

Consumer and Business Services

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund		1,299,319	1,303,041		
Other Funds	224,955,675	367,014,796	396,722,792	291,466,177	371,149,484
Other Funds (NL)	167,064,244	211,515,831	211,515,831	172,013,483	172,013,483
Federal Funds	14,624,345	100,670,278	113,663,321	16,658,560	119,746,686
Total Funds	406,644,264	680,500,224	723,204,985	480,138,220	662,909,653
Positions	956	963	963	955	934
FTE	947.91	957.92	957.92	950.67	929.55

* Includes Emergency Board and administrative actions through January 2021.

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.

- Oregon Health Insurance Marketplace Division – Operates the state-based health insurance exchange authorized by the federal Affordable Care Act. The program provides public access to qualified health plans, premium subsidies, and tax credits for individuals enrolling in plans through the HealthCare.gov web portal; provides education and outreach to the public on the availability and affordability of health plans offered through the exchange; and works with consumers and insurance industry professionals both directly and through the health policy advisory council to address health insurance market needs and concerns. The Senior Health Insurance Benefit Assistance (SHIBA) program that was housed in the Insurance Division prior to the consolidation of that division with the Financial and Corporate Securities Division, and the medical cost assistance program for Compact of Free Association (COFA) islanders is also managed within the Oregon Health Insurance Marketplace Division.

CSL Summary and Issues

The current service level budget for DCBS decreases sharply from the Legislatively Approved Budget. The \$200,362,004, or 29.44% reduction, primarily results from the phasing out of one-time funded programs as follows:

- *Workers' Compensation Programs*

Phases out \$1,434,314 in Other Funds expenditure limitation from the Premium Assessment Operating Account for one-time initial expenditures for the ongoing worker's compensation modernization project. The reduction includes \$1,378,926 in IT professional services for contracted staff and \$55,388 for rent and other one-time services and supplies expenditures. One permanent, full time PEM-E position is continued as the project manager. POP 101 continues the project into 2021-23, but the portion of the package that was associated with this SCR was not included in Governor's budget. The package only includes funding in Central Services.

- *Health Insurance Marketplace*

Eliminates one-time General Fund appropriations that were approved in the 2019-21 biennium:

1. \$1.2 million for deposit in the COFA Islander Premium Assistance Fund
2. \$41,590 for the professional services portion of the \$99,319 GF appropriation provided in HB 2706 (2019) for a study on the feasibility of including dental cost coverage for COFA Islanders. The \$57,729 difference, including a 0.25 FTE limited duration position, is removed at base-budget.

Phases out \$1,146,851 Other Funds expenditure limitation from the COFA fund, including \$119,812 in services and supplies and \$1.02 million in payments to individuals. This leaves roughly \$300k in OF expenditure limitation from the fund. As discussed in POP 103, the Governor's budget proposes to transfer the Health Insurance Marketplace, including the COFA program, to OHA. There is a bill for this change; SB 65.

- *Division of Financial Regulation*

Phases-out \$101 million in Other Funds expenditure limitation and \$84.5 million in Federal Funds expenditure limitation for the administration and insurer payments for the Oregon Reinsurance Program. The expenditure limitations and administrative position authorizations are re-established in policy option package 105 at the projected required funding level for the 2021-23 biennium. Additionally, \$780,000 in Federal Funds expenditure limitation related to grant funding for Affordable Care Act enforcement provisions is also phased-out.

Non-PICS personal services adjustments of \$1.7 million primarily consist of increased pension obligation bond costs and decreased vacancy savings across all divisions.

Standard inflation factor applied to Services and Supplies result in a \$6.65 million increase in expenditures included in the current service level. Extraordinary inflation factor was applied almost exclusively to rent costs resulting in an increase of just over \$100,000 agency wide.

The Current Service Level presented in the table above does not include the revenue shortfall package 070. The Oregon OSHA program personal services costs continue to increase due to standard personal services inflation factors, but the federal funding for the program remains functionally fixed, creating a perennial shortage of budgeted Federal Funds for the program. During the prior biennium, the shortfall was resolved by reducing services and supplies budgeted Other Funds expenditures and increasing personal services Other Funds expenditures in a like amount to cover the Federal Funds shortfall. The revenue shortfall package this biennium reduces both Federal Funds (\$361,718) and their corresponding Other Funds (\$237,400) supporting three positions (2.50 FTE). The Governor's budget re-establishes the positions funded entirely from Other Funds in policy option package 102. The funding source is the Workers' Compensation Premium Assessment Operating Account.

Policy Issues

The largest single policy issue for the upcoming biennium is the proposal to move the Health Insurance Marketplace from DCBS to OHA. This will have a significant impact on the budget for the agency. Resultant from the move, allocated administrative costs in the remaining programs will increase. The Governor's budget proposes to transfer the Health Insurance Marketplace, including the COFA program, to OHA. Policy option package 103 deals with the budget mechanics. There is a bill for this change; SB 65. The Senior Health Insurance Benefit Assistance program would be retained by DCBS but moved into the Division of Financial Regulation.

Insurance stabilization program (reinsurance) HB 2391

Pandemic

DCBS was provided an allocation of \$30.0 million of Coronavirus Relief Funds and the corresponding Other Funds expenditure limitation during the July 2020 Emergency Board meeting for the purpose of establishing a program to provide financial relief to individuals that were required to quarantine themselves due to possible exposure to COVID-19, but did not have access to supplemental income replacement

under another program. The program funding was originally required to be spent by the end of 2020, but the Coronavirus Response and Relief Supplemental Appropriations Act extended the deadline for expenditures of these funds to the end of 2021. As of December 22, 2020, DCBS had expended \$8.3 million of the original \$30 million allocation, and forecasted to spend an additional \$20.2 million by March 25, 2020.

Other Significant Issues and Background

DCBS began the initial work on a project to modernize the various computer and information technology systems for the Workers' Compensation Program during the 2019-21 biennium. As recommended by LFO, the agency was directed to establish a permanent project manager and utilize existing staffing support, but the agency was also provided expenditure limitation for contracted IT positions to work on the initial work required for the business case and stage-gate certification. The agency's requested budget included additional funding and positions in the Workers' Comp Program in anticipation of beginning the solution implementation during the 2021-23 biennium, but the project is still in the planning and business case stages. The project has achieved Stage Gate 1 certification but is still pending Stage Gate 2 approval. The project continues to progress, and it is likely that the agency will bring forward additional funding proposals throughout the biennium.

Key Performance Measures

A copy of the DCBS Annual Performance Progress Report can be found on the LFO website

https://www.oregonlegislature.gov/lfo/APPR/APPR_DCBS_2020.pdf