

## HB 3803 -1 STAFF MEASURE SUMMARY

### House Committee On Rules

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**Meeting Dates:** 3/31

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#### WHAT THE MEASURE DOES:

The measure requires the Department of Administrative Services and state agencies to develop strategic workforce plans to facilitate and enhance the development of an agency workforce that is more flexible, dynamic, efficient, and effective at responding to current and potential future needs. It establishes the Enterprise Definitions and Standards Task Force to improve budgeting decisions and value-based analysis by reducing administrative variations in similar agency functions, and the Key Performance Measure Task Force to review, analyze, and adjust the key performance measure system. It establishes reporting requirements for public funds distributed to private, nonprofit, and nongovernmental entities. Lastly, the measure requires the Secretary of State Division of Audits to have auditors in a small agency team and economic impact team to each establish an audit schedule and conduct performance audits. The measure takes effect on the 91st day following adjournment sine die.

#### Detailed Summary

##### **Agency and Workforce Strategy Planning**

- Sets definitions for agency and executive department.
- Requires the Department of Administrative Services (DAS) to develop by January 1, 2026, enterprise strategic workforce plans, standards, and policies to facilitate and enhance the development of an agency workforce that is more flexible, dynamic, efficient, and effective at responding to current and potential future needs.
- Gives DAS the authority to direct agencies to develop and submit for review an agency-specific strategic workforce plan that may include implementation efforts.
- Requires DAS to review agency-specific plans and for each agency to comply with the terms of its plan or the plan as modified by DAS.
- Requires DAS to update the enterprise plan at least once every four years.

##### **Enterprise Definitions and Standards Task Force**

- Sets Task Force membership to consist of representatives from small, medium, and large agencies, advocacy commissions, and governance boards and requires DAS to provide staff support.
- Establishes the purpose of the Task Force to improve budgeting decisions and value-based analysis by reducing administrative variations in similar agency functions.
- Requires the Task Force to:
  - create enterprise-wide definitions and standards for programs, studies, processes, task forces, workgroups, boards, commissions, and others it determines are common to agencies, and
  - research and identify definitions, standards, and functions that are dormant, obsolete, and no longer used.
- Requires an affected agency to implement the Task Force's official actions by making conforming changes to the agency's rules that apply prospectively to programs and functions, but agency functions that exist as of January 1, 2027, do not need to align with Task Force recommendations or official actions.
- Allows the Task Force to recommend legislative changes to the interim or session committees on rules for consideration during the 2027 session.
- Requires the Task Force to undertake its official actions by January 1, 2027.
- Sunsets the Task Force on January 2, 2030.

**Reporting Requirements for Public Funds**

- Requires DAS to:
  - Develop reporting forms for private, nonprofit, and nongovernment entities receiving public funds to report on the use of public funds received and spent by expenditure category.
  - Study the types of existing reports and information gathering that these entities already provide and that satisfy the measure’s requirements and exempt entities that already submit adequate reports or information.
  - Adopt rules that identifies the types of grants and other fund distributions subject to the reporting requirement and sets a process for these entities to receive notice of the reporting requirements.
  - Develop and maintain internal profiles on entities subject to the reporting requirement, including reporting history, that may be shared with the Secretary of State or Legislative Fiscal Officer.
  - Publish aggregated information from the reports on the Oregon transparency website, and to redact or anonymize information that is exempt from disclosure.
- Requires private, nonprofit, and nongovernment entities receiving public funds to report at least once per biennium unless they have been identified by DAS as already providing satisfactory reports or information.
- Becomes operative on and applies to grants or other distributions of public funds that occur on or after July 1, 2026.

**Legislative Key Performance Measure System**

- Establishes the Key Performance Measure Task Force (KPMTF) consisting of the Governor, President of the Senate, Speaker of the House, DAS Director, Secretary of State (SOS), Legislative Fiscal Officer, LPRO Director, and Legislative Counsel.
- Requires KPMTF to meet every two years to review, analyze, and make adjustments to the key performance measure (KPM) system, including recommended adjustments to KPMs for each state agency to maximize clarity on performance-based outcomes for legislation.
- Allows KPMTF to make recommendations to the Legislative Assembly for improvements and best practices on:
  - Aligning legislative KPMs with existing agency best practices;
  - Creating a process for legislative service agencies to set outcomes and accountability measures for each legislative measure;
  - Aligning and tying KPMs to specific legislation and agency budgets; and
  - Providing sources of record for desired performance outcomes and future accountability.

**State Audit Functions**

- Requires the SOS Audits Division to maintain a small agency team of at least three full-time equivalent (FTE) auditors to:
  - establish a schedule of audits for each fiscal year of public entities with fewer than 75 FTE employees with priority given to those that have not been audited in the past 10 years; and
  - conduct performance audits on the agencies listed in the schedule.
- Requires the SOS Audits Division to maintain an economic impact team of at least three FTE auditors to:
  - establish a schedule of audits for each fiscal year of public entities that the team determines will likely result in the highest potential economic return on investment; and
  - conduct performance audits on the agencies listed in the schedule.
- Allows the SOS discretion to dedicate more resources to these teams.

Takes effect on the 91st day following adjournment sine die.

**ISSUES DISCUSSED:**

**EFFECT OF AMENDMENT:**

-1 The amendment replaces the measure. It makes minor changes to the enterprise workforce strategic planning requirements and specifies the types of public fund distributions that are subject to the reporting requirements. It deletes the Enterprise Definitions and Standards Task Force and instead makes DAS responsible for its purpose and functions. It changes the Key Performance Measure Task Force to the Key Performance Measure Council with the same members and responsibilities. Lastly, it replaces the Secretary of State Audits Division small agency and economic impact teams with one specialist team to establish a schedule and conduct performance audits.

Detailed Summary

**Agency and Workforce Strategic Planning**

- Excludes the Governor, Secretary of State, and Treasurer from the definition of agency.
- Requires DAS to update the enterprise plan every second year of a four-year gubernatorial term to take input from the Governor and adds a requirement to consult with state employee unions.

**Enterprise-wide Definitions and Standards**

Deletes the Enterprise Definitions and Standards Task Force and requires DAS to undertake the development of enterprise-wide definitions and standards to improve budgeting decisions and value-based analysis by reducing administrative variations in similar agency functions.

- Requires DAS to:
  - create enterprise-wide definitions and standards for programs, studies, processes, task forces, workgroups, boards, commissions, and any others DAS determines are common to agencies, and
  - research and identify guidelines, time frames, and other indicia that suggest that a common agency definition, function, or standard is obsolete.
- Requires consultation with two each of small, medium, and large agencies, advocacy commissions, and governance boards, and the Legislative Policy and Research Office, Legislative Counsel, and unnamed state employee labor union.
- Specifies the requirements for DAS to adopt rules for any enterprise-wide definitions and standards created or for a set of guidelines, time frames, and indicia indicating the obsolescence of definitions, standards, and functions by January 1, 2027.
- Requires an affected agency to implement the enterprise-wide changes by making conforming changes to the agency's rules that apply prospectively to programs and functions, but agency functions that exist as of January 1, 2027, do not need to align with DAS adopted rules.
- Allows DAS to recommend legislative changes to the interim or session committees on rule for consideration during the 2027 session.
- Sunsets these requirements on January 2, 2030.

**Reporting Requirements for Public Funds**

- Clarifies that a distribution of public funds is subject to the requirements if a state agency is directed by statute to distribute public funds to:
  - a private, nonprofit, or nongovernmental entity by name, without the agency being granted any discretion over the distribution or the choice of entity; or
  - an unnamed private, nonprofit, or nongovernmental entity that is described with such specificity that the agency must distribute the funds to a particular entity, without the agency being granted any discretion over the distribution or the choice of entity.
- Deletes the requirement for DAS to adopt rules identifying the types of grants and other fund distributions subject to the reporting requirements.

**Legislative Key Performance Measure System**

- Changes the Key Performance Measure Task Force to the Key Performance Measure Council with the same members and responsibilities.

**State Audit Functions**

- Deletes the small agency team and economic impact teams and instead requires the Secretary of State (SOS) Audits Division to maintain a specialist team of at least three full-time equivalent (FTE) auditors to
  - establish a schedule of audits for each fiscal year of public entities that have fewer than 75 FTE employees, or that have not been audited in the past 10 years, regardless of the number of employees; and
  - conduct performance audits on the agencies listed in the schedule.
- Allows the SOS to defer the staffing of the specialist team of auditors until a date that is sufficiently in advance of the 2027-2028 fiscal year to ensure that the specialist team audit schedule will be incorporated into the 2027-2028 fiscal year audit plan.

**BACKGROUND:**

The Department of Administrative Services (DAS) supports other state agencies, coordinating statewide services and administrative policies. The Department stewards and oversees policy and processes for statewide operations, statewide performance and analysis, business functions at agencies, direct services for client agencies, and data systems or records for core operations. The work at DAS includes accounting, budgeting, facilities, fleet, human resources, information technology services, payroll, procurement, publishing and distribution, risk management, and surplus property.

In 1993, the Legislative Assembly required agencies to include benchmark-based planning in performance measurement and budget policy. In 2001, the Legislative Assembly added specific requirements for how performance measures should be developed and reported. ORS 291.110 specifies that DAS, in consultation with the Legislative Fiscal Office, shall ensure the development of a statewide system of performance measures designed to improve the efficiency and effectiveness of state programs and services. State agencies are expected to continue to track and report annually on a set of Legislatively Approved Key Performance Measures (KPMs), and request changes to improve their KPMs as part of the budget development process.

Section 2, Article VI, of the Oregon Constitution provides that the Secretary of State, by virtue of holding the office, is the Auditor of Public Accounts. The SOS Audits Division conducts financial, performance, and information technology audits. Current statutes give the Joint Legislative Audit Committee the authority to provide oversight of the conduct of performance audits and program evaluations that are outside of the SOS's Constitutional authority and that are conducted on state departments, boards, commissions, institutions, and state-aided institutions and agencies.