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Oregon's payouts for wrongdoing grow; threaten solvency of state insurance fund

**By Lauren Dake** (OPB)

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In 2023, [the state paid \\$40 million of state taxpayer](#) dollars to settle a lawsuit alleging “deliberate indifference” on the part of the Oregon Department of Human Services that allowed for sexual and physical abuse of four children by their foster parents.

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It was the largest payout in the state’s history for such wrongdoing, exceeding the previous record of \$15 million, which was also paid out to children abused while in the state’s foster care system.

Since 2023, just the top 10 most expensive payouts amount to more than \$60 million. The agency that appears to cost the state the most money is the Oregon Department of Human Services.

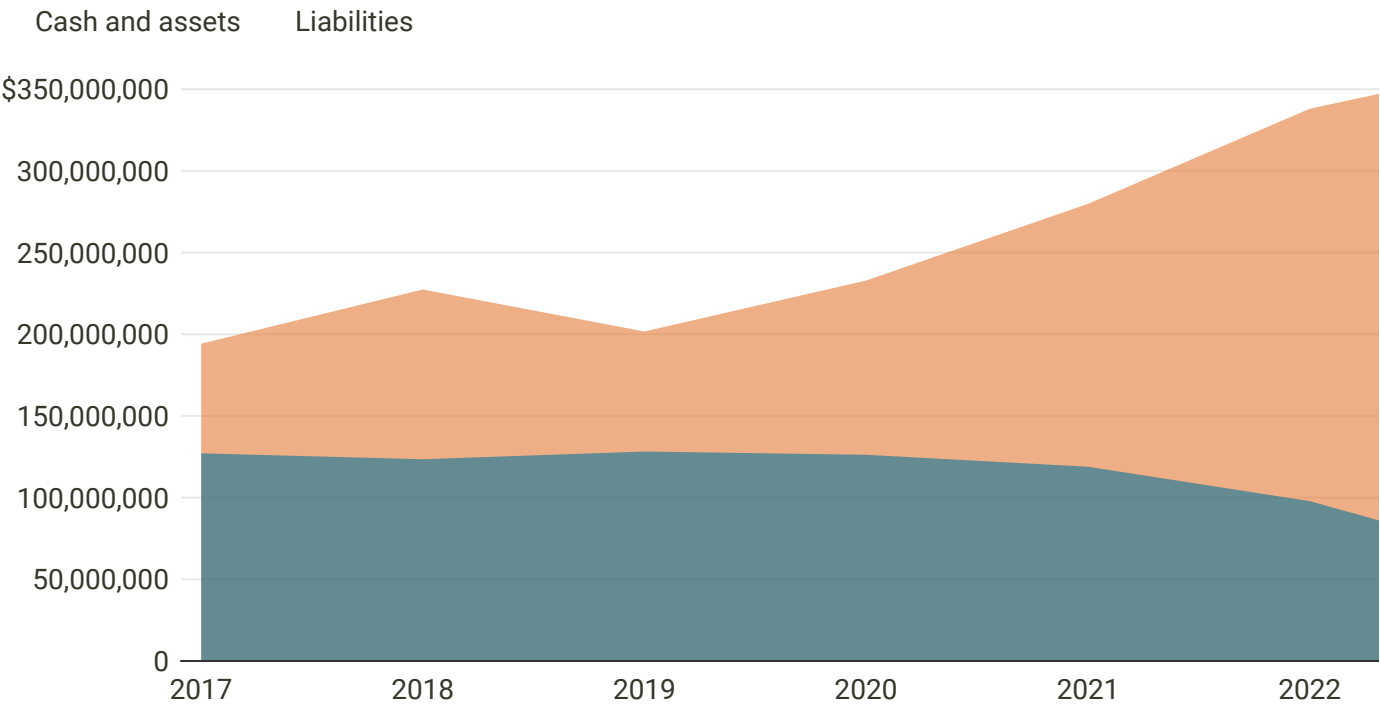
But these payouts — many for state wrongdoing — extend across many agencies; there have also been multi-million dollar claims paid to the family of a prisoner who died at the Oregon State Penitentiary and several million paid to a woman who said working at the Oregon Bureau of Labor & Industries was a hostile work environment.

And some lawmakers are worried the money is running out.

“While it’s not a crisis, it has all the markings of one if it’s not dealt with very soon,” Rep. Suzanne Weber, R-Tillamook, told members of the Senate Committee on Labor and Business at a recent legislative hearing.

Liabilities rising for Oregon's self-insurance fund

The fund uses taxpayer money to cover risks like workers’ compensation claims or pay legal fees across state agencies. Lawmakers are worried the money is running out.



Source: Oregon Department of Administrative Services

The money comes from the [state’s self-insurance fund](#), which different state agencies pay into. The fund is meant to cover risks like workers’ compensation claims and other liabilities. It’s also the legal expense account, tapped to settle or fight lawsuits across all state agencies. It is taxpayer dollars.

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“I do not believe that we as members of the Legislature and those that are responsible for the financial safeguarding of the state of Oregon have an understanding of the state self-insurance fund,” Weber said. “Because if we did, I do not believe that we would have allowed it to reach this point.”

Currently, the fund has about \$90 million in it. But there are anywhere from 1,000 to

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deplete the fund.

Lawmakers want the state agency overseeing the fund to give more frequent reports about how much is in the account and how it's being spent. Senate Bill 463 would require the agency to do so.

Sen. Sara Gelser Blouin, D-Corvallis, who is supporting the measure along with two Republican lawmakers, said she tried to do her own tally of how many payouts could be in the wings and said it took her hours of digging just to figure out what lawsuits are pending against one state agency, DHS.

“Multiple active claims of physical and sexual abuse, negligence, infliction of emotional distress and several allegations of wrongful death of children are being actively litigated,” Gelser Blouin wrote in written testimony to the committee. “Collectively those suits are seeing over \$345 million in damages.”

State officials said there were a range of primary drivers for why the insurance fund was in trouble, they included “extraordinarily large civil rights claims” and “rising defense costs” for complex cases.

“How much has been paid? From what funds were they paid? What other cases are pending? Weber asked. “We don’t know the answers and the attempts to find the answers would take a great deal of time across state agencies, assuming state agencies even answer the phone.”

The fund has reached problematic lows for a couple of years now, but mostly flown under the radar. Last year, it dipped so low the state took \$90 million in reserves from the Public Employees’ Revolving Fund, a move that was strongly opposed by state employees’ unions. The public employees revolving fund is meant to go toward health benefits for public employees.

“Year over year, state workers have made sacrifices on wages to prioritize strong healthcare,” a letter opposing the sweeping of funds from several unions (SEIU, OEA and AFSCME) to members of the budget-writing committee read in the summer of 2023.

“Workers count on their contributions to health care to be used to improve the affordability and quality of benefits, not to be used for general fund purposes,” the letter continued.

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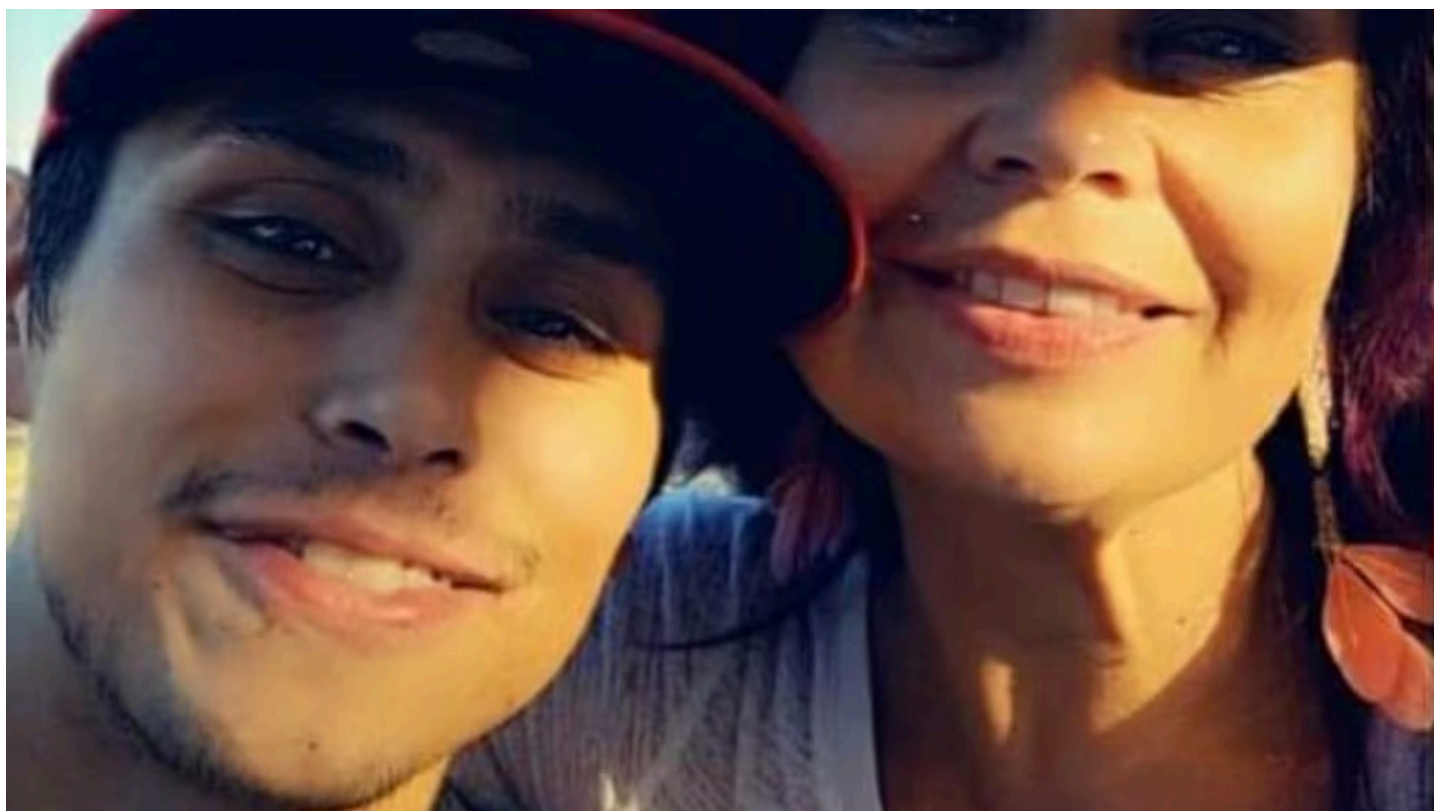
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Oregon settles child-welfare civil lawsuit; expert will be appointed to oversee the troubled system

The settlement stipulates Disability Rights Oregon and the state will agree upon a “neutral,” an expert to oversee the foster care system and work with the individual to improve the child-welfare system, primarily by reducing the rate of mistreatment and improving the quality of placements.

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Settlement also includes policy reforms and demands an independent audit in the near future.

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Oregon fights wrongful conviction payouts. A new bipartisan bill aims to end that

Since passing a law to pay exonerees for wrongful convictions in 2022, Oregon has paid less than five people who have applied for the money. Lawmakers now want changes to the law.

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