



November 18, 2025

Representative Greg Smith, Co-Chair
Senator Chris Gorsek, Co-Chair
Joint Interim Committee on Ways and Means Subcommittee on General Government
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairs:

I am writing to answer the question posed by a committee member during the Joint Interim Committee on Ways and Means Subcommittee on General Government hearing on Nov. 17, 2025, about the ending fund balance of the Premium Assessment Operating Fund (PAOA).

The Department of Consumer and Business Services is Oregon's largest consumer protection and business regulatory agency. The agency is funded by nearly 500 dedicated fees, assessments, and charges subject to provisions of ORS 291.050-060, which impose restrictions and procedures for the establishment and revision of agency fees. As a predominantly other funds agency, the PAOA funds are dedicated for the following purposes:

- Operating costs of regulating the state's workers' compensation system, including the Workers' Compensation Division, Workers' Compensation Board, the Ombuds for Oregon Workers, and the Small Business Ombudsman
- The portion of Oregon OSHA operating costs not covered by federal funds
- Claims costs not recovered from uninsured employers
- Oregon Institute of Occupational Health Sciences, Oregon Health and Science University (per ORS 656.630)
- Prompt payment of workers' compensation claims in the event of a self-insured employer or self-insured group insolvency

Oregon Revised Statutes require the DCBS director to use an administrative hearing process to set the assessment at a rate sufficient to support legislatively approved workers' compensation-related programs and services, including an appropriate ending fund balance to accommodate economic and other system variables. These variables include:

- Changes in the premium rates charged to employers for workers' compensation insurance
- Changes in federal funds that support Oregon OSHA programs
- Changes in legislatively approved expenditures, such as the workers' compensation modernization effort



The Workers' Compensation Board and the Workers' Compensation Division both have multi-million dollar ongoing IT modernization projects. We are currently in the process of initiating the request for proposal phase for these projects that will allow vendors to submit bids on the projects and produce a more complete plan proposal and detailed cost estimate of these modernization projects. Once known, the agency will seek a change in limitation that, if legislatively approved, will reduce the PAOA fund balance.

Additionally, as part of being an other funds agency, we are required to fund our agency central bargaining agreements through our internal revenue streams.

To ensure adequate funds are at hand to meet program goals, DCBS has an internal fund balance policy that determines program other fund account balance requirements. The director and division administrators, in consultation with our chief financial officer, are responsible for managing program account balances and establishing fee or assessment changes consistent with the following requirements to:

- Meet the cash flow needs of the account and associated programs
- Accommodate the timing of receipts and expenditures
- Ensure stable funding for legislatively approved programs and services during uncertain economic times
- Minimize the volatility of fees and assessments

The PAOA is required to have two to four quarters of expenditures. At times, the PAOA may have more or less than this requirement. This is allowed as long as it is a short-term condition and the balance is forecast to return to between two and four quarters of expenditures.

Assessment rates are set for the purpose of:

- Remaining unchanged for as long as possible
- Minimizing the number of rate changes when it is necessary to change rates
- Ensuring that when a rate change is necessary, the revenue produced by the rate change should be sufficient to bring the program account into compliance with the two-to four-quarter minimum balance

In the event that federal revenue streams are compromised, our other funds revenue allows us to continue Oregon OSHA operations with minimal and seamless disruption. This allows us to continue our agency mission to equitably protect and empower consumers and workers while maintaining a predictable yet innovative regulatory environment for the businesses we regulate.

Sincerely,



Sean O'Day
Acting Director

