department of Consumer and Business Services - Worker's Compensation Premium Assessments

Analyst: Matt Stayner

Analysis: Although specifically exempted from the SB 333 fee ratification process, statute requires the Department of Consumer and Business Services (DCBS) to report changes in workers' compensation premium assessment rates made by the Department via administrative rule.

The report presents changes to rates impacting revenues of the Premium Assessment Operating Account (PAOA) and the Workers' Benefit Fund.

Workers' Benefit Fund revenue is primarily derived from a cents-per-hour assessment on all wages paid in Oregon. The rate is split evenly between employers and employees. A portion (1/16th of one cent) of the assessment supports a special payment to Oregon Health and Science University, Oregon Institute of Occupational Health Sciences for research on occupational illness and disease. Secondary revenue is from recovered claims costs from non-complying employers, fines, interest income, and other revenues. The fund supports a variety of programs that provide assistance to employers and injured workers. The rate is set to provide an adequate fund balance for projected claims and supported program expenditures. The rate information provided by DCBS on the cents-per-hour assessment is not required by statute to be included in the report but has been provided by DCBS as a courtesy and to provide additional context to the state of the workers' compensation system as a whole. DCBS has continued the existing rate from last year for the Workers' Benefit Fund assessment at 2.2 cents per hour. Anticipated continued reductions in expenditures from the fund due to attrition of beneficiaries from the Retroactive Program allow for the continuance of the existing rate while maintaining adequate ending fund balance.

The Premium Assessment Operating Account is funded through an assessment against the earned premiums of insurers providing workers' compensation coverage, including the State Accident Insurance Fund, private, and self-insured employers and employer groups. The assessment percentage includes a general assessment rate for all employers and additional supplemental rates charged against policies of self-insured employers, the proceeds of which fund adjustment reserve accounts. These funds are used to pay the claims of injured workers of these employers when they cannot obtain payment due to self-insured employer insolvency. The general assessment funds the Workers' Compensation Division (including the Ombudsman for Injured Workers and the Small Business Ombudsman), a portion of the Oregon OSHA program, and the Workers' Compensation Board.

Generally, the premium assessment rate results from a basic formula that divides the net planned and forecasted expenditures and transfers by the forecasted premium base, with modifications for adequate fund balance. The DCBS report notes that a reduction in one of the factors that are used to

derive premium rates (the pure-premium rate) will result in a reduction in the total assessable premiums that would have otherwise been forecasted, and would, therefore, reduce the total assessment revenue to the PAOA without an increase in the assessment rate. The increase in the 2021 assessment rate to 9.0% from the 2020 calendar year rate of 8.4% allows for adequate total assessment revenues from the reduced total amount of premiums charged to businesses by insurers.

42. Department of Administrative Services – CASA Transition Plan

Analyst: Paul Siebert

Analysis: A budget note in SB 5502 (2019) required the Department of Administrative Services (DAS) to work with the Oregon CASA Network (OCN) to develop a plan to transition oversight of CASA programs from DAS to OCN by June 30, 2023. DAS has been working on a plan to build OCN internal capacity; develop a funding allocation model that grants state funds to OCN to distribute to local CASA programs according to need; and requires local CASA programs to continue to adhere to National CASA Association standards.

To build OCN capacity the report recommends implementing National CASA Association data collection standards for all Oregon CASAs, improving financial management support by providing annual payments rather than quarterly reimbursements to CASA programs, and utilizing standardized contracts. DAS reports OCN is working on the data standards and has already implemented annual payments and standardized contracts.

DAS and OCN have already agreed to improvements to the allocation model for distributing funding to local CASAs. These allocation improvements include using a three-year rolling average based on the number of children in Department of Human Services (DHS) care in each service area and establishing a minimum grant amount (currently \$18,000 per year) to provide a baseline level of support for all programs in the state. These changes are being phased in over four years, allowing CASA programs to manage through the funding model changes.

Finally, to ensure Oregon CASAs adhere to the National CASA Standards, DAS would develop one grant agreement with OCN and the CASA programs using the contracts already in place to disburse the funding approved by the Legislature. As a condition of the grant agreement, all organizations receiving state funding would continue to adhere to National CASA Association standards and attest to continuing to do so for the duration of the grant.

43. Department of Administrative Services – Compensation Plan Adjustments

Analyst: Paul Siebert

Analysis: ORS 291.371 requires the Department of Administrative Services (DAS) to report to the Joint Committee on Ways and Means when the Legislative Assembly is in session on any changes to the state’s compensation plan. When the Legislature is not in session, the agency must report to the interim Joint Committee on Ways and Means or the Emergency Board.

DAS reports one set of compensation changes for Executive Service, Unclassified Excluded, and Management Service. Selective increases were made to salary ranges in the Deputy State Fire Marshal, State Medical Examiner, Principal Executive Manager I, and OSP officer classifications. There are no immediate cost increases associated with these adjustments because they are the result of either an increase in base salary that has a corresponding decrease in an existing differential, removal of proceeding steps with no impact to current employees, or the establishment of new pay options in anticipation of future use as a result of reclassifications.

Recommendation Summary

The Legislative Fiscal Office recommends that the Emergency Board acknowledge receipt of these three reports, en bloc.



November 2, 2020

The Honorable Senator Peter Courtney, Co-Chair
The Honorable Representative Tina Kotek, Co-Chair
Joint Emergency Board
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons:

Nature of the Request

Report to the State Emergency Board on workers' compensation premium assessments.

Overview

In 2021, Oregon employers, on average, will pay less for workers' compensation coverage. The decline in costs marks eight years of average decreases in the pure premium rate – the base rate insurers use to determine how much employers must pay for medical claims and lost wages.

Specifically, employers, on average, will pay \$1.00 per \$100 of payroll for workers' compensation insurance in 2021, down from \$1.05 in 2020. That figure covers workers' compensation claims costs, assessments, and insurer profit and expenses. The pure premium rate will drop by an average 5.6 percent. In fact, the pure premium will have declined by 48 percent during the 2013 to 2021 period.

Under the authority of Oregon Revised Statutes chapter 656, the Department of Consumer and Business Services (DCBS) is authorized to collect assessments based on workers' compensation insurance premiums from insurers, self-insured employers, and self-insured employer groups to support workers' compensation-related programs administered by the department. ORS 656.612 requires DCBS to develop the assessment through an administrative rule process and report the assessment rate to the Joint Committee on Ways and Means or the Emergency Board.

The following table shows the change in assessment adopted following a public comment period and public hearing.

Rate	Current rate	Rate effective January 2021
Premium Assessment Operating Account	8.4 percent	9.0 percent
Self-insured employers	8.5 percent	9.1 percent
Self-insured employer groups: Public sector	8.5 percent	9.1 percent
Self-insured employer groups: Private sector	8.9 percent	9.5 percent

Note: Self-insured employers and self-insured employer groups pay an additional amount to fund reserves that ensure prompt payment of claims in case of insolvencies.

Although not required by statute to include the Workers’ Benefit Fund rate in this report, DCBS believes this additional information provides context to the workers’ compensation system as a whole.

Rate	Current rate	Rate effective January 2021
Workers’ Benefit Fund	2.2 cents per hour	2.2 cents per hour

Background

The workers’ compensation system pays injured workers for lost wages and medical care for job-related injuries. The premium assessment funds regulatory programs that preserve the integrity of Oregon’s workers’ compensation system. They do so by bolstering worker protections and benefits while also helping maintain a positive business climate for Oregon employers. Programs supported by the workers’ compensation premium assessments include the Workers’ Compensation Division, the Workers’ Compensation Board, the Ombudsman for Injured Workers, the Small Business Ombudsman, and Oregon OSHA.

Oregon employers will see a key portion of their workers’ compensation costs drop by an average of 5.6 percent in 2021, the eighth consecutive decrease. The “pure premium” rate covers the portion of the premium employers pay insurers to cover claim costs for job-related injuries and deaths. Driving the average decrease in the pure premium are lower medical care costs and less severe claims. Pure premium reflects only a portion of workers’ compensation costs, but is the key factor behind annual cost changes. The decrease is an average, so an individual employer may see a larger decrease, no change, or even an increase, depending on the employer’s own industry, claims experience, and payroll.

The premium assessment is a percentage of total premiums collected. Insurers collect these assessments from each covered employer. Since the basis for the assessment (premium) has been declining steadily over a number of years, the forecasted premium assessment revenues are also declining.

To maintain stable funding and current service levels for programs that support the workers’ compensation system, DCBS has increased the premium assessment rate to 9.0 percent, with slightly higher assessments for self-insured employers and self-insured groups to fund their specific reserve funds. Even at a higher rate, anticipated revenue declines due to the recession means the assessment increase only partially covers current service levels. Despite the increase in assessments, the average employer will pay \$1.00 per \$100 of payroll for their insurance premiums and assessments, down from \$1.05 in 2020.

Oregon's workers' compensation premium rates have ranked low nationally for many years. Only five states had average rates lower than Oregon in 2018, according to a biennial study conducted by DCBS. At the same time and in contrast to changes made in some other states, Oregon has also maintained robust worker benefits.

The Workers' Benefit Fund revenue is primarily derived from a cents-per-hour assessment on all wages paid in Oregon. The rate is split evenly between employers and employees. The fund supports statutorily authorized programs that provide return-to-work programs for injured workers, benefits to widows and children of workers killed on the job, benefits to permanently and totally disabled workers, and benefits to workers injured while working for an employer that failed to have proper insurance. The rate is set to provide a statutorily required fund balance and pay for projected claims and supported program expenditures.

The Workers' Benefit Fund assessment for 2021 is unchanged at 2.2 cents per hour. This rate was set anticipating use of fund balances and continued reductions in expenditures due to attrition of beneficiaries in some programs.

Action Requested

DCBS respectfully requests that the Joint Emergency Board acknowledge receipt of this report for employer and injured worker programs.

Legislation Affected

None.

Sincerely,



Andrew R. Stolfi
Director



Oregon

Kate Brown, Governor

Department of Administrative Services

Office of the Chief Operating Officer

155 Cottage Street NE

Salem, OR 97301

PHONE: 503-378-3104

FAX: 503-373-7643

November 3, 2020

The Honorable Senator Peter Courtney, Co-Chair
The Honorable Representative Tina Kotek, Co-Chair
State Emergency Board
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons,

Nature of Request

The Department of Administrative Services (DAS) submits a report on the transition plan to support the Oregon CASA Network (OCN).

Agency Action

A budget note in Senate Bill 5502 (2019 Legislative Session) required DAS to work with OCN to develop a plan transitioning oversight of CASA programs from DAS to OCN by June 30, 2023. The plan must identify activities which would help OCN build internal capacity; develop a funding allocation model that passes state funds through a state agency to OCN to distribute to local CASA programs according to need; and require local CASA programs to continue to adhere to National CASA Association standards. These three items are presented below.

Build OCN Internal Capacity

The simplest way to ensure OCN success is to allow their sole staff person, an Executive Director, to use their time in the most productive way to build internal capacity.

One option to reduce work not focused on supporting CASA programs is to amend ORS 184.492 to remove the ability for DAS to impose obligations not legislatively approved on OCN and CASA programs. OCN has identified a legislator interested in exploring this recommendation further.

The next item to address internal capacity is data collection. While the National CASA Association sets data collection standards, there is an opportunity for OCN and CASA programs to standardize the data collection of the meaningful work CASAs do. Successful techniques in one area could be copied in others, and troubling data points could be quickly addressed. OCN is working with the National CASA Association to implement this recommendation.

Improved financial management supports are the final item recommended to support organizational capacity for both OCN and the CASA programs. These supports include providing annual payments, rather than quarterly reimbursements, to CASA programs. The second is providing standardized contracts to OCN and CASA programs. By standardizing the contracts, the year and dollar amounts change, but all parties are not forced into new obligations or unfamiliar contracts biennially. DAS and OCN have already implemented both of these steps.

Funding Model Allocations

There were three main problems with the CASA allocation model prior to the 2019-21 biennium:

- 1) CASA programs were provided funding depending on the number of children in their county or counties, not on the actual number of children in need of CASA services.
- 2) There was no minimum amount of funding provided to each program, leaving more rural areas or smaller populations at a disadvantage.
- 3) CASA programs were concerned that any change to the funding allocation model would be abrupt enough that it may cause program closures.

OCN and CASA programs met and voted on a series of changes to the model with DAS agreeing to implement to agreed-to changes in the 2019-21 biennium.

- 1) CASA programs would be funded according to a three year rolling average based on the number of children in DHS care in their service area reflecting the actual need for services.
- 2) CASA programs would receive a minimum of \$18,000 per year. While this in effect reduced money from larger CASA programs in areas with more children in care, it provided a baseline level of support for all programs in the state.
- 3) These changes would be phased in over a four year period, allowing CASA programs to manage through the funding model changes.

National CASA Standards

Moving forward, DAS recommends that it continues to be the pass-through entity of the state. DAS would develop one grant agreement with OCN and the CASA programs using the contracts already in place to disburse the funding approved by the Legislature. We also recommend that as a condition of the grant agreement, all organizations funded continue to adhere to National CASA Association standards and attest to continuing to do so for the duration of the agreement.

Action Requested

Acknowledge receipt of the report.

Legislation Affected

None.

Sincerely,



Katy Coba
DAS Director | Chief Operating Officer

CC: Dustin Ball, Department of Administrative Services
Paul Siebert, Legislative Fiscal Office



Oregon

Kate Brown, Governor

Department of Administrative Services

Office of the Chief Operating Officer

155 Cottage Street NE

Salem, OR 97301

November 3, 2020

The Honorable Peter Courtney, Co-Chair
The Honorable Tina Kotek, Co-Chair
Joint Emergency Board Committee
900 Court Street NE
H-178 State Capitol
Salem, Oregon 97301-4048

Dear Co-Chairpersons:

Nature of Request

The Department of Administrative Services (DAS) submits the following report prior to implementation of compensation plan changes and position allocations, as required by ORS 291.371.

Agency Action

Section A: Implements compensation plan changes for the Executive Service, Unclassified Excluded, and Management Service.

Action Requested

The Department of Administrative Services requests acknowledgement of this report as required by ORS 291.371.

Legislation Affected

None.

Sincerely,

Katy Coba
DAS Director | Chief Operating Officer

Attachments

CC: Dustin Ball, Department of Administrative Services
Paul Siebert, Legislative Fiscal Office

SECTION A

Implements compensation plan changes for the Executive Service, Unclassified Excluded, and Management Service.

- 1) Effective December 1, 2020, selectively increase the following classifications as indicated:

Class	Pay/Rng Option	Class Title	SR	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10
5562	AA	Supervising Deputy State Fire Marshall	32	6439	6758	7089	7447	7811	8205	8608	9028	9479	
5562	AP	Supervising Deputy State Fire Marshall	32	6886	7227	7581	7963	8354	8774	9204	9656	10138	
7508	AA	State Medical Examiner	50	21161									
7508	AP	State Medical Examiner	50	22632									
7573	AA	OSP Lieutenant	35X								10442	10966	11505
7573	AP	OSP Lieutenant	35X								11168	11728	12305
7574	AA	OSP Captain	38X	12660									
7574	AP	OSP Captain	38X	13567									
7575	AA	OSP Major	40X	13687									
7575	AP	OSP Major	40X	14638									

- 2) Effective December 1, 2020, establish the Pay Option E for the Principal Executive Manager I as follows:

Class	Pay/Rng Option	Class Title	SR	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10
7014	EA	Principal Executive Manager I	42X	9948	10451	10973	11507	12084	12690	13324	13990	14690	15424
7014	EP	Principal Executive Manager I	42X	10639	11177	11736	12306	12923	13571	14250	14963	15711	16497

There are no costs associated with these changes. They are all the result of either an increase in base salary that has a corresponding decrease in a pay line compression/pay line exception differential, removal of proceeding steps with no impact to current employees, or the establishment of a new pay options in anticipation of future use as a result of reclassifications.

SECTION A	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds
2019-2021 Cost:	-	-	-	-	-
Roll-up Cost:	-	-	-	-	-
2021-2023 Cost:	-	-	-	-	-