

HB 2005 A BUDGET REPORT and MEASURE SUMMARY

Joint Committee On Ways and Means

Prepared By: Michelle Lisper, Department of Administrative Services

Reviewed By: Michelle Deister and Kim To, Legislative Fiscal Office

**Employment Department
2019-21**

**Department of Justice
2019-21**

**Department of Administrative Services
2019-21**

PRELIMINARY

Budget Summary*

	2017-19 Legislatively Approved Budget ⁽¹⁾	2019-21 Current Service Level	2019-21 Committee Recommendation	Committee Change from 2017-19 Leg. Approved	
				\$ Change	% Change
Employment Department					
General Fund	\$ -	\$ -	\$ 15,688,586	\$ 15,688,586	100.0%
Total	\$ -	\$ -	\$ 15,688,586	\$ 15,688,586	100.0%
Department of Justice					
Other Funds Limited	\$ -	\$ -	\$ 219,016	\$ 219,016	100.0%
Total	\$ -	\$ -	\$ 219,016	\$ 219,016	100.0%

Position Summary

Employment Department

Authorized Positions	0	0	33	33
Full-time Equivalent (FTE) positions	0.00	0.00	20.75	20.75

Department of Justice

Authorized Positions	0	0	1	1
Full-time Equivalent (FTE) positions	0.00	0.00	0.75	0.75

Summary of Revenue Changes

HB 2005 adds a new General Fund appropriation of \$15,688,586 to the Oregon Employment Department's (OED) 2019-21 biennium budget. The General Fund appropriation is to be used to cover start-up costs for establishing a family and medical leave insurance (FAMLI) program to provide employees who are eligible for coverage with a portion of their wages, while the employee is out on family or medical leave. The appropriation is reimbursable to the General Fund, without interest, when the Department determines the balance in the FAMLI Fund is sufficient, but no later than January 1, 2023.

The bill increases the Department of Justice General Counsel Division's Other Funds expenditure limitation by \$219,016 to support various legal services to agencies related to the implementation of this bill.

Summary of Capital Construction Subcommittee Action

HB 2005 creates a paid family and medical leave insurance (FAMLI) program to be administered by OED, or a third party contract with OED, to provide employees compensated time off from work to care for and bond with a child during the first year of the child's birth or arrival through adoption or foster care; to provide care for a family member who has a serious health condition; to recover from their own serious health condition; and to take leave related to domestic violence, stalking, sexual assault, or harassment (safe leave).

The measure establishes the following operative dates:

- Rules will be established no later than September 1, 2021.
- Contributions will be collected beginning January 1, 2022.
- Benefits are payable beginning January 1, 2023.
- The measure takes effect on the 91st day after sine die, assumed to be October 1, 2019.

The estimated expenditures associated with the new General Fund appropriation for OED represents only those expenditures for planning and designing the FAMLI program. Ongoing administrative costs, the cost of FAMLI benefits, the cost of contributions for the state as an employer, and other costs are indeterminate until the OED establishes rules and operational processes for the program. General Fund, Other Funds expenditure limitation, and authorization to establish position authority are listed within the agencies below. Additionally, this bill includes instructions for the Department of Administrative Services through a Budget Note within this report.

Employment Department (OED)

The Subcommittee recommended a new \$15,688,586 General Fund appropriation, creating a new division within OED for the 2019-21 biennium budget. The new division will plan, create, and administer the new statewide FAMLI program or conduct research to examine the efficacy of contracting with a third party to administer the program. This appropriation provides funding to establish eight permanent full-time positions (6.58 FTE), and 25 full-time limited duration positions (14.17 FTE), as well as associated Services and Supplies costs related to these positions. Personal Services costs are estimated at \$4,380,586 General Fund and Services and Supplies costs are estimated at \$11,308,000. The Subcommittee directed the Department of Administrative Services Chief Financial Office (CFO) to unschedule \$ 10,939,992 General Fund. The General Fund balance may be rescheduled incrementally throughout the 2019-21 biennium, requiring approval from both CFO and the Legislative Fiscal Office.

An initial planning team consisting of 13 positions at OED will oversee the development of the programs rules and functions as specified in the bill. OED anticipates hiring these positions between October and December of December 2019. Eight positions associated with following functions are assumed to be permanent: (1) FAMLI Director; (2) Executive Support Specialist; (3) Information Systems Project Manager; (4)

Business Analyst; (5) Third Party & Other State Solutions Analyst; (6) FAMLI Insurance Fund Actuary, (7) Budget Analyst; and (8) Senior Analyst/Project Lead Architect.

A second team of 20 positions (10.21 FTE) is estimated to be added in March 2020 and will begin the tasks related to establishing on-going operations and planning for the information technology solution. Unless specified above, the positions are designated as limited duration, pending the presentation and evaluation of a more detailed implementation plan to the Legislature in February 2020.

The Subcommittee approved the following Budget Note:

Budget Note:

To ensure the successful planning, management, and implementation of the Family and Medical Leave Insurance (FAMLI) program, the Employment Department is directed to conduct a risk assessment of its capacity to plan, manage and implement multiple major IT projects simultaneously, and report back to the Legislature prior to the 2020 legislative session on risk assessment findings and potential strategies -- including changes to anticipated implementation timelines -- to meet the objectives of both the FAMLI project, and the unemployment insurance tax system modernization project.

In addition, the Employment Department is directed to obtain qualified business project managers, systems analysts, and other consulting contractors with experience in planning projects of this type, scope, duration, and magnitude. The Employment Department is further directed to work closely with, and regularly report project status to, the Office of the State Chief Information Office (OSCIO) and Legislative Fiscal Office (LFO) throughout the lifecycle of the project, reporting to the Legislature as requested, and follow the Joint State OSCIO/LFO Stage Gate Review Process, utilizing all associated reporting and project management protocols throughout the life of the project.

Department of Justice (DOJ)

The Subcommittee recommended \$219,016 Other Funds expenditure limitation and the establishment of one permanent, full-time Assistant Attorney General position (0.75 FTE) with associated Services and Supplies. The position and funding are for the General Counsel Division to support various legal services needs of agencies related to the implementation of HB 2005. The Department of Justice (DOJ) will bill the agencies for actual legal services provided under the standard legal services hourly billing model, which also includes an administrative overhead charge. The cost for the 2021-23 biennium is estimated to be \$327,624 Other Funds (1.00 FTE).

Department of Administrative Services

The Subcommittee approved the following Budget Note on how to the state's current payroll system may need to be updated to operationalize the paid family leave program:

Budget Note:

The Department of Administrative Services is to report to the Joint Legislative Committee on Information Management and Technology and the Joint Committee on Ways and Means during the 2020 legislative session on the scope, duration, and cost estimates associated with making HB 2005 required changes to the current, legacy Oregon State Payroll System. The report should include a comparison of the operational, financial, and schedule impacts associated with making HB 2005 required changes to the current system and how they will be addressed within the new Oregon State Payroll System as it is deployed.

PRELIMINARY

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

**Employment Department
Department of Justice
Michelle Lisper -- 971-283-6360**

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
<u>SUBCOMMITTEE RECOMMENDATIONS</u>									
Employment Department									
SCR 471-XXX - Paid Family Medical Leave									
Personal Services	\$ 4,380,586	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,380,586	33	20.75
Services and Supplies	\$ 11,308,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,308,000		
Department of Justice									
SCR 137-050 - General Counsel									
Personal Services	\$ -	\$ -	\$ 171,025	\$ -	\$ -	\$ -	\$ 171,025	1	0.75
Services and Supplies	\$ -	\$ -	\$ 47,991	\$ -	\$ -	\$ -	\$ 47,991		
TOTAL ADJUSTMENTS	\$ 15,688,586	\$ -	\$ 219,016	\$ -	\$ -	\$ -	\$ 15,907,602	34	21.50
SUBCOMMITTEE RECOMMENDATION *	\$ 15,688,586	\$ -	\$ 219,016	\$ -	\$ -	\$ -	\$ 15,907,602	34	21.50

PRELIMINARY