

## ANALYSIS

### Item 71: Oregon Board of Dentistry DAS Shared Financial Services Transition

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**Analyst:** Emily Coates

**Request:** Acknowledge receipt of a report on transitioning the budget and accounting services for the Oregon Board of Dentistry currently provided by the Oregon Medical Board to the Department of Administrative Services.

**Analysis:** Currently, the Oregon Board of Dentistry (OBD) receives budget, accounting, and human resources support from the Oregon Medical Board (OMB) through an interagency agreement. During the 2023 legislative session, there was discussion of transitioning services from OMB to the Department of Administrative Services (DAS). A budget note was included in HB 5011 (2023), OBD's budget bill:

***Transition to the Department of Administrative Services Shared Financial Services***

*The Oregon Board of Dentistry, in consultation with the Department of Administrative Services Chief Financial Office and Oregon Medical Board, shall review the most cost effective and programmatically efficient approach to transition its budget and accounting services from the Oregon Medical Board to the Department of Administrative Services, Shared Financial Services beginning in the 2025-27 biennium. The agency shall submit a report to the Interim Joint Committee on Ways and Means or Emergency Board before January 2024 on its findings and include for consideration a plan to complete the transition in the most cost effective and efficient way, including the workload impact on both the Oregon Medical Board and DAS SFS.*

Outlined in the budget note above, the Board was directed to review the most cost effective and programmatically efficient approach for transitioning its budget and accounting services from OMB to DAS Shared Financial Services (SFS). Transitioning these services to DAS SFS would provide the Board with more enhanced and dedicated budget and accounting support. The agencies report that the most efficient timeline for the transition would be July 1, 2024, allowing OMB to close out fiscal year 2023 and DAS SFS to collaborate with OBD during the development of the 2025-27 budget.

OMB currently charges the Board \$1,350 per month for financial services, and DAS SFS has agreed to maintain this rate through the 2023-25 biennium. However, beginning July 1, 2025, OBD will be subject to DAS SFS's full-service rate of \$4,166 per month. DAS SFS has the capacity and capability to provide these services to OBD and does not require additional resources.

Although no budget adjustments are necessary for the transition, the Board anticipates the need for a fee increase during the 2025-27 biennium due to the increased financial services costs and recently approved cost-of-living adjustments for state employees. In addition to budget and accounting services, OMB provides human resources support which will also transition to DAS beginning July 1, 2025.

**Recommendation:** The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means acknowledge receipt of the report, with the understanding that the Oregon Board of Dentistry will transition budget and accounting services from the Oregon Medical Board to the Department of Administrative Services, effective July 1, 2024.

**Request:** Report on the transfer of budget and accounting services from the Oregon Medical Board to the Department of Administrative Services, Shared Financial Services by the Oregon Board of Dentistry.

**Recommendation:** Acknowledge receipt of the report.

**Discussion:** Oregon Board of Dentistry (OBD) is submitting a report, per a budget note in the budget report for House Bill 5011 (2023). The following is the budget note requiring a report on the plan to transfer budget and accounting services from Oregon Medical Board (OMB) to the Department of Administrative Services, Shared Financial Services (DAS SFS).

**Budget Note:**

The Oregon Board of Dentistry, in consultation with the Department of Administrative Services Chief Financial Office and Oregon Medical Board, shall review the most cost effective and programmatically efficient approach to transition its budget and accounting services from the Oregon Medical Board to the Department of Administrative Services (DAS), Shared Financial Services (SFS) beginning in the 2025-27 biennium. The agency shall submit a report to the Interim Joint Committee on Ways and Means or Emergency Board before January 2024 on its findings and include for consideration a plan to complete the transition in the most cost effective and efficient way, including the workload impact on both the Oregon Medical Board and DAS SFS.

OBD plans to transition its budget and accounting services from OMB to DAS SFS in the Spring of 2024. DAS SFS will take sole responsibility for budget and accounting services on July 1, 2024. This transitional period will allow for a smoother transition, over an end of biennium transition, and is necessary due to the complexity and timing of the work. OMB currently charges \$1,350 a month for services and DAS SFS has agreed to honor this rate through the end of 2023-25 biennium. The total cost for accounting and budgeting services in the current biennium will be \$30,215. Beginning July 1, 2025, OBD will need to pay the full DAS SFS rate for services, using 2023-25 rates this would be a total cost of \$99,984 for a full biennium.

OBD most recently increased fees on July 1, 2023, however, even with this increase, OBD's projected ending balance was only approximately three months of operating expenses. OBD prefers to have an ending balance of closer to six months due to irregular revenue stream. The increased cost of financial services will have an impact on OBD's budget, and the agency will likely need to consider a fee increase in the 2025-27 biennium as well. However, the transfer of services will also result in OBD having access to a more complete range of budget and accounting services.



# Oregon

Tina Kotek, Governor

## Board of Dentistry

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**December 4, 2023**

Senator Elizabeth Steiner, Co-Chair  
Representative Tawna Sanchez, Co-Chair  
Joint Interim Committee On Ways and Means  
900 Court Street NE  
H-178 State Capitol  
Salem, OR 97301

Dear Co-Chairs:

### **Nature of the Request**

The Oregon Board of Dentistry (OBD) was directed to provide a report based on a Budget Note in the OBD's 2023-25 budget report. The report addresses findings from reviewing the most cost effective and programmatically efficient approach to transition its budget and accounting services from the Oregon Medical Board (OMB) to the Department of Administrative Services (DAS), Shared Financial Services (SFS).

### **Agency Action**

The OBD met with DAS SFS and OMB staff on September 25<sup>th</sup>, 2023, to discuss the Budget Note. Since 2015, OBD and OMB have had an Inter-Agency Agreement (IAA) in place, which specifies support from the OMB in areas of accounting and budgeting along with human resources and an option for IT support. Prior to 2015, OBD utilized DAS SFS, deciding to transition services to OMB to reduce cost of these services. OBD, DAS SFS, and OMB created a plan to transition budgeting and accounting services back to DAS SFS.

### **Action Requested**

The Oregon Board of Dentistry requests that you acknowledge receipt of this report.

### **Legislation Affected**

None

Sincerely,

Stephen Prisby  
OBD Executive Director

*The Mission of the Oregon Board of Dentistry is to promote quality oral health care and protect all communities in the State of Oregon by equitably and ethically regulating dental professionals.*

December 4, 2023

Transfer of Accounting Services from OMB to DAS SFS

A Report to the Joint Interim Committee on Ways and Means  
Committee

Oregon Board of Dentistry  
Executive Director: Stephen Prisby

The Oregon Board of Dentistry (OBD) was directed to provide a report based on a Budget Note in the OBD's 2023-2025 Budget shown here:

### **Budget Notes**

#### **Transition to the Department of Administrative Services Shared Financial Services**

The Oregon Board of Dentistry, in consultation with the Department of Administrative Services Chief Financial Office and Oregon Medical Board, shall review the most cost effective and programmatically efficient approach to transition its budget and accounting services from the Oregon Medical Board to the Department of Administrative Services (DAS), Shared Financial Services (SFS) beginning in the 2025-27 biennium. The agency shall submit a report to the Interim Joint Committee on Ways and Means or Emergency Board before January 2024 on its findings and include for consideration a plan to complete the transition in the most cost effective and efficient way, including the workload impact on both the Oregon Medical Board and DAS SFS.

### **Background**

On September 25, 2023, the OBD convened a meeting with appropriate DAS Shared Financial Services (DAS SFS) and Oregon Medical Board (OMB) staff to discuss the Budget Note. Since 2015, OBD and OMB have had an Inter-Agency Agreement (IAA) in place, which specifies support from the OMB in areas of accounting and budgeting along with human resources and an option for IT support. Prior to 2015, OBD utilized DAS SFS, deciding to transition services to OMB to reduce cost of these services. This report is focused on the specifics of the budget note, which is the transition of budget and accounting services from OMB to DAS SFS.

### **Discussion**

During conversations between OBD, DAS SFS and OMB it was determined that transitioning OBD to DAS SFS mid-biennium would create a smooth transition of services. Both parties indicated a transition at the close of a biennium would be difficult as accounting entries continue for several months past the biennium. Additionally, an earlier transition will allow DAS SFS to work with OBD during the 2025-27 budget build. DAS SFS will provide a wider range of services than OMB was asked to provide. OMB did not receive additional FTE when taking on OBD's accounting services and was providing those services on top of their own budgeting and accounting work. OBD shifting to DAS SFS will provide them a more complete range of services and allow OMB to return to the workload they are budgeted for.

Due to the complexity of the work, both DAS SFS and OMB would utilize a several month transition period prior to the full transition. The plan under consideration is to begin the transition of OBD's accounting and budgeting needs from OMB to DAS SFS in the spring of 2024, and then have SFS take on full responsibility for these services on July 1, 2024. This plan will create a smooth transition in the current biennium, allowing DAS SFS to be well informed during the building of the 2025-27 budget and provide its best service the OBD in future biennia.

OMB currently charges \$913/month for budgeting and accounting services and will increase charges to \$1,350/month on Dec 1, 2023. This is approximately \$30,215 in the 2023-25 Biennium. During the transitional period in the spring, OBD would only pay for services from OMB and would not be charged by DAS SFS. Beginning July 1, 2024, DAS SFS would honor the \$1,350/month rate for services through the end of the biennium, June 30, 2025. Beginning with the new biennium, July 1, 2025, OBD would need to begin paying the full cost rate to DAS

SFS. For the 2023-25 biennium that rate is \$4,166/month. This rate would be subject to change for the 2025-27 biennium, but estimates using the current rate would indicate OBD would be charged approximately \$100,000 for the 2025 -27 biennium. The chart below shows costing for the 2023-25 biennium versus potential costs for the 2025-27 biennium.

**OBD Financial Services Costs**

	<b>2023-2025 Biennium</b>		<b>2025-2027 Biennium</b>
<b>Time Period</b>	7/23-11/23	12/23-6/25	7/25-6/27
<b>Financial Services Monthly Fee</b>	\$913	\$1,350	\$4,166
<b>Biennium Total Cost</b>	\$30, 215		\$99,984

**Concerns**

The ending balance for OBD for the 2023-25 biennium was forecast to be \$587,411, or 3.4 months of reserves when the budget was approved in June 2023. OBD has set a target goal of 6 months of reserves, with 3 months as the minimum amount needed. This minimum operating reserve is necessary due to uneven revenue streams, resulting from licensee renewal periods occurring twice per year. If DAS SFS takes over accounting and budget support, then the additional expense of approximately \$70,000 will also reduce ending balance further. Adding considerations for the increase in payroll from the new collective bargaining agreements and other budget expense adjustments, the ending balance could be as low as \$370,000, or 2.1 months of reserves, for 2023-25. The transition to DAS SFS will likely require the OBD to enact another fee increase during the 2025-27 biennium.

**Conclusion**

OBD plans to transition its accounting and budgeting services from OMB to DAS SFS in the spring of 2024 and the responsibility to provide services will rest solely with DAS SFS beginning July 1<sup>st</sup>, 2024. DAS SFS has the capacity and capability to take on this workload and provide excellent service to OBD. OMB will be able to reduce its financial services workload back to the amount it was originally budgeted for. OBD will only be charged by OMB until the transition is complete, and DAS will charge the currently budgeted OMB rates through the end of the biennium to help with the transition. Beginning July 1, 2025, DAS SFS will charge the full cost rate. This increased cost will have a significant effect and combined with other facts will result in a fee increase for OBD in the 2025-27 biennium. While the proposed plan is not perfect, it is the best course available to OBD. Additional agency information can be found in the following appendix.

## Appendix

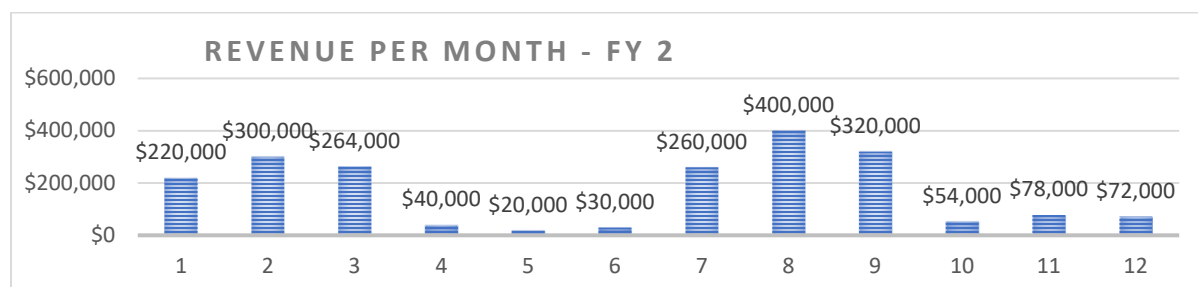
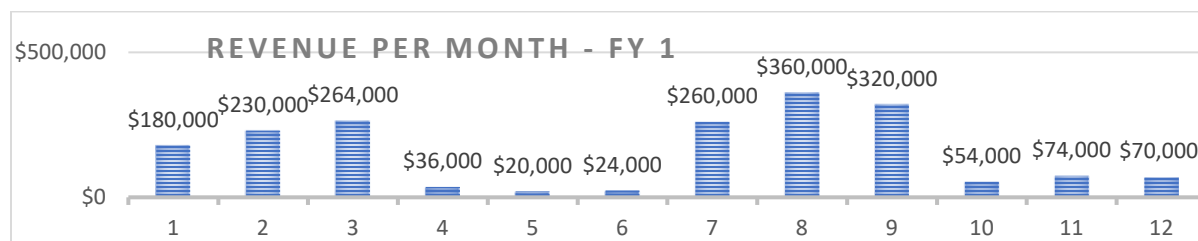
### Revenue

Revenue for OBD is primarily (96%) derived from applications and renewals of licenses. The forecast indicates licensee growth will continue to be flat and will not increase enough to offset increased expenses. OBD implemented a modest fee increase on August 1, 2023, which was estimated to increase revenue approximately \$365,000 in the 2023-25 biennium. Prior to that, the last fee increase was in 2015. OBD also added a new license, dental therapy licenses, which have yet to add to the revenue stream in a significant manner.

**OBD Licensees by Year and Type**

	2019	2020	2021	2022	2023*	2024*	2025*	2026*	2027*
<b>Dental Licenses</b>	3,904	3,863	3,826	3,737	3,750	3,800	3,850	3,900	3,950
<b>Hygiene Licenses</b>	4,314	4,300	4,237	4,208	4,250	4,300	4,350	4,400	4,450
<b>Dental Therapy Licenses</b>	0	0	0	11	20	50	70	90	110
<b>Total Licenses</b>	8,218	8,163	8,063	7,956	8,020	8,150	8,270	8,390	8,510

Licenses regulated by the Board are issued to expire every two years. Every year, half of the dentist licensees renew their 2-year licenses between January and March. Every year, half of the dental hygienist licensees and dental therapist licensees renew their 2-year licenses between July – Sept 30. This results in OBD having four periods across the biennium when most of the revenue is generated. Due to this cyclical revenue flow OBD needs to maintain a minimum beginning balance of 3 months (ideally closer to 6 months) of operating expenses at the beginning of every biennium. Example of the uneven revenue typically received per Fiscal Year (FY) is shown below:



## **Expenses**

All State agencies are challenged to manage their resources in an inflationary environment with growing costs across all agencies and services. OBD is anticipating an increase of over \$100,000 to account for collective bargaining agreement adjustments alone. Though the needed expenditure limitation will be increased by the Legislature, OBD must cover the additional expense within existing revenue or increase fees to gain additional revenue.

OBD was proactive in the development of its current 2023-25 budget and is reducing one investigator position from 1.0 FTE to 0.5 FTE in January 2024 to help cover cost increases in other areas. This change is estimated to save the agency over \$90,000 during the 2023-25 biennium. With the increases to accounting and budgeting service expenditures along with other increasing expenses, OBD will not be able to reach its goal of a 6-month beginning balance by the end of the biennium.