

Consumer and Business Services

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
General Fund	1,268,561	12,464,196	12,557,108	77,976	--
Other Funds	352,316,992	382,343,491	391,677,192	304,600,426	417,099,485
Other Funds (NL)	161,972,803	172,013,483	173,819,907	186,012,644	186,012,644
Federal Funds	112,256,327	118,285,014	126,930,616	14,981,339	135,023,651
Total Funds	627,814,683	685,106,184	704,984,823	505,672,385	738,135,780
Positions	957	950	950	950	973
FTE	949.73	941.15	941.15	948.00	968.07

* Includes Emergency Board and administrative actions through December 2022.

Program Description

The Department of Consumer and Business Services (DCBS) provides a broad range of consumer protection, health insurance access, and commercial regulatory services for the state. DCBS is organized into the following program areas plus central services and administration:

- Workers' Compensation System (WCS) – Includes the Workers' Compensation Board, the Workers' Compensation Division, and the Oregon Occupational Safety and Health Administration (OR-OSHA). Approximately 49% of the agency's full-time equivalent (FTE) staff is housed in these three programs. WCS administers the Workers' Benefit Fund supporting payments to injured workers in the event that their employer failed to provide coverage, for benefit increases to permanently- and totally-disabled workers, for benefits for the survivors of workers killed in workplace injuries, and also funds return-to-work programs for injured workers. WCS additionally maintains reserve accounts to finance workers' compensation payments to employees when self-insured employers become insolvent and are unable to make the payments. Approximately 10% of workers are employed by self-insured employers. Expenditures from these reserve funds and the Workers' Benefit Fund are Other Funds Nonlimited.
- Division of Financial Regulation (DFR) –The Division enforces the state's Insurance Code, including the review and approval of certain premium rates and the licensing of insurance companies (including financial regulation), agents, adjusters, and consultants, and assists consumers in resolving complaints against agents and companies. Additionally, DFR regulates state-chartered financial institutions (banks, credit unions, consumer finance companies, mortgage lenders, pawnbrokers, check cashers) and the sale of securities in the state (including the licensing of individuals who sell, advise, or manage investment securities). The Division also regulates prepaid funeral plans and maintains a reserve account to support consumers when these plans become insolvent or default on their obligations. Approximately 18.2% of the agency's FTE is housed in this Division.
- Building Codes Division – Enforces the laws and develops codes related to the building of structures and dwellings, manufactured structures, RV parks and tourist facilities, plumbing, elevators, amusement rides, electrical safety, and boilers and pressure vessels. Approximately 14.1% of the agency's FTE is housed in the Buildings Codes Division.

CSL Summary and Issues

The current service level budget of \$505.7 million for DCBS decreases sharply from the legislatively approved budget. The \$183.3 million, or 26.6% reduction, primarily results from the phasing out of the following one-time funded programs:

- *Division of Financial Regulation:* Phases-out \$105.3 million in Other Funds expenditure limitation and \$104.4 million in Federal Funds expenditure limitation for administration and insurer payments of the Oregon Reinsurance Program. The expenditure limitations and administrative position authorizations are re-established in policy option package 102 at the projected required funding level for the 2023-25 biennium.
- *Workers Compensation Programs:* Phases-out \$2.9 million one-time federal OSHA grant funding from the U.S. Department of Labor funding activities related to COVID-19.
- *Building Codes Division:* Phases-out \$10.7 million in one-time General Fund appropriation and one position (1.00 FTE) related to the Wildfire Recovery Initiative, a program to incentivize fire hardening for rebuilding and repairing structures damaged in the 2020 wildfires.

Other formula driven budget adjustments include:

- Net impact of the biennialization of position actions and the elimination of limited duration positions; \$21.5 million
- A Nonlimited Other Funds services and supplies increase of \$14 million adjustment was made to the Workers' Benefit Fund due to a combination of inflation and increases in benefit utilization.
- Standard inflation factor of 4.2% applied to most Services and Supplies and extraordinary inflation for certain authorized items resulted in a \$5.5 million increase in expenditures included in the current service level.

Policy Issues

Workers' Compensation Modernization IT Project

In 2019 the Workers' Compensation Division created a Modernization Program to provide strategic leadership and oversight for process, system, and application improvements. This program took an agency wide look at business processes and systems to determine which projects will create the greatest value to agency's stakeholders and customers.

Based on recommendations from the Joint Interim Committee on Information Management and Technology the agency received an increase of \$1.7 million Other Funds budget limitation in the 2019-21 legislatively adopted budget to hire a permanent program manager and contract IT support to work on the initial work required for the business case and stage-gate certification, including a program road map. In addition, the agency received an increase of \$1.5 million Other Funds expenditure limitation in 2021-23, funded from the Workers' Compensation Premium Assessment fund balance to continue work towards stage-gate 2 certification from the Department of Administrative Services (DAS) Enterprise Information Services for the first major project. This project implements the main system foundation that serves as the base for four future projects which will support the division's various program areas.

Initial project implementation requires a year-long request for proposal (RFP) process as well as project planning and change management preparation. The RFP process is expected to begin in Summer 2023, with the goal of system implementation beginning in Summer 2024. Stage-gate 2 certification for the main system foundation project is anticipated later in the 2023-25 biennium. Completion of this project is currently programmed for the end of 2025.

The agency is proposing to fund the initial project implementation in the 2023-25 biennium through policy package 101. This would continue funding for the RFP process, expected to be completed in Summer 2024. When completed, the RFP process will inform what additional resources are needed to complete the core project implementation phase. The agency plans to return to the legislature with a request for implementation funding. Currently, RFP completion costs for 2023-25 are estimated at \$6 million, paid for by the Workers Compensation Premium Assessment.

Prescription Drug Affordability

Over the past two biennia, the agency has been given an increasing consumer protection role in the prescription drug market. In an effort to help moderate prescription drug prices, the state passed the Prescription Drug Price Act (HB 4005) in 2018 which required pharmaceutical manufacturers and health insurers to file reports on prescription drug pricing. Later, House Bill 2658 (2019) was passed adding more reporting requirements for pharmaceutical manufacturers. As a result, the agency's Division of Federal Regulation (DFR) created the Drug Price Transparency program to provide oversight and produce the annual Prescription Drug Price Transparency Report. The program's first report came out in the Fall of 2019.

In the 2021 Legislative Session, the Oregon Legislature approved Senate Bill 844 establishing the Prescription Drug Affordability Board charged with identifying nine prescription drugs and at least one insulin product, which are creating affordability challenges or high out of pocket costs for patients in Oregon. The Board is to hold annual public hearings on the selected drugs and report to the Oregon Legislature on its findings. The Board will also study the prescription drug distribution and payment system and make recommendations on policies designed to lower the price of those drugs. The agency was appropriated one-time General Fund of \$3 million to get the Board started with the expectation it would be self-supporting in future biennia through fees collected from the prescription drug manufacturers, but rates have not yet been established. Policy package 106 establishes the Other Funds expenditure limitation necessary to continue the Board as self-supporting through fees.

Oregon OSHA Funding

As in previous budget cycles, Oregon OSHA's is facing a revenue shortfall in 2023-25 due to flat federal grant funding but increasing personal services costs. In past biennia, Oregon OSHA has requested these shortfalls be backfilled with Other Funds revenues, but they have not done so this biennium due to an unusually high supplemental Federal Funds allocation in the 2022 fiscal year.

Oregon OSHA is requesting additional Other Funds expenditure limitation (pkg 118) to pay for their move from their long-time occupational safety and health lab in Portland to a new DAS-owned lab in Wilsonville. The program has expressed concern about the cost of the move and the increase in rent due to competing priorities for funding; the main flexible funding source for Oregon OSHA is the Workers' Compensation Premium Assessment, the same revenue source used to fund the Modernization package described above. The additional rent would add approximately 0.5 percentage points to the WCPA for both 2024 and 2025, increasing it to 10.3 percent of premium.

Governor's Budget Summary

The 2023-25 Governor's Budget is \$738 million total funds and 973 positions (968.07 FTE). The budget is \$232.5 million, or 46%, more than the current service level of \$505.7 million. The increase is due primarily to phase-in funding of \$222 million total funds for administration and insurer payments of the Oregon Reinsurance Program within the Division of Financial Regulation (policy package 102). Additional increases include \$6 million Other Funds for the agency's Workers' Compensation modernization IT project (policy package 101), \$3 million Other Funds for newly established Prescription Drug Affordability Board (policy package 106), and approximately \$3 million for various IT support related positions totaling 13 positions (11.41 FTE).

Key Performance Measures

A copy of the DCBS Annual Performance Progress Report can be found on the LFO website [KPM - View Report \(oregonlegislature.gov\)](https://www.oregonlegislature.gov/kpm)